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Building societies must not simply retreat into traditional markets, says Deloitte

Building societies will need to change their approach to their core customers and products and adapt future strategies away from traditional markets if they are to remain competitive, according to Deloitte, the business advisory firm.

Commenting as Deloitte publishes its latest Building Society Update, Stephen Williams, head Deloitte's building societies practice, commented: "As we enter into a post-credit-crunch financial landscape, building societies will need to look beyond traditional markets as a means to sustain and grow profitability, and in order to increase overall competitiveness. This may include looking for strategic bolt-on acquisitions, mergers or peer group alliances, or identifying niche markets which can be moved into quickly, and exited as required. Other initiatives such as divesting non core activities to raise capital and implementing cost reduction measures to improve the customer experience will help leave societies best-fit for purpose."

At the same time, the sector will need to be aware of the changing regulatory framework, whilst bearing in mind wider market wide pressures.

Stephen Williams added: "There is a lot to do on a sector-wide basis to ensure a fair deal for the industry – whether that be attracting additional funding from public bodies or agreeing an acceptable new form of core capital. Careful consideration will also need to be given so that the Building Society Sourcebook is carefully implemented and that there is an equitable settlement around the Financial Services Compensation Scheme levy.

“However, there are clear and significant opportunities for the sector as customers continue to realise that building societies are still trusted and are able to offer innovative and valued products to their members.”

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