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Changing the way Australians feel about banks

****CHECK AGAINST DELIVERY****

Good morning.

I start by acknowledging that we come together here today on the traditional land of the Gadigal people. I gratefully acknowledge their care and custodianship of our country for thousands of years and pay my respects to their elders, past and present.

I would like to thank Mumbrella for the invitation to speak at what is a very timely event. As most of you will know, banks and other financial services companies are responding to challenges on numerous fronts: economic, political, regulatory, technological and reputational.

The title of my speech today is "Changing the way Australians feel about banks".

That is an incredibly broad topic which I could take in several directions. Today's Summit is about finance marketing, which in 2017 is all about technology so that's where I will begin.

For most of us here today, technological change represents one of the biggest opportunities and threats to the organisations that we work for.

As marketers, most of you are already working with your businesses to try to engage with the furious pace of technological

Strong banks – strong Australia

change happening now. This means embracing a future that is likely to involve fundamental changes in your business model, how you work with suppliers and partners, the skills employees need, and who your competitors are.

You will, no doubt, be contemplating how all of this will change the way you interact with your customers.

I want to reiterate something I said recently at the National Press Club. We are in the midst of the single biggest transfer of power from institutions into the hands of consumers in human history.

The digital world has empowered consumers to quickly and easily contact others with similar experiences and views and to turn a complaint into a movement in a matter of hours. That power will never be handed back.

Technology and banks

If you ask someone in their 60s or 70s to describe what a typical bank looks like, the response will probably reference their local branch, their relationship with their bank manager or tellers, and perhaps a query about why opening hours can't be longer.

For many other Australians, and particularly the millennials who are almost all digital natives, they are far more likely to think of their smart phone as their primary banking option – a channel that is available to them 24 hours a day, 365 days a year, from anywhere in the world, and on almost any device; except, God forbid, a brick phone or a Blackberry. (The shame!)

Before technology transformed the banking industry, banks dictated to customers where, when and how they did their banking.

Now customers are the ones who make those decisions and any financial institution that fails to meet this requirement for ‘anytime, anywhere’ banking will struggle to retain customers.

It comes then as no surprise to me that the way millennials, Gen Xers and baby boomers view banks is quite markedly different. How do I know this?

This year the ABA commissioned Edelman Research to benchmark trust of banks in Australia: to help us better understand how well our own banking reform program is understood and to benchmark trust in banks generally.

Some findings were no surprise. It found that customers have a relatively positive view of their own banks and report stronger levels of trust with their own personal banking experience. 53% trusted in their own bank while 31% trusted the industry.

What was surprising, however, was that millennials – who have newer, primarily digital relationships with the banking industry – were far more positive towards the industry even if some of them regarded their relationship to be with the online platform, rather than the bank itself.

Gen Xs and baby boomers – who have more exposure to banks and whose interactions haven’t necessarily kept up with digital developments – were more negative.

This may be linked to more onerous financial commitments associated with mortgages, kids and the higher associated living expenses.

Across all generations there was recognition by consumers that banking has become easier and more convenient. They appreciate that the industry has adapted to suit their needs with digital banking, in particular, making life easier for them.

The accessibility of digital banking platforms means that visits to bank branches are not frequent for many Australians with well over half of the population only visiting a bank branch two or three times a year.

This trend is obviously a double-edged sword for the industry. While digital drives satisfaction, it also reduces opportunities for banks to build personal relationships with their customers.

Disintermediation: I know it sends a collective shiver down every marketer's spine. Losing sight of the customer ultimately buying your goods and services because they have opted for some middleman disrupter.

For banks, this is real too.

What is really important is that customers receive a consistent experience whether it is online or in a branch, or they will just go elsewhere.

While millennials have a much more positive outlook towards banks, it is contingent on various things, many of which are out of our control:

When mobile bank apps stop working, you can bet the bank in question faces an immediate deluge of criticism online. Or when the need for good mobile phone reception in order to transfer money between friends for a Domino's pizza becomes life and death.

Things we would never have given thought to 10 years ago.

Telstra's *Millennials, Mobiles & Money* report found that, when asked which platforms or organisations they trust with personal information, 76% of millennials nominated banks.

No other provider came close to this level of trust.

This 'trust capital' with millennials will be enormously important to the banking industry as it seeks to change the way Australians feel about banks.

According to Telstra, millennials are now the largest global demographic group and the number one source of global income, spending and wealth. They dominate employment and are predicted to make up as much as 42% of the workforce in Australia by 2020. They are bank customers for the foreseeable future.

It is this group that will ultimately transform the financial services industry's digital landscape as employees, customers, investors and policy makers.

So what are we doing to ensure that we keep millennials as happy customers?

Australian banks invest billions of dollars every year in technology to develop better banking services. The mobile and online experience is constantly being analysed and optimised.

This investment is driving innovation and better services for customers: services that are adaptable, mobile and convenient. And importantly, services that will enable banks to compete in a rapidly changing environment.

Online banking, electronic payments and Paywave were the first steps in the shift to easy and convenient technology-enabled banking.

Now they are considered part of the everyday banking landscape and the focus is now moving to the opportunities offered in areas such as open data, analytics, security and identity platforms and next generation cloud networks.

The next wave of bank technology innovations will focus on delivering even better customer experiences.

For example, open data will mean customers can use the rich picture revealed by their financial transactions to ensure they get the right mortgage or the right credit card that gives them what they need when they want it.

There are many other things banks are doing in the digital space to make banking easier and simpler for customers.

At some banks customers can open an account in under three minutes and can choose to let the bank know a bit more about themselves: for example, that they are a student or someone new to Australia. This enables the bank to then tailor the banking experience to help new customers get set up and get the best out of their mobile banking, for instance.

Cardless cash withdrawals from ATMs is just one other example of bank innovation that people would never have thought possible in the past.

Banks have also invested $1 billion in a New Payments Platform that will allow people to transfer their money and make other payments far more quickly. The industry is currently in the middle ofrigorous testing and the platform is on track to become available later this year. From there, various players will commence rolling out services from the end of the year and into 2018.

This entirely new modern payments platform will unleash innovations over the coming years – you can think of it as the fibre optic network replacing copper wires.

The first “service”, or defined customer experience, to be launched on the platform will offer peer-to-peer real time payments between individuals, and it has been branded Osko.

Okso, by BPAY, will leverage a key capability of the platform – PayID – which enables users to direct payments to identifiers that are easier to remember than a BSB or Account Number.

Looking ahead, banks and other players in the payments system are exploring the new services they can offer customers to improve their lives using the rich functionality of NPP.

But this is just the beginning. I’m sure most of you who work in finance marketing are already contemplating and planning for a cashless society; the advent of cyber currency; increased peer to peer lending; and the rise and influence of non-bank players such as Apple Pay and Alipay.

All of these developments are either already upon us or will be in the not too distant future. All will be disruptive. All can have both positive and negative outcomes for customers.

The good news for Australian banks and consumers is that the industry’s significant IT investment means it is strongly positioned to respond to the opportunities and challenges being driven by technological change.

As early adopters of digital technologies, Australian banks have managed to ensure customer behaviour in the digital banking space is very well established.

We will see more and more innovations in how we bank over the years to come – the fact is that banks’ spending on technology is now their biggest operating expense behind staff costs. And this is rapidly growing. We can’t confidently predict what all these innovations will look like, only to say that they will be as seismic as credit cards, ATMs and internet banking have been in my lifetime.

Technology and trust

Millennials trust banks because they have their money literally at their fingertips, and they know their personal information is safe.

Banks are not putting all of their eggs in the technology basket when it comes to turning around public perception of the industry.

It is no secret that most Australians are not particularly fond of banks. Nor are they particularly fond of other big businesses, governments or the media.

Edelman found that financial services and energy scored lowest on the trust scale versus other key industries in Australia with about half the population trusting them.

Australian bank bashing has escalated. It's no longer a national sport, it's a daily habit.

Well, for our banks it is actually a very big deal and it's something the industry is absolutely focused on addressing. It needs real change and we need to communicate that change is happening because it is.

There is a huge amount of other work happening in banks to improve customer experience. Those of you here today who work for banks will be aware of the transformation affecting your organisations and the way that bank employees operate.

These changes involve improving complaints handling through the appointment of customer advocates, changing the way staff are paid to avoid conflicts, cross-selling or mis-selling - and most

critically - to de-link sales targets and remuneration to ensure staff place customers interests first. Banks are also improving protections for whistle blowers and drafting a new Code of Banking Practise.
The new Code will be in plain English (doesn't sound like a big deal but you should try reading the current version!) and will ensure small businesses and farmers are treated more fairly in the loan contracts they enter into if they ever run into difficulty.

Credit cards is another area where we are making changes to make it easier for people who wish to reduce their limit or cancel their cards online. New protections will also be extended to customers who purchase insurance on credit cards and personal loans.

I can't underscore the amount and rate of change now occurring within banks to rebuild trust and confidence.

While banks overhaul their culture and operations, it is also important to improve how they communicate to customers and the broader community. Bank marketing and communication teams are obviously critical if this is going to be done properly.

There are two separate but related areas we need to focus on – improving general perception of the banking industry and increasing awareness of what we are doing to reform and prioritise the needs of customers.

Perhaps unsurprisingly, bank customers think that bank shareholders are someone else, someone other than themselves.

That is the challenge facing us today: how do we make it better understood that, on average, 80 per cent of bank profits go back to Australians in the form of dividends that either go to mum and dad investors or into all of our superannuation funds?
We are only at the beginning of telling our story.

Yesterday, the nation's largest bank, CBA, reinforced this message in releasing its full year profits. For CBA, three out of every four dollars they make are returned to shareholders. It is a simple, yet powerful message.

I would like to say that I do not, and banks most certainly do not, underestimate the scale of the challenge ahead.

And, as the industry implements genuine change, it will need to rely on the skills of people like those of you who are here today, to help banks better communicate how they contribute to the broader community and what they are doing to elevate the needs of their customers.

Thank you.

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