Banking beyond borders: will European consumers buy it?

A pan-European banking system
Do consumers want a single European financial services market?
Would consumers buy from a foreign bank?

Naming a foreign bank
Which banks are best known in Europe?

The euro
How do consumers compare in their support for the euro?

Customer satisfaction
Are consumers pleased with the service from their main bank?
How loyal are consumers and do they use multiple financial service providers?

YouGov is a full service market research agency that specializes in online data collection methods. The agency is a recognized thought leader and innovator in its space and is the most quoted polling organization in the UK today. Agency projects utilize a variety of research methods and cover a range of industry sectors and research types in the UK and other countries. YouGov recruits and maintains an online consumer panel in Great Britain and also works closely with its consumer panel and other sample partners when required to complete projects in the UK, Continental Europe, North America and the Pacific region.

Online surveys are representative of the population they sample from through the application of relevant sampling and demographic and lifestyle profiling quota controls. Data can be further weighted to total adult population characteristics when conducting nationally representative surveys. Percentage calculation of absolute numbers extends to two decimal points. As a result, some rounding is included in the final tabulated percentages.

Foreword

Retail bankers have been discussing the possibilities of pan-European banking ever since the single European market in people, goods, services and capital was mooted. This single market was created in 1992, to be followed less than a year later by a single currency, the lynchpin of Economic and Monetary Union (EMU). Yet in reality European markets remain fragmented – as perhaps most clearly evidenced by the fact that several countries have still not adopted the euro.

Whether bankers are in favor of all European Union (EU) member states being in the eurozone or not, the issue should not be a serious impediment to the provision of cross-border financial services within the EU. There are plenty of other obstacles to overcome. And, as the results of our European survey show, one of the most challenging is the consumer.

Most European consumers are happy with the banking system in their country and want to keep it as it is. They would prefer to deal with their own country's banks, not foreign banks. And they do not want to see the emergence of a handful of pan-European "super-banks".

Yet banking executives harboring cross-border ambitions should not give up. Enough positive signals are sent out, particularly in southern and eastern European countries, to warrant continued effort. People may not want to see a handful of European megaliths dominating the market, but that does not mean that they are inherently opposed to buying products from foreign banks.

Which banks are likely to make the most progress in tapping into the potential of the vast European market sitting on all our doorsteps? This research suggests that, in most countries, keeping a local brand could be decisive. Conspicuously foreign brands are likely to struggle. But to make generally satisfied and often long-standing customers move their business, exceptional pricing, service and distribution strategy will be required as standard.

There are no easy answers in the quest for banking beyond borders.

Brendan Nelson, KPMG LLP (UK)
Global Chairman, KPMG's Financial Services practice

Executive summary

Much has been said about the prospect of a single European financial services market. But is there a real appetite for this among consumers? KPMG set out to test the attitude of the ordinary customer across Europe, and so build a picture for retail banks of both the overall trends and regional variations.

The survey canvassed the opinions of over 2,300 bank customers across ten countries, seven of which are already in the EU (France, Germany, Italy, Netherlands, Spain, Sweden and the UK), two are due to join in May (Czech Republic and Poland), and one is outside (Switzerland).

This report highlights the key findings of the research and identifies the strategic challenges that banks will have to address if they are to successfully build networks across European borders.

1

A pan-European banking system

Most consumers do not want to see the emergence of a pan-European banking system dominated by a handful of "super-banks".

Most Europeans would prefer to deal with their own country's banks rather than foreign banks, and do not want to see the emergence of a handful of pan-European "super-banks". Most people believe banking in their country is good and are happy with the system as it is.

The results challenge the ambitions of banks hoping to spread their wings throughout the European retail banking market, at a time when the EU is enlarging by taking in ten new member states this year.

But the survey also shows that consumers are broad-minded enough to want to allow foreign banks to gain better access to their markets, and would consider buying from them. A clear majority support – as a concept at least – a single European financial services market.

The UK is the most strongly opposed to foreign influence, with the Netherlands closely behind it. Germany is the most set against the emergence of "super-banks", while other countries, most notably Spain, Italy, the Czech Republic and Poland are generally very positive about the concept of a more open market and buying from foreign banks.

A conclusion can be drawn that northern and central European countries are less convinced about dealing with foreign banks, while southern and eastern European consumers are more enthusiastic.

2

Naming a foreign bank

Only just over half of people can name a foreign bank.

Irrespective of how much each country's consumers welcomed foreign banks, their recall of foreign bank names is almost universally poor. When asked to "Name the first foreign bank that comes to mind", only 52 percent of the total could name one. Deutsche Bank has the highest recognition. In the UK, more than a fifth of people naming a foreign bank named HSBC – a British bank! This would suggest that, to succeed on the European stage, banks face two choices: invest significant time and money in raising awareness of their own brands, or acquire or adopt a local one.

3

The euro: countries that have adopted it

Opinion is strongly against the euro in the five countries surveyed that have adopted it.

In answer to the question "Has the adoption of the euro been beneficial to your country?", 54 percent say "No, it has not been beneficial", while only 32 percent say "yes". The Dutch are the most negative, with 73 percent saying "no".

4

The euro: countries that have not adopted it

By contrast, opinion is favorably weighted towards the euro in the five countries surveyed that have not adopted it.

In answer to the question "Do you think adopting the euro would be good or bad for your country as a whole?", 47 percent say "It would be good", while 35 percent say "It would be bad". The British buck the trend, with 35 percent in favor and 51 percent against.

5

Customer satisfaction

Consumers are generally pleased with their main bank…

Despite negative stories about banks frequently appearing in the media, 78 percent of respondents agree that their bank gives them a good service and they are pleased to bank with it. This high level of satisfaction may come as a surprise to many.

6

Switching banks

…yet many are considering switching.

Despite the high degree of loyalty – or is it inertia – shown to banks, 15 percent are considering switching in the next year. The highest percentage is in Italy (29 percent), perhaps because many customers are seeking to avoid bank charges, which have recently been extended to online banking transactions for the first time.

7

Important features of a banking service
Three features that matter.

Asked to choose the three most important features that matter when choosing a bank, "low charges and fees", "good Internet banking" and "competitive rates of interest" come first, second and third respectively.

8

Debt: reasons for optimism and caution
One fifth of consumers use credit or loans to get through to their next paycheck.

On the subject of loans and mortgages, there are some big national variations. For example, 46 percent of respondents have no debts (excluding mortgages), with Italians being the least indebted (59 percent) and Swedes the most (only 30 percent have no debts). Overall, nearly one fifth of respondents (17 percent) say that they often or sometimes use credit or loans to get through to their next paycheck – a concerning statistic in one of the richest regions in the world.

Conclusion:

Although Europe could technically become one market place within the next few years, it is still – and doubtless always will be – a diverse region. Notions of patriotism jostle with vague sentiments of belonging to a European community. Banks therefore need to think very carefully about how they will brand and market themselves in other European countries – or risk rejection from their chosen markets. Southern and eastern Europe hold out the best prospects for expansionary success.

In a community where over half of adults cannot even name a foreign bank, the strategic challenge is clear if millions are not to be wasted in fruitless expansionist projects.

But, for those that get it right and excel in service and value, the prize could be enormous: the potential to expand a customer base from tens of millions to hundreds of millions.

Key findings

On behalf of KPMG, YouGov elicited the opinions of over 2,300 bank customers across ten European countries in February 2004. The survey was conducted online among a representative sample of adults aged 18 years and over in each country. This report is only a summary of the key findings. The full survey results may be viewed with the permission of KPMG.

1

A pan-European banking system

Most consumers do not want to see the emergence of a pan-European banking system dominated by a handful of "super-banks".

On the face of it, the research findings (see Figure 1.1, questions a, b and c) challenge the ambitions of those banks hoping to spread their wings throughout the European retail banking market, at a time when the European Union (EU) is enlarging by taking in ten new member states this year. Banks thinking of moving into other European countries for the first time, or further developing already established networks, may find these results worrying.

Selling financial services in foreign markets is fraught with difficulty, even for EU-based institutions selling within the EU. And if 53 percent of people agree with the statement that they would prefer to deal with their own country's banks, as against 28 percent who disagree, and 46 percent agree that they do not want to see pan-European "super-banks", as against 26 percent who disagree, banks wanting to venture beyond their home markets are likely to continue to find the going tough.

But it is not all gloom. There are some more encouraging consumer messages within the results, which give succor to banks expanding beyond their domestic markets. When asked to agree or disagree with the statement "Banking needs to change, with markets being opened up more to foreign banks", 50 percent of respondents agreed and only 22 percent disagreed (Figure 1.1, question d).

Figure 1.1 Do you agree or disagree with the following statement?

a. Banking in my country is good and I am happy with the system as it is.

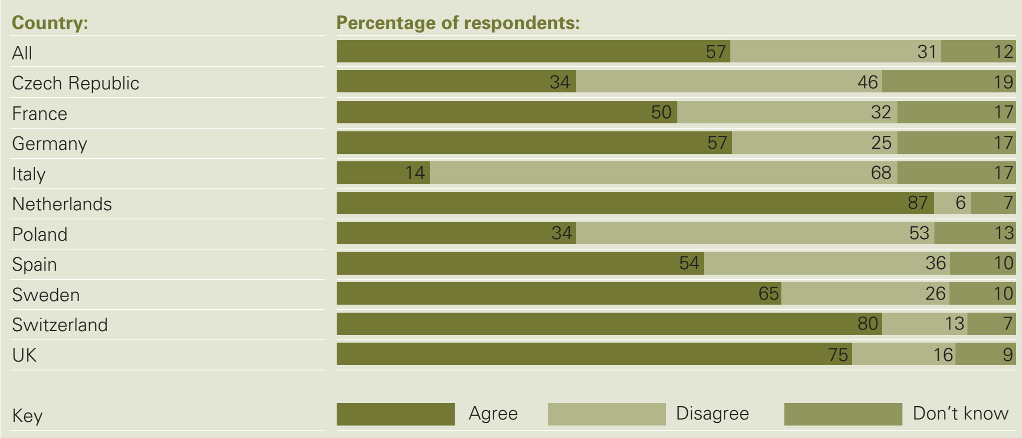


Figure 1.1 Do you agree or disagree with the following statement?

b. I would prefer to deal with my own country's banks not foreign banks.

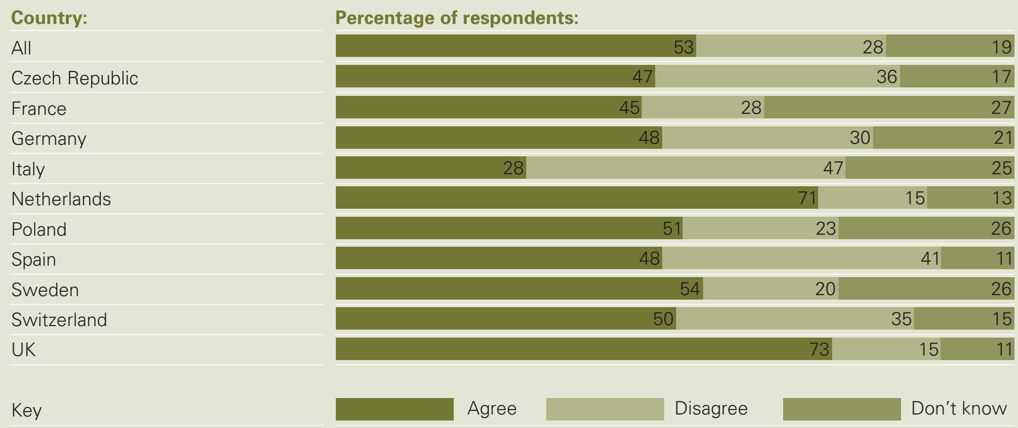
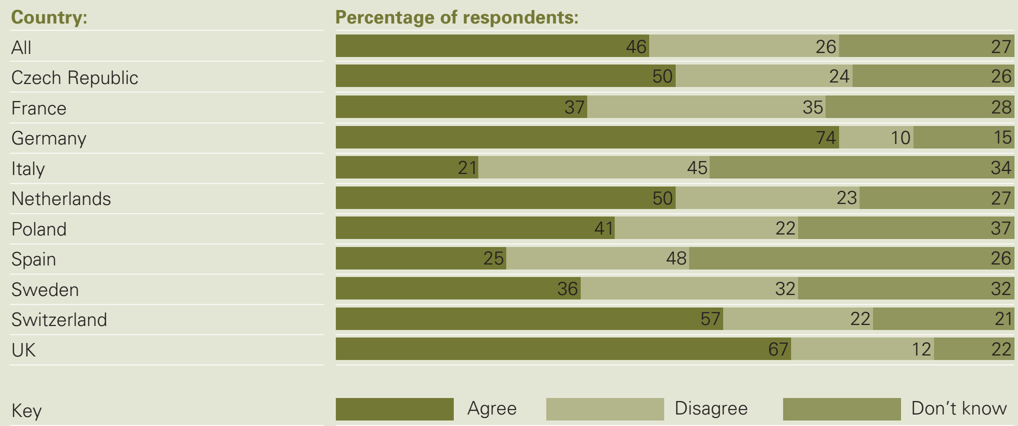


Figure 1.1 Do you agree or disagree with the following statement?

c. I do not want to see the emergence of a handful of pan-European "super-banks".



In answering two other related questions, a significant majority (60 percent) said they would consider buying a financial product from a foreign bank (Figure 1.2) and 68 percent would support moves by the EU to create a single European financial services market (Figure 1.3).

The logic that underlies these apparently mixed consumer messages is that, while people may not want to see power concentrated in the hands of a few dominant players, they might well still be happy to see a wide range of banks operating across borders with which they would consider doing business.

This could also be explained by the psychological and social contradictions that affect all nationalities and which are widely recognized – the fact that most people admit to being patriotic, but on the other hand do not want to be seen as blinkered or xenophobic. The survey, therefore, shows that customers are, by and large, happy with their home-grown institutions, and being patriotic are prepared to state their support for them. Yet, they are broad-minded enough to want to allow foreign banks to gain better access to their markets, and to further establish their liberal credentials, would even consider buying from them.

The results vary considerably between some countries. The UK and Netherlands are the most strongly opposed to foreign influence, while Spain, Italy, the Czech Republic and Poland appear to be much more favorably disposed.

For example, only 38 percent of UK respondents, and only just over half the respondents in the Netherlands and Sweden, would support the creation of a single financial services market so that they could more easily buy from banks anywhere in Europe – but in each of Italy, Spain, Czech Republic and Poland support rides high at over 80 percent.

Consumers want to allow foreign banks to gain better access to their markets and would even consider buying from them

Figure 1.1 Do you agree or disagree with the following statement?

d. Banking needs to change, with markets being opened up more to foreign banks.

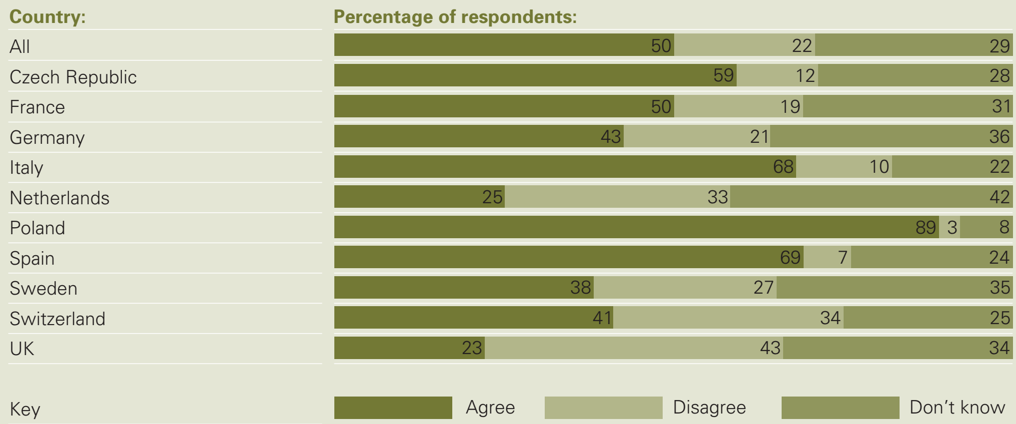


Figure 1.2 Buying from a foreign bank

Would you consider buying a financial product from a foreign bank (i.e., a bank which has its HQ outside your country)?

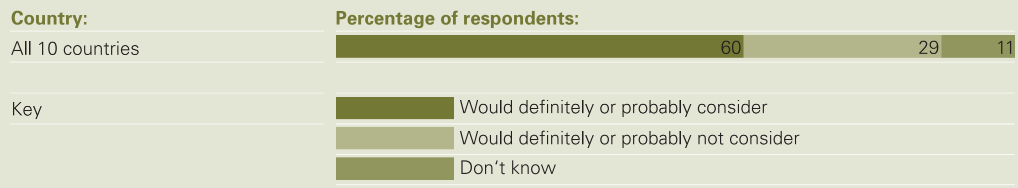


Figure 1.3 Single European financial services market

Would you support moves by the EU to create a single European financial services market so that you could more easily buy financial services and products from anywhere in Europe?

Another illustration of this divergence of opinion can be seen in response to the question of whether banking needs to change with markets being opened up more to foreign banks. Whereas in Poland, Spain, Italy and Czech Republic there were clear majorities in favor of this, in other countries the response was more muted. This was particularly the case in the UK and Netherlands, but other countries, such as Switzerland, Sweden, France and Germany, were also lukewarm.

Is there then a divide across Europe? The research would suggest that, broadly speaking, northern and central European countries – UK, France, Germany, Sweden, Netherlands, and Switzerland – are relatively happy with their own banking system and are equivocal about the value of dealing with foreign banks.

Bank customers in southern and eastern European countries, meanwhile, are less happy with their banks and regard foreign participation in their home markets as a force for good. This would tend to accord with some generally accepted facts: that banking in these countries has historically been inefficient (not surprising in the former Eastern Bloc countries as private sector banking is little more than a decade old), that customers usually have to pay for many transactions (a particular issue in Italy at the moment), and that many foreign banks already operate in these countries (for example, in Poland some 90 percent of banks are foreign owned, and in Spain, Barclays, Deutsche Bank and ING have significant operations).

A message for the board is that, unless they are prepared to expend a lot of effort, banks with pan-European ambitions should not focus too hard on the developed markets of northern and central Europe. At best, consumers there are politely interested in the concept of European banking but will need significant encouragement to truly engage. Banks should perhaps concentrate instead on southern and eastern European countries where consumers are more welcoming of foreign banks and propensity to actually buy seems much higher.

2

Naming a foreign bank

Only just over half of people can name a foreign bank.

Irrespective of how much each country's consumers welcomed foreign banks, their recall of foreign bank names was almost universally poor. When asked to "Name the first foreign bank that comes to mind", only 52 percent of the total could name one (Figure 2).

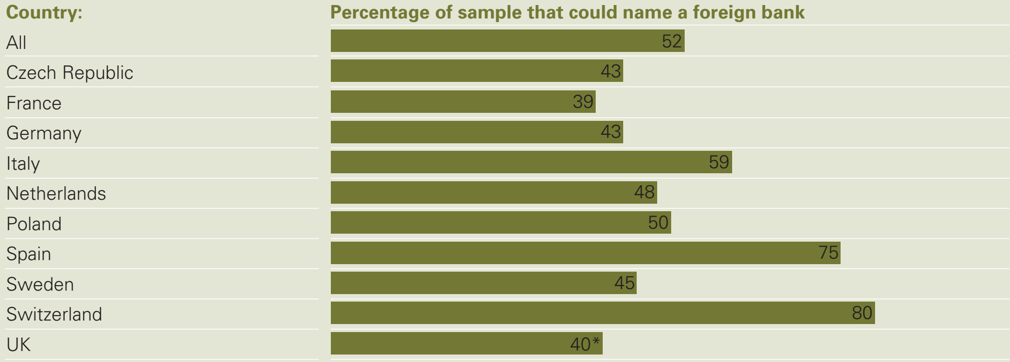
Only Switzerland (80 percent) and Spain (75 percent) had any high levels of recognition, which in the former is a reflection of the importance of the international private banking sector and the prevalence of German and French banks in a nation where these are the two main languages, and in the latter is a reflection of the inroads Deutsche Bank, Barclays and Citibank have made in the market. Italy (59 percent) registered a reasonable level of recognition, probably because there are a number of fairly visible foreign banks operating there.

In France, only 39 percent could name a foreign bank, with Barclays, ING, Deutsche Bank and Egg coming first, second, third and fourth respectively, the result confirming that France is one of the hardest markets for foreign entrants to break into. Egg may have achieved some recognition since it entered France not long ago, but it is widely accepted that the UK Internet bank has not done as well there as it hoped.

In the UK, only 40 percent could name a foreign bank, the second lowest survey score – this is excluding HSBC, a British bank, which accounted for 22 percent of those named (31 out of 138). The UK figures are very low when you consider that London is the world's banking capital and that the UK personal financial services market is one of the most open. The reason lies, perhaps, in the fact that London's international banking activity does not permeate down as far as the man, or woman, on the high street, and that the personal banking market is so dominated by highly efficient domestic institutions that it is very difficult for outsiders to make an impression.

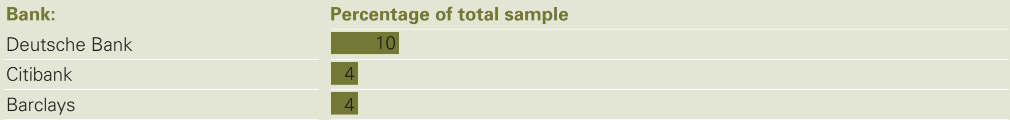
Figure 2 Naming a foreign bank

Can you name the first foreign bank that comes to mind?



*51% if HSBC, a British bank, is included in the responses

Top three banks named, all countries:



Banks hoping to expand in countries with low foreign bank name-recognition would be well-advised to use local brand names

In Poland, at first glance it is surprising that only 50 percent can name a foreign bank, when 90 percent of banks are foreign owned. This can be explained by the fact that many foreign banks are locally branded, so many consumers may not be aware who owns them. Polish respondents are largely receptive to other European banks (Figure 1.1d), which is probably due to the immaturity of the local banking sector and the need for foreign investment, but it is significant that many foreign players adopt Polish brand names.

The important lesson to be learnt from this part of the survey is this: banks hoping to expand in countries with low foreign bank name-recognition (such as Poland, France and the UK) would be well-advised to use local brand names, while banks with ambitions in Switzerland, Spain and perhaps Italy may be able to make progress under their established brands.

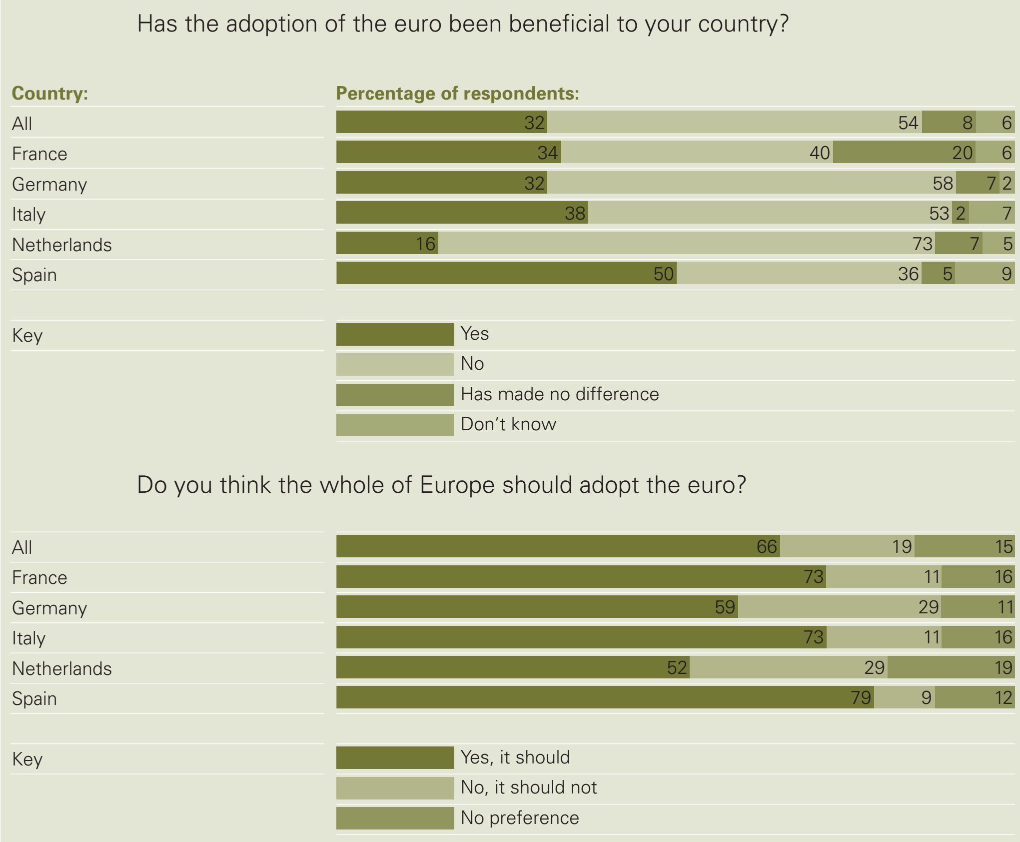
3

The euro: countries that have adopted it
Opinion is strongly against the euro in the five countries surveyed that have adopted it.

Consumer opinion is strongly weighted against the euro in the five countries surveyed that have adopted it. In answer to the question "Has the adoption of the euro been beneficial to your country"?, 54 percent say "No, it has not been beneficial", while only 32 percent say "yes" (Figure 3).

There are wide differences between countries. The Dutch are the most negative about the euro, with 73 percent saying "no". The Spanish are the most positive, with 50 percent saying "yes" – but a sizeable number (36 percent) still say "no". The reasons for anti-euro feelings running high in the countries surveyed are various, but a common factor is the widely held belief – true or otherwise – that the conversion from the national currencies to the single currency has been used by retailers to mask price rises which has increased inflation.

Figure 3 The euro: countries that have adopted it



Despite this widespread ill-will towards the euro, when asked "Do you think the whole of Europe should adopt the euro?", 66 percent answer "yes" – signifying that a large number of those who think it has not been beneficial still want people outside the eurozone to join in order to create a more level playing field. This is well illustrated by the Dutch sample, where there is a large body of opinion against the euro yet a majority (52 percent) still want the rest of Europe to join.

4

The euro: countries that have not adopted it

By contrast, opinion is favorably weighted towards the euro in the five countries surveyed that have not adopted it.

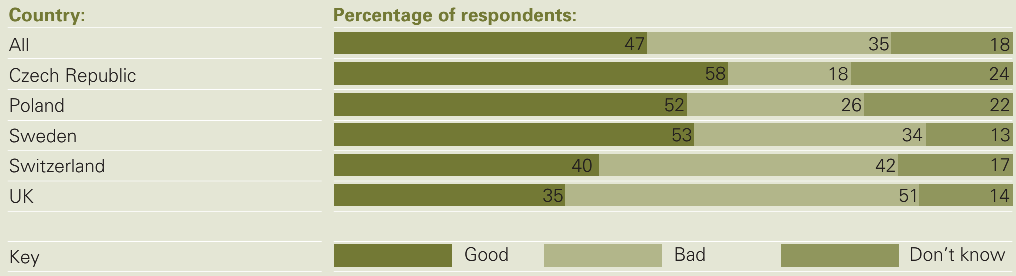
By contrast, opinion is, overall, favorably weighted towards the euro in the five countries surveyed that have not adopted it. In answer to the question "Do you think adopting the euro would be good or bad for your country as a whole?", 47 percent say "It would be good", while 35 percent say "It would be bad" (Figure 4).

There are clear differences between individual countries. A significant number of respondents in the UK (51 percent) think the euro would be bad for them; yet in the Czech Republic, only a small proportion (18 percent), think it would be bad. These results are to be expected: the British public is well known for its overall support of the pound, while the Czechs appear to be looking forward to joining the EU this year and, eventually, the eurozone.

Interestingly, Swedish banking consumers are very positive about the euro (53 percent "good", 34 percent "bad"), even though in last year's referendum on whether to join the euro there was a narrow majority against.

Figure 4 The euro: countries that have not adopted it

Do you think adopting the euro would be good or bad for your country as a whole?



5

Customer satisfaction

Consumers are generally pleased with their main bank…

It might come as a surprise to many observers of the banking industry, but European consumers in general agree that their main bank gives them a good service and they are pleased with it: 78 percent “strongly agree” or “agree” with this view, and only 11 percent “strongly disagree” or “disagree” (Figure 5.1). Although banks get a pasting in the press when there is an embarrassing service failure, major fraud is revealed, jobs are cut or they are perceived to be making excess profits, the survey shows that consumers probably see these events as aberrations that do not affect their long-standing banking relationships.

The Dutch (86 percent), Swiss (84 percent), Germans (83 percent) and the Swedes (83 percent) express the greatest satisfaction with their bank, while the Italians (56 percent) express the lowest. Perhaps a perceived inefficiency of Italian banks among the public, and the fact that banks have been widening their charges to extend to online banking transactions recently account for these lower satisfaction levels.

The survey reveals high levels of loyalty – or perhaps inertia – to banks: 53 percent of respondents have banked with their current main bank for 11 years or more. (Figure 5.2). In the UK, Netherlands and France the figure rises to 68 percent. In Poland and the Czech Republic the figures are a lot lower, which simply reflects the fact that most banks in these former communist countries are new and their private banking sectors are only around 15 years old.

Figure 5.1 Pleased with their bank

Thinking of your main bank, do you agree or disagree with the statement ”Overall my bank gives me a good service and I am very pleased to bank with them“.

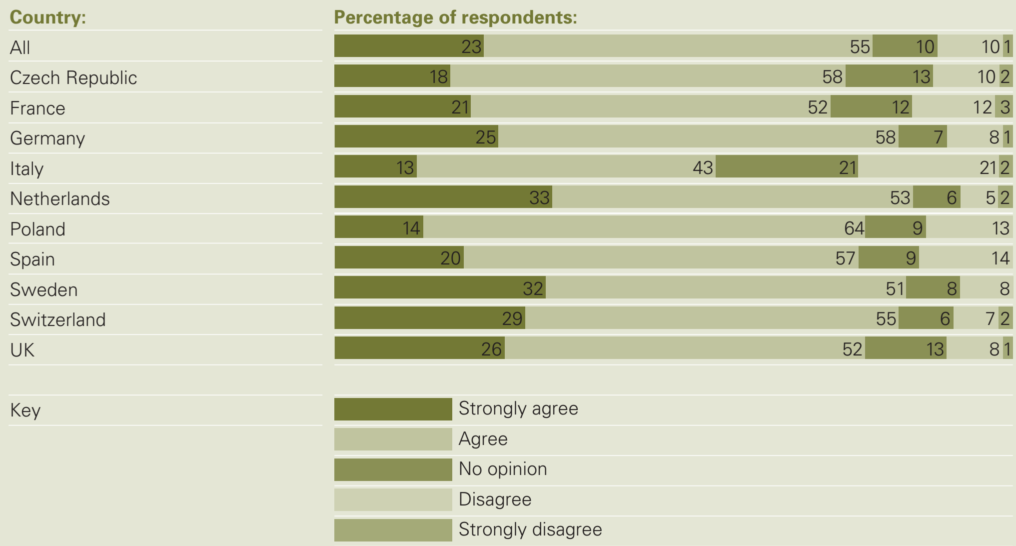


Figure 5.2 Customer loyalty

How long have you banked with your present main bank?

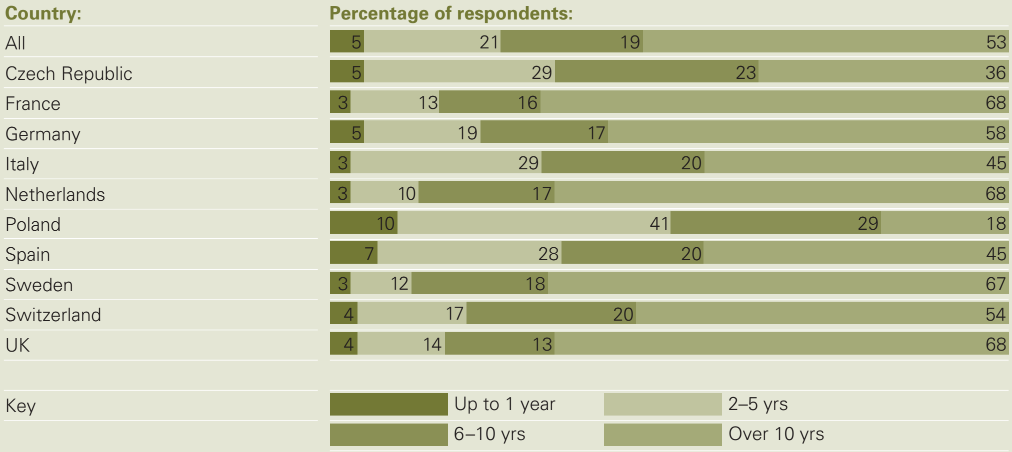
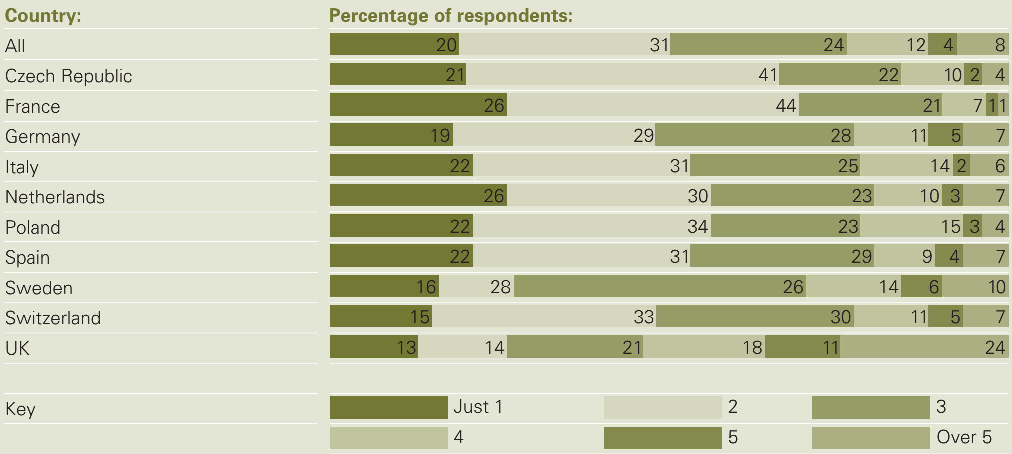


Figure 5.3 Multiple financial service providers

Including your main bank, roughly how many financial service providers do you have a relationship with (thinking of current accounts, savings accounts, investments, credit cards, insurance, mortgages etc.)?



Although consumers are generally loyal to their main bank, most of them use other financial providers: 67 percent of the total sample have a relationship with two to four providers (Table 5.3). Only eight percent have over five providers, but if the UK results are stripped out (24 percent have a relationship with over five providers), that percentage is even lower. The high UK percentage is perhaps a reflection both of the fragmented and highly competitive market (especially for credit cards) and of the sophistication of the financial services consumer.

6

Switching banks
…yet many are considering switching.

Despite the overall high degree of loyalty, and the propensity to use a handful of financial providers, one in seven consumers is likely to switch main banks in the next 12 months (Figure 6).

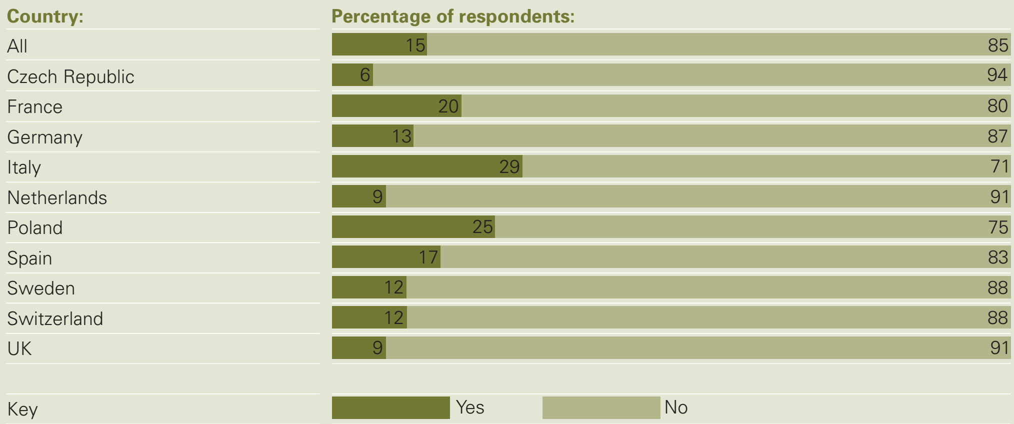
The highest percentage is in Italy (29 percent), where customers are probably seeking to avoid the bank charges referred to earlier. This is borne out by answers to the question "What factors would prompt you to switch from/change from your main bank?" The key factors for Italians are "price" and "low administrative fees and charges", whereas for Europeans as a whole "repeatedly poor service" is the main factor.

Poland also registers a high score for switching (25 percent), which is probably because the market is still evolving, with new entrants coming into the market with aggressive advertising campaigns and price-cutting. As in Italy, in Poland "price" and "low administrative fees and charges" would be the main reasons to switch.

UK respondents were less concerned about "price" than any others – maybe a reflection of its strong tradition of fee-free banking when in credit.

Figure 6 Switching banks

Do you think you will switch main banks in the next 12 months?



7

Important features of a banking service
Three features that matter.

Asked to choose the three most important features that matter when choosing a bank, "low charges and fees", "good Internet banking" and "competitive rates of interest" come first, second and third respectively.

Internet banking scores highly. But there are some interesting country differences, with the Swedes and the Dutch seeing it as by far the most important feature, a finding that confirms recent Internet banking studies across Europe.

8

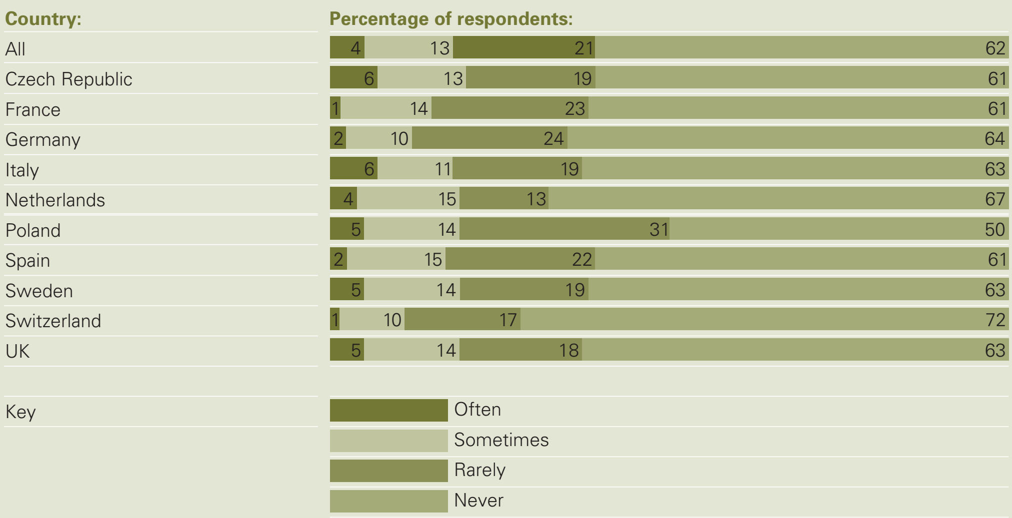
Debt: reasons for optimism and caution
One fifth of consumers use credit or loans to get through to their next paycheck.

The survey findings on loans and mortgages reveal some big national variations. For example, 46 percent of respondents have no debts (excluding mortgages), a figure that is highest in Italy (59 percent), Switzerland (57 percent) and Spain (55 percent).

The Swedes are the most indebted (only 30 percent have no debts), followed by the UK (38 percent) and France (39 percent). This could be a cause for concern in France and the UK, where 28 percent and 26 percent of respondents respectively are worried about the level of their debts. Only 11 percent of the Swedes are worried.

Figure 7 Debt: reasons for optimism and caution

Do you ever use credit or loans to help you get through to your next paycheck?



Anyone who has to use credit or take out a loan to see themselves through to the next paycheck is living on dangerous ground – which is exactly the territory that 17 percent of European banking consumers get stranded in "often" or "sometimes". There is very little difference between nations.

There's a reasonable, some might say healthy, degree of worry across Europe about being able to keep up mortgage repayments (17 percent). There is little variation country to country except in Spain, where as many as 37 percent are worried – Spanish mortgage lenders take note.

Country highlights

Czech Republic

Like most other countries, consumers in the Czech Republic do not want to see the emergence of a handful of pan-European "super-banks", and would prefer to deal with their own country's banks rather than foreign ones.

However, only 34 percent agree (survey average 57 percent) that banking in their country is good, and 59 percent (survey average 50 percent) believe the banking market needs to be opened up more to foreign banks. They would be much more likely to buy a product from a foreign bank (71 percent, as against the survey average of 60 percent).

This receptiveness to Western European influence is doubtless due to the fact that since throwing off its communist shackles a decade and a half ago the private banking sector in the Czech Republic has been created by Western banks, and it is now about to become a member of the EU.

France

Although the French, one of the most pro-European nations, do not want to see the rise of a few pan-European banks, they are less opposed than most. And, as for opening up the banking market more to foreign banks, 50 percent agree, which matches the survey average exactly.

However, only 53 percent would consider buying from a foreign bank, compared with the survey average of 60 percent, which shows that the French feel they have a patriotic duty to their own institutions, as well as being good Europeans.

Furthermore, 40 percent say the euro has not been beneficial to France, with only 34 percent saying it has been beneficial.

Germany

Germany, also traditionally one of the most pro-European nations is the most opposed to a few pan-European banks dominating the market (74 percent, compared with the survey average of 46 percent). And 58 percent believe the euro has not been beneficial for Germany compared with 32 percent believing it has. Despite that, nearly two thirds of Germans would support moves to create a single financial services market.

Bank consumers in Germany are price conscious – "low charges and fees" is given as the most important feature that matters to people when choosing a bank. "Internet banking" also featured very highly, only being given more prominence in Sweden and the Netherlands. German consumers are also service driven, with "repeatedly poor service" being comfortably the main reason consumers might switch banks.

Italy

Italy is largely in favor of pan-European "super-banks" – with Spain, the only countries to buck the survey trend.

Only 56 percent of Italians say they are pleased with their main bank, the lowest in the survey against an average of 78 percent. When asked about factors that would prompt them to switch banks, "price" features more prominently than in any other country.

Perhaps the most worrying of the many findings for Italy's banks is that 29 percent of Italians think they will switch banks in the next year – easily the highest in the ten countries surveyed, and way above the survey average of 15 percent.

Netherlands

Even though the Dutch have arguably got a pan-European bank in ING, which is doing well in many countries, they are still against the emergence of a few dominant cross-border players, and 71 percent would prefer to deal with their own country's banks (survey average 53 percent), a figure topped only by the UK (73 percent).

But possibly the most startling finding is their dislike of the euro: 73 percent believe it has not been beneficial to the Netherlands, easily the highest dissatisfaction level. One reason could be a belief that retailers have used the conversion from the guilder to the euro to increase prices beyond the normal rate of inflation.

Another is the big increase in forged bank notes, especially of €50 and €100 notes, since the euro was launched, which has been a major topic of debate in the Dutch media this year. Some shops have stopped accepting €100 notes. It is more profitable for counterfeiters to produce fake euros than guilders because they can be spent in a much bigger area.

In common with the other three countries that are disillusioned with the euro, a majority want their EU partners outside the eurozone to join in, which probably indicates that they believe the euro will work but only if a "level playing field" is created within the EU.

Poland

The prevalence of European banks in Poland has not translated into a desire to be dominated by pan-European banks – 41 percent do not want to see this happen, while only 22 percent do.

Only 18 percent of bank customers have been with their present bank for more than ten years, which is well below the European average of 53 percent. The reason is that most banks did not exist before 1990. Banking before then was run by a state bank, which was then carved up and a private banking sector established, dominated by foreign institutions.

Considering how young the sector is, there is a high degree of satisfaction among respondents with their main bank: 78 percent "agree" or "strongly agree" that their bank gives them a good service and they are pleased with it, which matches the survey average exactly.

Spain

Spain is one of only two (the other being Italy) countries where a majority wants a handful of dominant cross-border banks to evolve. But unlike Italy, many respondents (77 percent) are very pleased with their main bank (survey average 78 percent).

It is the only country of the five eurozone members surveyed where a majority say the euro has been beneficial – 50 percent say "yes" it has been beneficial, 36 percent say "no".

All in all, Spanish consumers seem a happy lot and very open to a wider European market. There is one dark cloud – mortgages. Asked if they are worried about being able to keep up with their mortgage payments, 37 percent say "yes" (survey average 17 percent).

Sweden

In Sweden, consumers are fairly evenly split against and for the emergence of a few pan-European banks, with slightly more against (36 percent) than for (32 percent). Although 57 percent would definitely or probably consider buying a financial product from a foreign bank, that is below the 60 percent survey average – surprising, considering the prevalence in Sweden of pan-Nordic banks.

A "good Internet banking" service scores more highly in Sweden than any other country as a feature that matters when choosing a bank. This confirms other survey findings, that Internet banking is more widely used in the Nordic countries than anywhere else in Europe, a factor influenced by large distances between population centers which make branch banking a more difficult proposition.

Switzerland

Only in Britain and Germany is opinion against pan-European "super-banks" higher than in Switzerland – 57 percent do not want them, 22 percent do (survey averages, 46 percent and 26 percent) – and 80 percent are happy with their country's banking system (higher than anywhere except the Netherlands).

However, as in most other countries, there is a willingness to accept overtures from foreign banks. In fact, there is a lower preference for dealing with their own country's banks than foreign ones (50 percent compared with the 53 percent survey average). And 60 percent (the same as the survey average) would definitely or probably consider buying a product from a foreign bank.

Although the majority of Swiss people recently voted not to join the European Union, 43 percent in the survey think their country should join the euro and 45 percent think they should not, which is a high level of support for a country committed to being outside the EU.

Throughout the survey, Switzerland produced results close to the survey average. It is the only country surveyed that will not be an EU member this May, but the findings indicate that, in banking terms at least, it would make a model EU member.

United Kingdom

Banks with pan-European goals beware. Besides the fact that 67 percent do not want to see European "super-banks" (only Germany registered higher opposition), 73 percent would prefer to deal with their own country's banks (the highest in the survey) and 75 percent are happy with the UK banking system as it is (third highest in the survey).

Asked if they wanted the banking market to be changed and opened up more to foreign banks, only 23 percent agreed – the lowest level of agreement in the survey. And asked if they would consider buying a product from a foreign bank, only 42 percent said they would – again the lowest percentage in the survey. High levels of opposition were recorded against joining the euro.

So what's new? The survey confirms that, in banking, as in many other aspects of economic, political and cultural life, the British people are fiercely independently minded.

Progress towards a single European financial services market

The European Union Lisbon Summit of 2000 set the goal that the EU should be the most competitive and dynamic knowledge based economy in the world by 2010. A challenge in achieving this goal was the creation of a single European market in financial services, which the EU intends to have in place by the end of 2005.

The EU's Financial Services Action Plan, which sets out the agenda for creating this single market in financial services, is nearing completion. The majority of the legislation is now in place – thirty-seven out of the forty-two measures have now been implemented. The aim of these measures is to:

- complete a single EU wholesale market
- create open and secure retail markets
- establish high and consistent standards of prudential requirements to underpin the 'safety' of the financial markets and support the full utilization of the single 'passport' based on home country authorization and supervision.

Significant barriers remain in retail markets – some of these are governmental/regulatory – host states still have their own regulatory frameworks and differing levels of consumer protection legislation; and some of these are cultural – language and attitudinal differences. Overall, however, at a legislative and regulatory level we are moving towards the completion of the single market and consumers are increasingly seeing the benefits of this in terms of new players in their market place.

Source: The Lisbon Strategy March 2000

KPMG

For further information on issues raised, please contact:

Brendan Nelson
Global Chairman,
KPMG's Financial Services practice
KPMG LLP (UK)
1 Canada Square
Canary Wharf
London
E14 5AG
United Kingdom

Tel: +44 (20) 7311 6157
Fax: +44 (20) 7311 5891
Email: brendan.nelson@kpmg.co.uk

Pavel Zavitkovsky
Head of KPMG's Banking practice
KPMG Ceska republika, s.r.o.
Pobřežní 1a,
Prague 8, 186 00
Czech Republic

Tel: + 420 (–) 222 123 125
Fax: +420 (–) 222 123 226
Email: pzavitkovsky@kpmg.cz

Pascal Brouard
Head of KPMG's Financial Services practice
KPMG S.A.
1, cours Valmy
92923 Paris La Défense Cedex
France

Tel: +33 (1) 5568 6996
Fax: +33 (1) 5568 7253
Email: pascalbrouard@kpmg.com

Ulrich Kuppler
Head of KPMG's Retail Banking practice
KPMG Deutsche Treuhand-Gesellschaft AG
Marie-Curie-Str. 30
60439 Frankfurt
Germany

Tel: +49 (69) 9587 3543
Fax: +49 (69) 9587 1050
Email: ukuppler@kpmg.com

Domenico Fumagalli
Head of KPMG's Financial Services practice
KPMG Business Advisory Services SpA
Via Vittor Pisani, 25
20124 Milano
Italy

Tel: +39 (–) 02 6763 2442
Fax: +39 (–) 02 6763 2296
E-mail: dfumagalli@kpmg.it

Stef Kroon
Head of KPMG's Banking practice
KPMG Accountants N.V.
Burgemeester Rijnderslaan 10-20
1185 MC Amstelveen
Netherlands

Tel: +31 (20) 656 7342
Fax: +31 (20) 656 7245
Email: kroon.stef@kpmg.nl

Richard Cysarz
Head of KPMG's Financial Services practice
KPMG Polska Sp. z.o.o.
ul. Chlodna 51
00-867 Warsaw
Poland

Tel: +48 (22) 528 10 80
Fax: +48 (22) 528 10 69
Email: richardcysarz@kpmg.pl

Julio Alvaro
Head of KPMG's Financial Services practice
KPMG Recursos, S.A.
Edificio Torre Europa
Paseo de la Castellana, 95
Madrid 28046
Spain

Tel: +34 (91) 456 38 26
Fax: +34 (91) 555 01 32
Email: jalvaro@kpmg.es

Anders Backstrom
Head of KPMG's Financial Services practice
KPMG Bohlins AB
Tegelbacken 4A
SE-111 52 Stockholm
Sweden

Tel: +46 (8) 723 9171
Fax: +46 (8) 10 52 58
Email: anders.backstrom@kpmg.se

Hans Stamm
Head of KPMG's Financial Services practice
KPMG Fides Peat
Badenerstr. 172
CH-8004 Zurich
Switzerland

Tel: +41 (1) 249 27 59
Fax: +41 (1) 249 25 09
Email: hansstamm@kpmg.com

Alison Halsey
Head of KPMG's Financial Services practice
KPMG LLP (UK)
1 Canada Square
Canary Wharf
London
E14 5AG
United Kingdom

Tel: +44 (20) 7311 5224
Fax: +44 (20) 7311 5210
Email: alison.halsey@kpmg.co.uk

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