Give loyal customers the royal treatment:
Understanding the opportunities in Australian banking

This research report is based on a survey conducted in partnership with Omnipoll

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Introduction

As Pega's Industry Principal Financial Services & Insurance APJ, it has been surprising to observe that the Australian banking industry has changed remarkably little as a result of COVID-19.

The much-hyped fintech disruption has had limited impact in their main areas of business, like lending, and the Big Four (CBA, NAB, Westpac and ANZ) continue to dominate the sector, with their market share remaining largely intact. But although the banking sector may not have changed, customer behaviours certainly have. More and more customers use online banking often or quite often, and the numbers of those who don't are steadily decreasing. The sector is coming under increasing pressure from rising customer expectations, and a big shift is on the horizon.

Introduction

What does this disparity mean for banks and their customers? Pega commissioned this report, in collaboration with Omnipoll, to monitor trends in the banking sector in Australia. It builds on a similar survey we conducted in 2021, as we wanted to see if global trends were making an impact locally and whether they were changing the behaviours of banking organisations. For example, an emerging challenge in the US is generational wealth transfer. Baby Boomers, who are generally quite conservative in their investment habits, are offloading their wealth to their children. And the generation receiving this wealth are more likely to spend, rather than reinvest their inheritance with the same institution. For banks, capital outflows related to this trend are likely to become a significant issue.

Challenger banks are also making strides in capturing some of the Big Four's market share. Macquarie, for example, has pursued a technology agenda that has elevated their branding and customer experience to near best-in-market. ING Direct has the highest customer relationship index (CRI) of any bank, and the BOQ is targeting niche customer segments with a digital-first, personalised experience to grow its market share.

Although the sector remains relatively unchanged, new rules such as Open Banking make it easier for people to pick and choose where they keep their money. And although 2 in 3 Australians use one of the Big Four as their main bank and stay with them for years, it is clear from our findings that people don't feel their loyalty is recognised. And this has turned into a key reason that would make them switch banks.

With interest rates likely to rise, and cost of living pressures showing no signs of abating, banks in Australia need to stop taking their long-term customers for granted. To retain the business of their customer base now and into the future, a proactive, personalised, and creative approach to rewarding loyalty is urgently needed.

Jonathan Tanner
Senior Director, Industry Principal Financial Services & Insurance APJ, Pega

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THE RESEARCH
Customer behaviours

The Australian banking landscape continues to be a relatively closed ecosystem overshadowed by the Big Four. Customers tend to choose the same institutions as their parents and generally stay with their main banking provider for many years. Here's a snapshot of our findings:

Nearly 8 in 10 customers use online banking often or quite often

61% of respondents have been with their bank for **10+ years**

People are choosing to go cashless – in 2022, **43% of respondents** used mobile payment often or quite often, **a 4-point increase on 2021**

Only 2 in 10 customers don't use online banking or primarily use cash.

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THE RESEARCH

Customer behaviours

Analysis

Customer expectations are shifting to a digital first mindset. And if they also use an international bank with a more advanced offering, they are more likely to question a poor experience with their current bank.

Nearly 1 in 2 customers have been with their main bank for over 15 years. And while this would indicate that customers are relatively loyal to their banking providers, we found that the main reason they leave is a failure to reward that loyalty. Our findings suggest this is a key pain point, but also a major opportunity for differentiation in the market.

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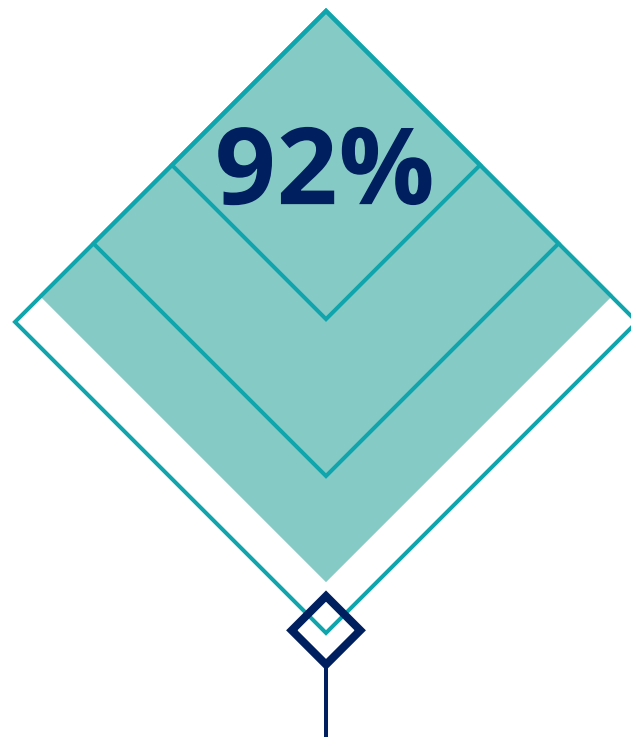
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THE RESEARCH
Customer priorities

People's expectations of their banks are rising. But many banks are falling short, particularly the Big Four. Our research uncovered the top four customer priorities, and how well people thought their banks delivered on them.
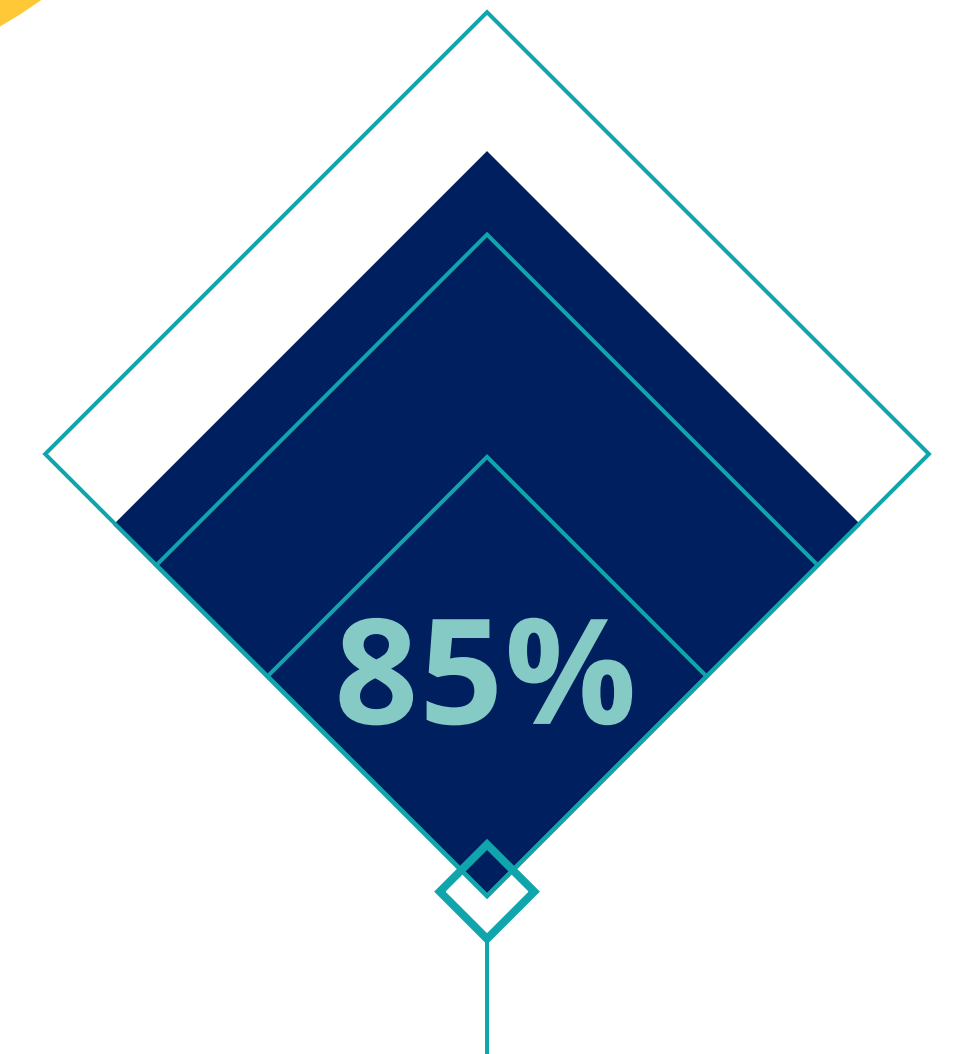
92%

want clear and transparent information around product and policies, but **only 82%** think their bank delivers

86%
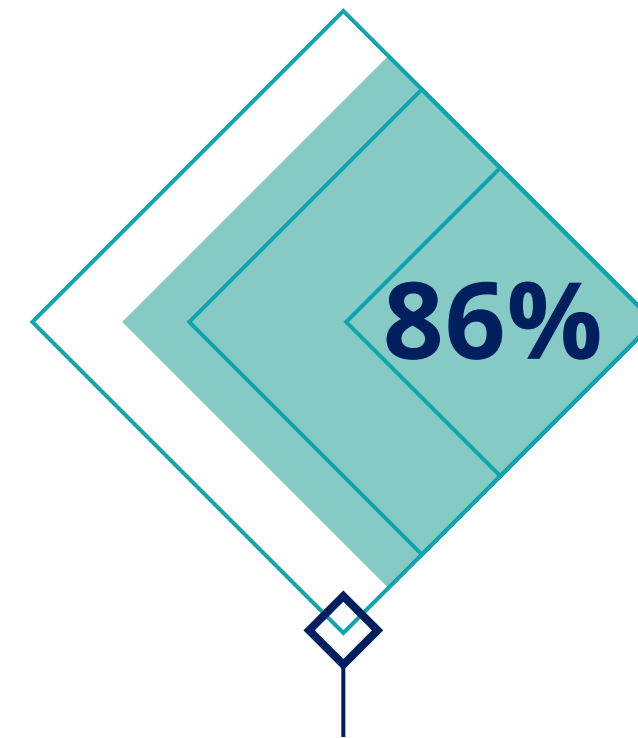
want requests dealt with quickly and transparently, but **only 72% agree** their banks do this

85%
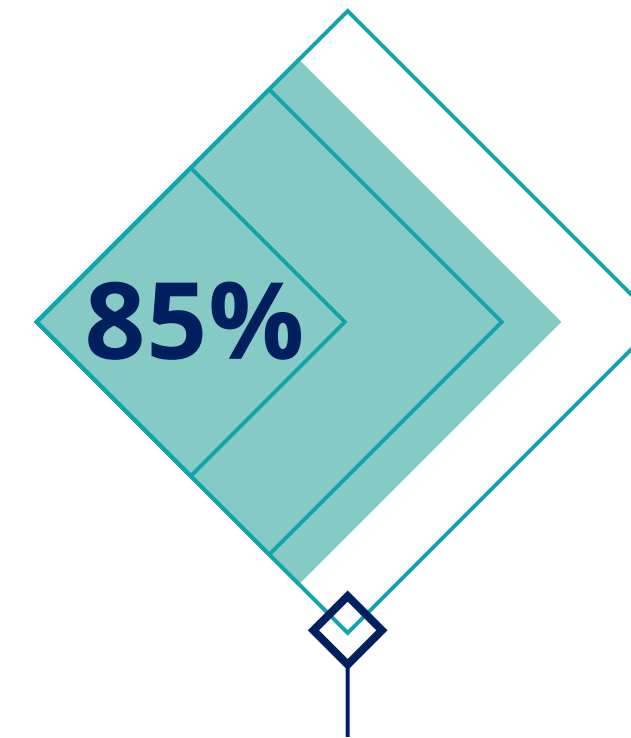
want multiple product and service offerings relevant to their needs, and **86% agree** their banks provide this

85%

want to be offered the best rewards and rates for long-term loyalty, but **only 53% agree** their main bank delivers

THE RESEARCH

Customer priorities

Analysis

Although the banks performed well in providing tailored products and services, rewarding loyalty is a clear area of dissatisfaction for customer, with a -32% gap between expectation and delivery.

Therefore, a dedicated approach is needed to address this disparity and retain customers - and technology can help achieve this. The right solution can analyse data from a customer's account history to develop personalised offers that both create value and reward loyalty.

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Underperformance

When it comes to customer satisfaction, our research discovered that the Big Four are underperforming compared to the rest of the market.

Analysis

Although the Big Four are falling short on customer satisfaction compared with the rest of the market, all customers agreed that their bank should stop trying to sell new products and services and focus on rewarding customer loyalty.

For example, if a long-term customer starts accessing their superannuation, it indicates they have entered retirement and will likely be thinking about inheritance and estate planning. Using this data, banks can proactively approach the customer and their children, who are quite likely to bank with the same organisation, with customised offers that reward their loyalty and create value. By delivering a superior, personalised experience, customers are incentivised to keep their wealth within your ecosystem as opposed to a competitor's.

Only 33% reported being 'very satisfied' with their Big Four bank, compared with **44%** who use other banks.


60% 50% 40%

33%

33%

57%
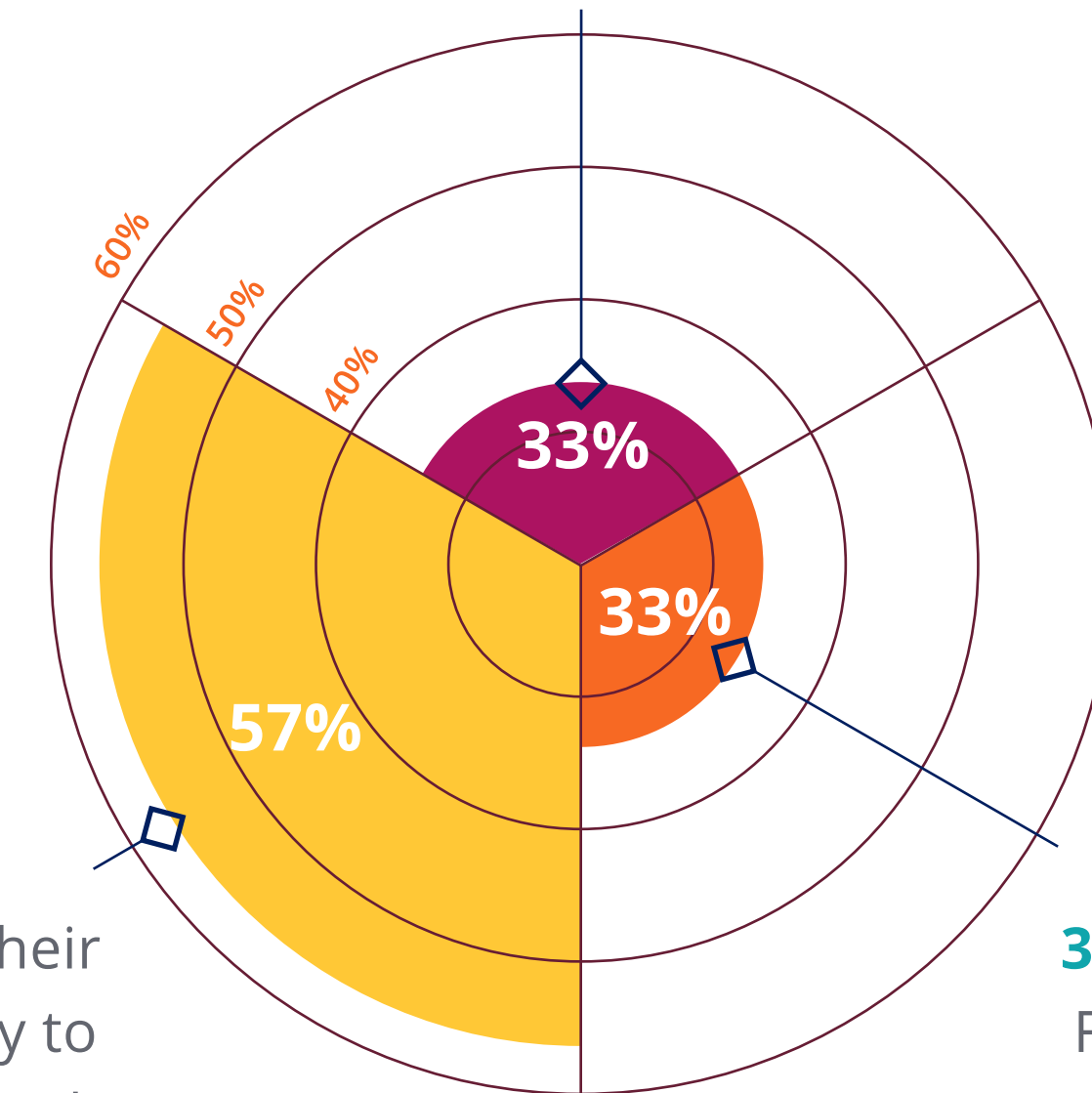
Only 57% found their Big Four bank easy to deal with, compared with **67%** who banked with the rest of the market.

33% disliked their Big Four bank but found the thought of switching to another bank too painful, compared with **25%** who use other banks.

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Opportunity

In the post-COVID era, people are no longer settling for 'good enough'. Our findings clearly indicate that customers feel their long-term business isn't recognised and would switch banks if they found better loyalty rewards elsewhere.

53%

85%
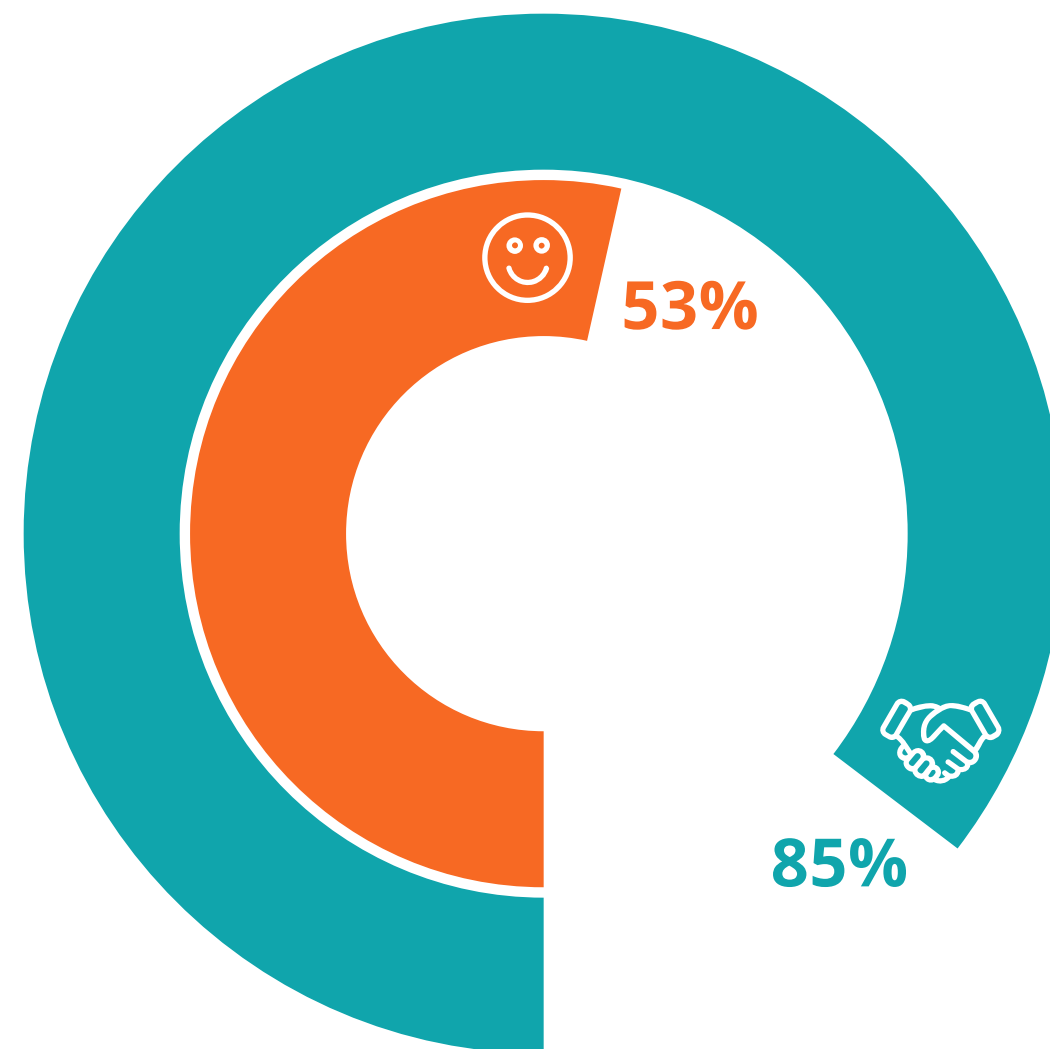
85% of respondents agree that rewarding loyalty is important, but only **53% agree** their main bank does this well

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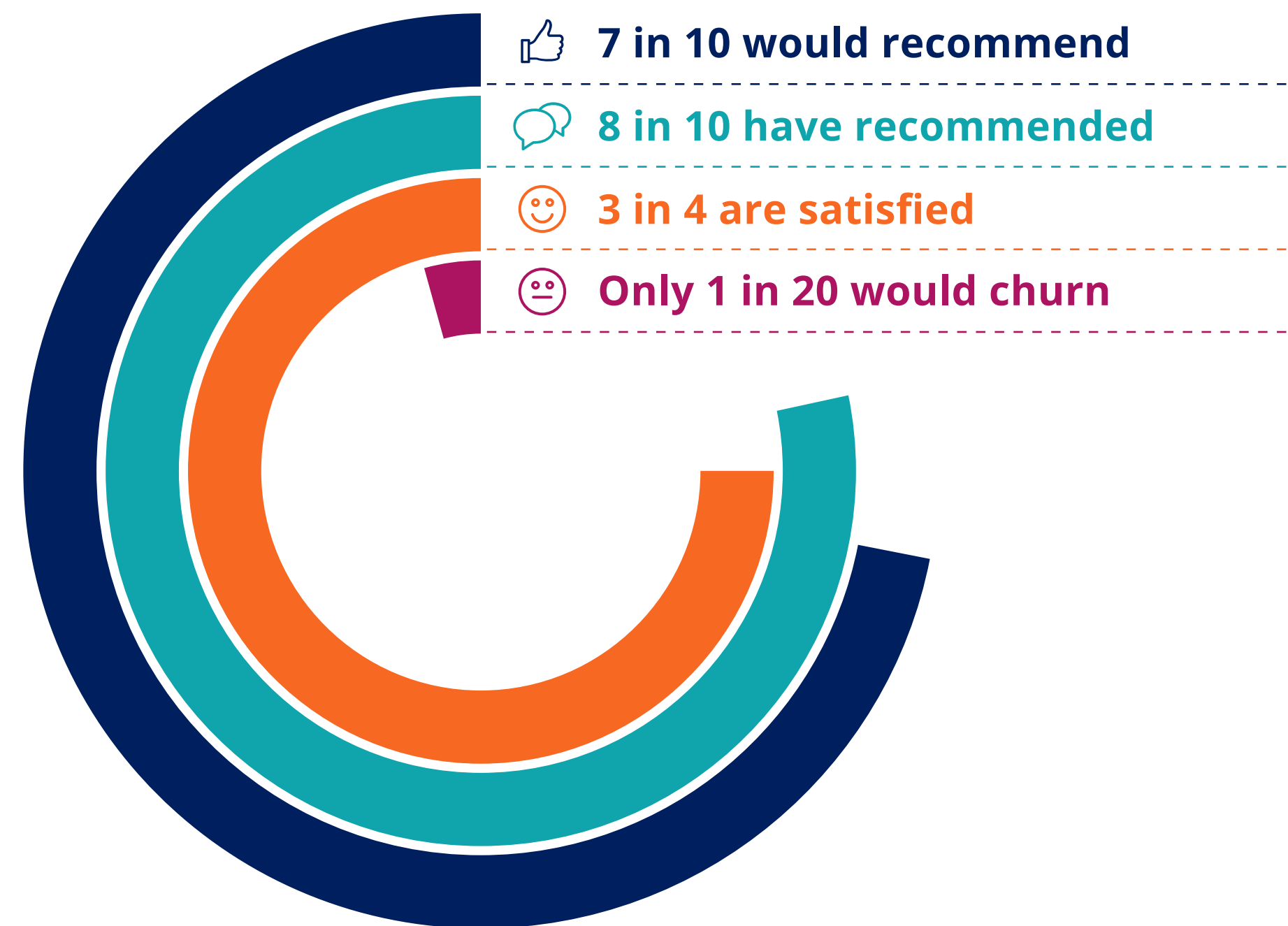
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Opportunity

We also uncovered a strong correlation between customer relationship index (CRI) scores and outcomes such as satisfaction, recommendation, and churn. For banks that achieve a CRI of 80+, we found the following:

- **7 in 10 would recommend**
- **8 in 10 have recommended**
- **3 in 4 are satisfied**
- **Only 1 in 20 would churn**

Currently, no bank in Australia achieves a CRI of 80+.

The top performer is ING Direct, with a CRI of 77.2. Big Four banks achieve an average 66.6 CRI, and the rest of the market delivers a CRI of 71.8.

Analysis

Banks can improve their CRI scores by better utilising the data they already have on their customers. For example, by analysing a customer's purchasing history, banks can use these insights to devise creative, personalised offers that both delight and add value.

For a more detailed briefing on the research results or to find out more on how you could improve customer loyalty and engagement in financial services, contact your **Pega account executive** or visit **Pega.com/contact-us**.
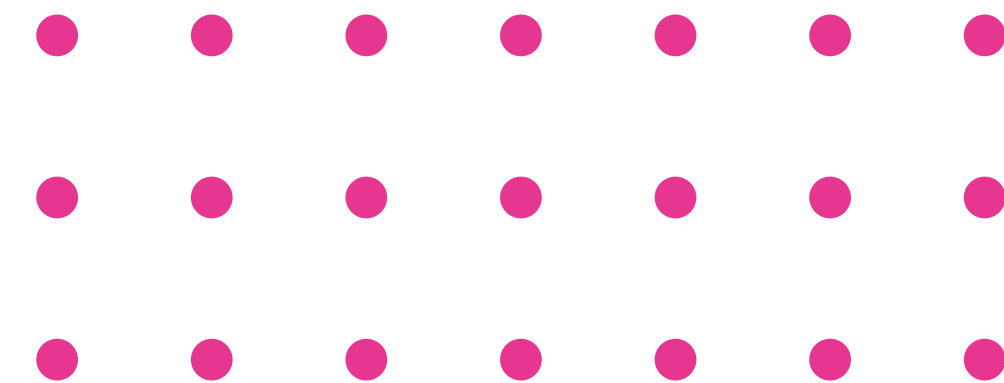
THE RESEARCH

Research methodology

Our research was conducted from a sample of 1,230 people aged 18+. 1,220 respondents used one main bank or financial institution.

Sample quotas were set for each state, city, and regional area, segmented by sex and age. Results were post-weighted to ABS data across education, age, sex, and area.

Find out more

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