

The Customer Owned Advantage

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Customer insights into challenges and opportunities for the Customer Owned Banking sector



Report prepared by

CORE|DATA



Genworth 

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About Genworth

Genworth Mortgage Insurance Australia Limited (Genworth), is a leading provider of Lenders Mortgage Insurance (LMI) in Australia. With over 50 years of expertise in the Australian residential mortgage market, Genworth issued 72,512 insurance policies in 2021 that secured home loans valued at \$30.2 billion.

LMI facilitates residential mortgage lending by transferring risk from lenders to LMI providers, predominantly for high loan-to-value ratio loans. We work with our lender customers, regulators and policy leaders to promote a stronger and more sustainable housing market in Australia.

Foreword



We are delighted to present the Customer Owned Advantage Report (The COA Report).

Genworth is committed to accelerating financial wellbeing through home ownership, working with trusted partners to offer flexible solutions to help people into homes. Customer Owned Banks (COBs) play an important role in this home ownership journey and, in partnership with COBA, we saw the opportunity to provide our shared networks with impactful insights and data to raise the profile of COBs, providing more choice for consumers across Australia.

As consumers are looking for alternatives in an increasingly crowded banking space, the COA Report explores industry trends that COBs can leverage to elevate the benefits they already offer - a people first philosophy, strong rich history and community focus at the heart of their DNA.

The research highlights the critical role that mortgage lending plays in building customer loyalty for banks. This provides an opportunity for COBs to differentiate and strengthen customer relationships by providing guidance and support to home buyers during a typically daunting home buying experience and process. It was also pleasing to confirm that there is positive consumer sentiment around local support initiatives, showcasing the importance of COB's positive contribution to the community.

Now is the time for COB's to make the most of these strengths as consumers are increasingly looking for alternatives in the banking sector to help them realise their financial dreams.

We would like to thank and acknowledge all customer owned bank team members who were involved in our focus groups for their generous contribution of time and expertise. Without you, this research would not have been possible.

We hope you enjoy the report and find it interesting, informative and an opportunity for meaningful discussions.

Pauline Blight-Johnson

Chief Executive Officer and Managing Director



Executive summary

The ethos of putting people before profit places Customer Owned Banks in a special position among banks and other financial services firms. In a crowded and competitive marketplace, it's a real point of difference.

Like all financial institutions, Customer Owned Banks face challenges as consumer preferences change and the financial services industry evolves to keep pace. The Customer Owned Advantage report, published by Genworth, highlights the established strengths of the Customer Owned Banking sector, outlines the challenges it faces and identifies the opportunities for growth and development – all while never losing sight of its people-first focus.

Like all financial services providers, Customer Owned Banks can't take their customers for granted, and must work hard to continue to meet the expectations of existing customers. This demands consistency on both the quality and effectiveness of services.

Customer Owned Banks have a clear opportunity to win over a greater number of customers by getting their message out more widely. While a significant majority of Customer Owned Bank customers are satisfied with their experience as members of their respective banks, and believe they receive competitive fees and charges compared with other banks, most Australians aren't familiar with Customer Owned Banks, their philosophies or how the customer owned model works.

Non-customers of Customer Owned Banks are an untapped opportunity and once they understand the overall value, coupled with a strong community focus, they are more likely to believe that Customer Owned Banks act in customer's interests and be more ethical in their dealings.

As long as the sector meets customer expectations on issues such as digitisation, fees, rates and service, it has an opportunity to serve their local communities and benefit customers.

Some key insights from the Customer Owned Advantage report are that:

- Employees of Customer Owned Banks take pride in the ethos and motivations of the companies they work for
- Four in five Customer Owned Banking customers agree that they are already receiving competitive fees and charges when compared with traditional banks
- An overwhelming majority of Customer Owned Banking customers are satisfied to be a member of their bank
- Customer Owned Banks have positive associations among traditional banking customers, with two in three agreeing they have a greater community focus and are more likely to act in the customer's best interests than other banks
- Customer Owned Bank customers are also proud of their bank's community support initiatives with an overwhelming majority agreeing they are proud that their bank supports their local community, and
- Consumers have made it clear that they value initiatives that are much more meaningful and are close to home.

Customer Owned Banks can become a trusted source of advice about buying a home, leverage the positive associations consumers already make with them, and position themselves as market leaders in providing not only quality savings and home loan products, but also information to help customers to navigate the often-confusing homebuying journey.

An opportunity exists to better highlight the sector's ideals and strengths through targeted marketing, meaningful investment and initiatives that raise awareness of Customer Owned Banks in Australia. This report outlines how.



“ I think it starts with the culture of the sector, and the fact that we operate in a competitive environment... our willingness to share on those non-competitive pieces with each other

- CEO, Customer Owned Bank

The tangible benefits of Customer Owned Banks

Beyond the positive intangible benefits of Customer Owned Banks, consumers can also be attracted to the industry by the more obvious financial benefits on offer. Customer Owned Banking customers are already reaping the benefits of making the switch to a community focused bank, with 4 in 5 customers agreeing that they are already receiving competitive fees and charges when compared with traditional banks (82.4%).

4 in 5 customers also agree that they are receiving competitive interest rates from their bank (78.6%) and 7 in 10 agree they are already enjoying the benefit of competitive promotional offers that their bank provides when compared with traditional banks (69.8%).

The Customer Owned Banking sector is a unique industry centred on the shared ethos of people before profit. Those who work for Customer Owned Banks take pride in the customer-centred nature of their companies.

That said, Customer Owned Banks all face challenges in this evolving Australian banking landscape. Customer awareness remains a growth opportunity, albeit weighed by the burden of certain regulatory obligations, as well as keeping pace with the large players in banking - who tend to have more funds available for enterprise investment. As a result, the sector needs to be ready to equip themselves with the right tools and strategies to ensure they're prepared to deal with what's ahead.

“ I really felt that genuine care around its members or customers was something I saw in the industry as a whole and was really passionate about.

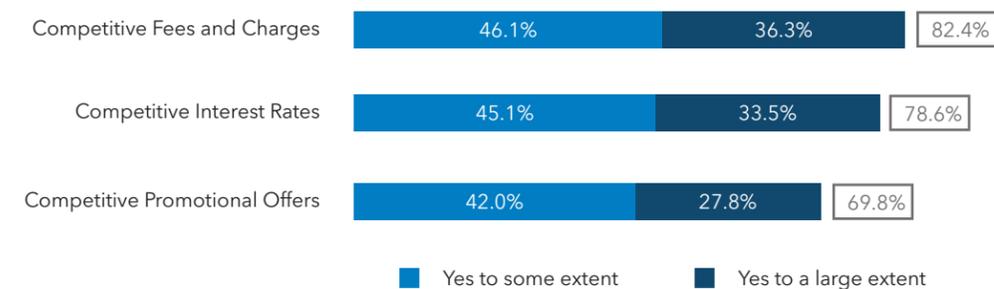
- CEO, Customer Owned Bank



Those who work for Customer Owned Banks take pride in the ethos and motivations of their companies.

Industry overview

Figure 1 - Compared to non-Customer Owned Banks (e.g. Westpac), do you think Customer Owned Banks (e.g. Teachers' Mutual Bank) offer...?



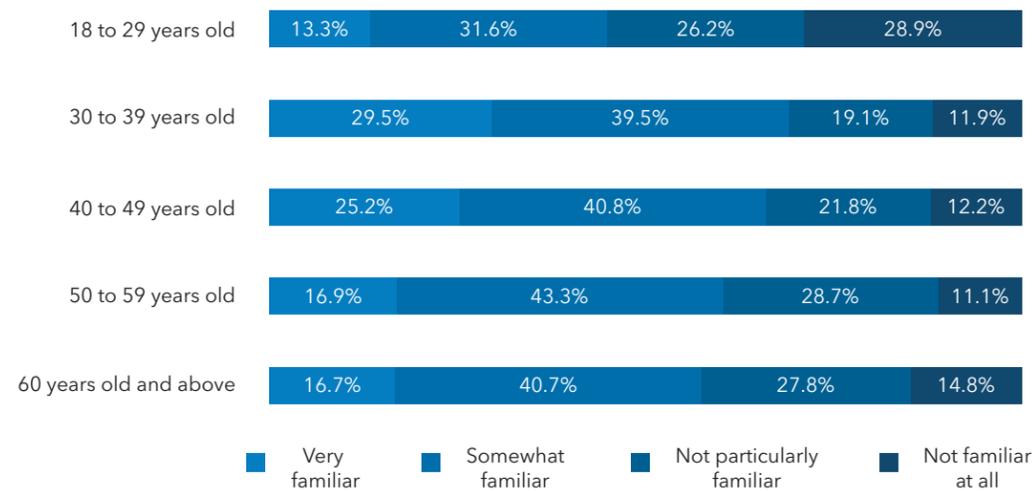
Customer Owned Banks awareness

There certainly exists an opportunity in the market to raise the profile of Customer Owned Banking. Overall, almost four in 10 Australians consider themselves not particularly familiar with Customer Owned Banks, and awareness is even lower amongst those aged 18 to 29 years old - the future of banking customers in Australia - with more than half (55.1%) either not particularly familiar or not familiar at all with the industry.



Almost four in 10 Australians consider themselves not particularly familiar with Customer Owned Banks

Figure 2 - How familiar are you with Customer Owned Banks (credit union/mutual bank/building society)?



n = 255, 18 to 29 years old; 555, 30 to 39 years old, 353, 40 to 49 years old; 307, 50 to 50 years old; 627, 60 years old and above

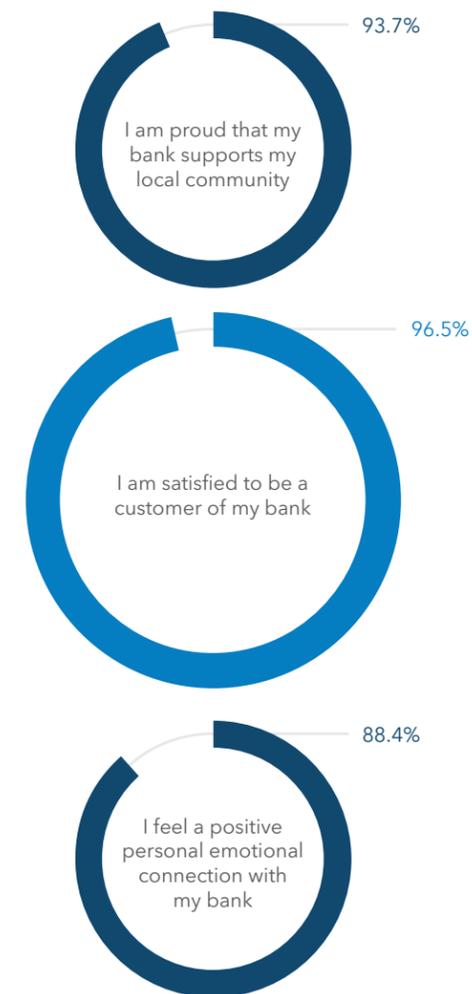
Even among those who are familiar with the industry, there remains some confusion around their operation, and how they benefit customers. There is also uncertainty about which Customer Owned Banks still operate under a bond system - for example Teacher's Mutual Bank Limited is dedicated to serving the financial needs of Australians working in the education, university, emergency services and healthcare sectors and their families under its five divisions. This means that the growth trajectory for bonded Customer Owned Banks may look different to some of their competitors. A majority of consumers (both customers and non-customers of Customer Owned Banks alike) do support the ethos and motivations of Customer Owned Banks when they are explained - but need better clarification around the individual banks and who they benefit.

“ Okay. But they...is it owned by the people and it's like a non-for-profit or?
- Non-COB customer

Customer perceptions

It's no secret that the customers of Customer Owned Banks value the services provided. In fact, an overwhelming majority feel a positive emotional connection, are satisfied to be a member, and are even proud that their bank supports the community.

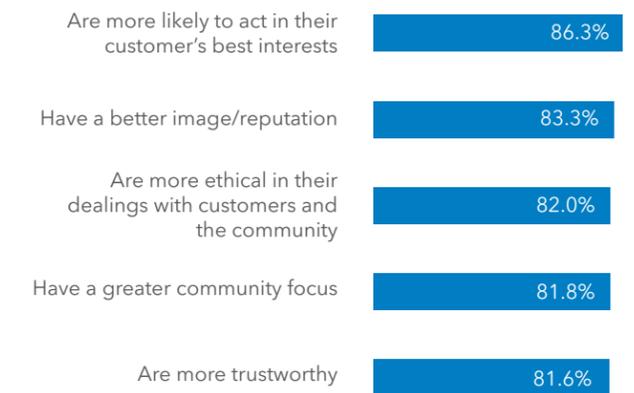
Figure 3 - How much do you agree or disagree with the following statements about being a customer of a Customer Owned Bank?



% Agree
n = 555, COB Customers

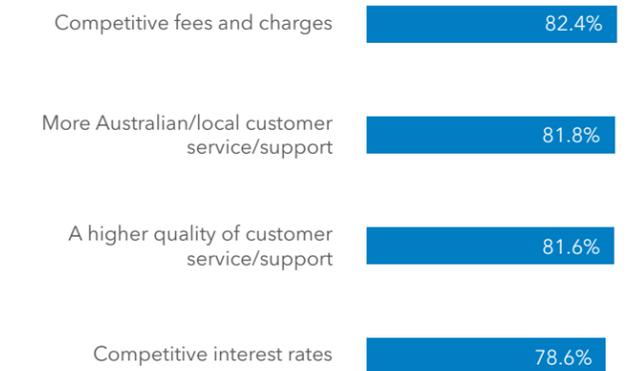
They have also overwhelmingly complimented their banks on an array of intangible factors - from trust to image - and on more tangible things, such as the strength of their fees and charges, and their customer service. Put simply, the value of Customer Owned Banks across the board is abundantly clear to the members and customers of these banks.

Figure 4 - Compared to non-Customer Owned Banks, do you think Customer Owned Banks...?



n = 555, COB Customers

Figure 5 - Compared to non-Customer Owned Banks do you think Customer Owned Banks offer...?

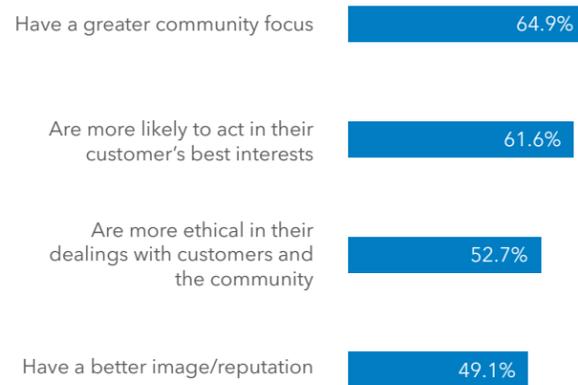


n = 555, COB Customers

Non-customer perceptions

When non-customers are given an explanation of what Customer Owned Banking entails, most see the value in the proposition. Most believe Customer Owned Banks have a strong community focus, as well as being more likely to act in customers' interests and be more ethical in their dealings.

Figure 6 - Compared to non-Customer Owned Banks do you think Customer Owned Banks...?



n = 1,512, Non-COB Customers

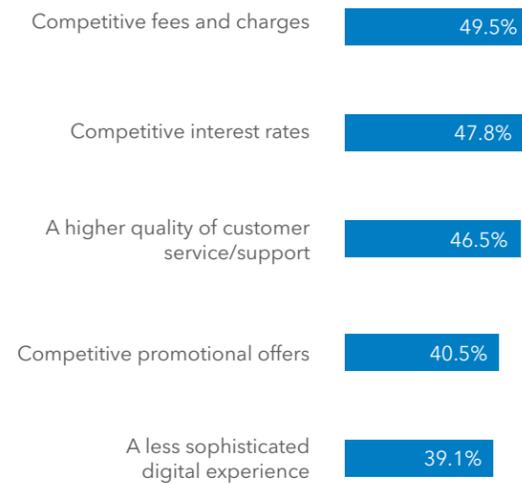
In focus groups, most non-customers were enthusiastic about the idea of Customer Owned Banks. They could see that the proposition would allow room for more customer attention, and an overall better member experience. They felt lost in the big banks, as if they didn't matter as a customer - they understood that Customer Owned Banks would value them more.

“ Yeah, definitely appealing. Definitely, not being made to feel like a number and having a bit of an input into how they do business and that.

- Non-COB customer

However, after having it explained to them, survey respondents were generally less confident in Customer Owned Banks' ability to be competitive, digitally savvy, and have good customer service - despite the evidence to the contrary from Customer Owned Bank members. This highlights the clear disconnect between customers and non-customers, and the need for Customer Owned Banks to better articulate their value proposition, while raising awareness, to strengthen their customer acquisition strategies.

Figure 7 - Compared to non-Customer Owned Banks do you think Customer Owned Banks offer...?

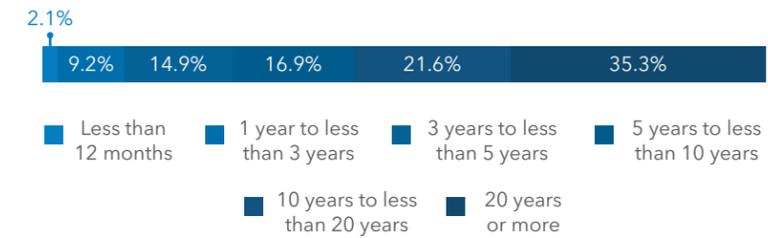


The Australian banking landscape

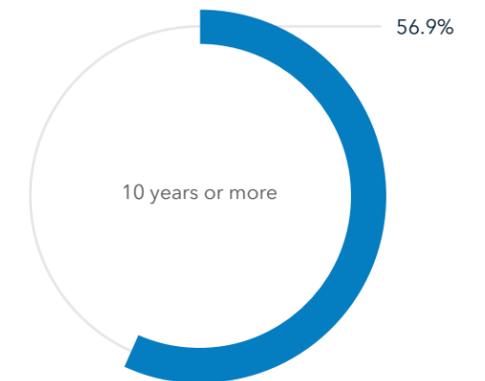
Taking a step back and looking at the landscape of Australian banking more broadly, there are a few clear reasons as to why Customer Owned Banks may struggle in the competition for attention. When asked about their banking practices, a large majority of Australians (72.9%) signalled that they bank with more than one provider, usually by virtue of having different products with different providers (45.2%), or because they want separation between savings and spending (39.5%).

Regardless, most Australians have a bank they consider to be their main bank - predominantly defined by wherever they do their everyday banking (35.1%) or where their salary is paid (18.5%) - and loyalty to these banks is strong among the majority. Most have not changed banks in the past 10 years, and only a small minority (11.3%) have changed banks in the past year. With such stagnation in customer movements it can be difficult to appeal to customers at the right moment.

Figure 8 - How long have you been with your main bank?



n = 2,067, Overall



Customers indicate that the main reason for this inherent loyalty to their main bank is the difficulty and hassle of switching providers. They see changing banks as a massive hurdle to overcome - transferring direct deposits, and even having to reassess their home loan situation. As such, most Australian consumers remain loyal to their bank - for decades.

Even significant events such as the banking Royal Commission and dealing with COVID-19 have had little impact on the loyalty of Australian banking customers. Despite the negative attention that many major banks received during the Royal Commission, only about one in six (17.1%) traditional bank customers said their loyalty was reduced. In fact, a similar proportion (11.5%) had their loyalty improved by the events surrounding the Royal Commission (albeit far less than Customer Owned Bank members). Similarly, only a small minority (5%) of non-Customer Owned Bank customers say their loyalty was reduced by how their bank responded to the COVID-19 pandemic. More than double (12.4%) had their loyalty improved. Most say their loyalty stayed the same in both circumstances. So, if major events such as these won't motivate change for Australian banking consumers - what will?

“ I'm loyal to the extent, I couldn't be bothered changing. I've been with [Big 4] for I don't know, 20-odd years... I just haven't changed any of it over the years, because I just couldn't be bothered you know, more than anything else.

- Non-COB customer



Switching motivators and barriers

Keys to retention

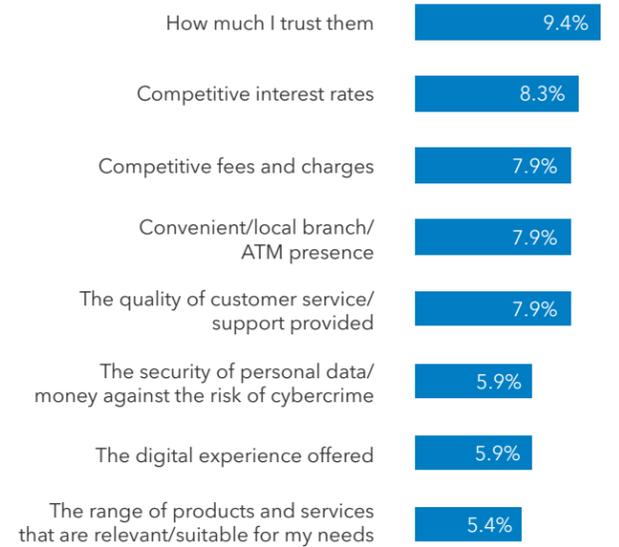
When asked about the most important factors in the decision to stay loyal to their Customer Owned Bank, most consumers agreed that it was a matter of trust, competitiveness, and the quality of customer support. Factors such as the digital experience tend to take a back seat to these considerations. This shows relatively clearly what members value about Customer Owned Banks. There's an expectation that these banks meet the minimum bar for things such as the digital experience, but beyond this it's really about how true to their ethos Customer Owned Banks remain.

In fact, the most likely reason that a younger customer will give for joining their Customer Owned Bank in the first place is because the bank seemed trustworthy. Image and reputation is more important to the middle generations, whereas older Australians are most likely to join because of the competitiveness of fees and charges.



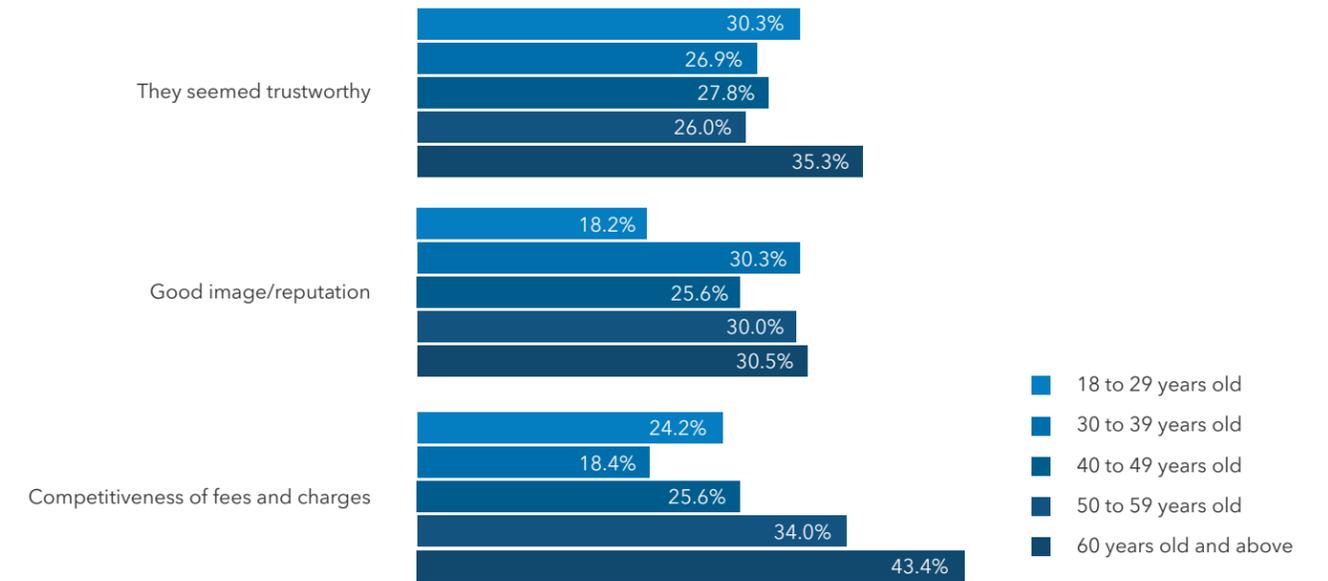
Younger Customer Owned Banking members are most likely to have joined because their bank seemed trustworthy.

Figure 9 - Which of the following factors are most important to you in deciding whether to stay with your main bank or to switch to another bank?



*Rank 1, top 8 responses only
n = 555, COB Customers

Figure 10 - Why did you join a Customer Owned Bank?



* Multiple answers allowed

* Top 3 reasons only

n = 37, 18 to 29 years old; 209, 30 to 39 years old; 94, 40 to 49 years old; 60, 50 to 59 years old; 155, 60 years old and above; COB Customers

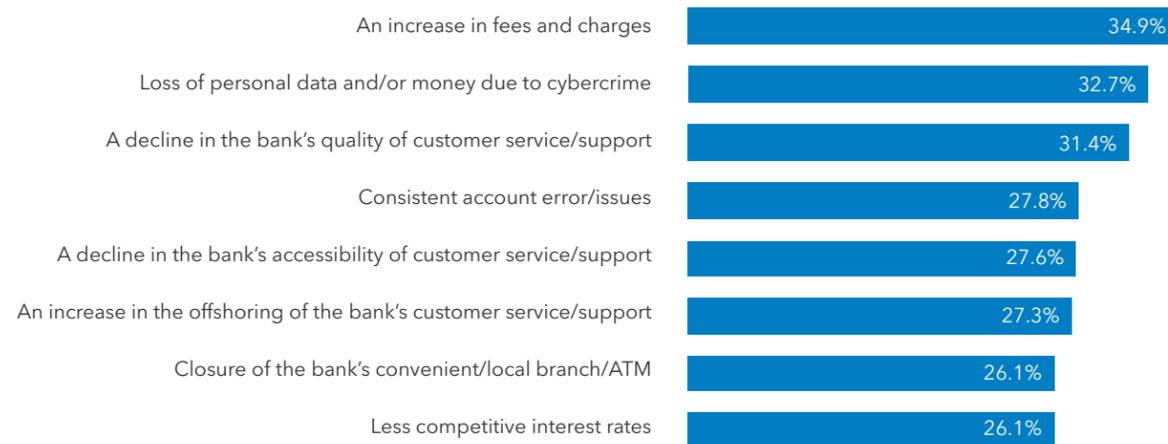
Customer Owned Banks need to ensure consistency in both quality and effectiveness of their services - to ensure they retain the strong customer loyalty they currently hold. If these banks were to exorbitantly increase fees and charges, or suffer a major crisis like a data breach - around one third of consumers would consider switching out of their Customer Owned Bank.

More gradual events like a decline in customer service, or consistent issues and errors, would also be likely to motivate an exit. Loyalty in Customer Owned Banking is high, but they do need to continue to work to keep it that way.



Customer Owned Banks need to ensure consistency in both quality and effectiveness of their services - to ensure they retain the strong customer loyalty they currently hold.

Figure 11 - Which of the following events with your Customer Owned Bank could make you consider switching to a non-Customer Owned Bank?



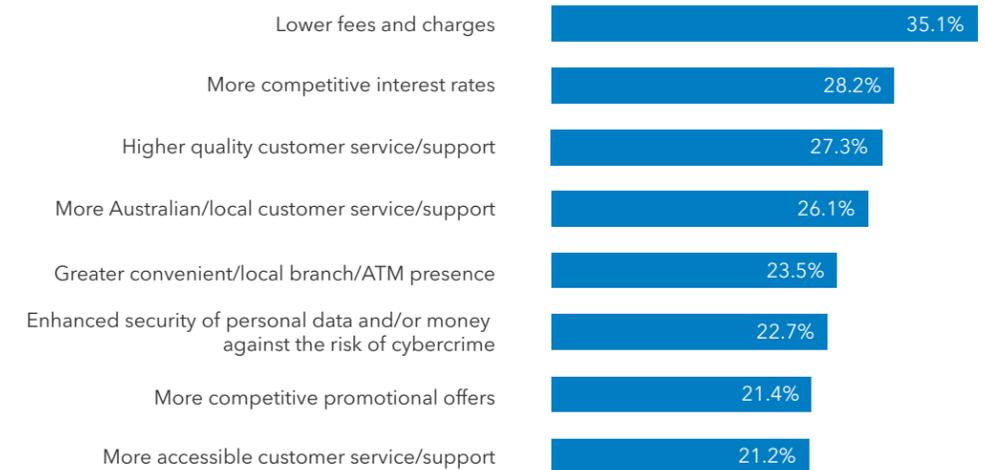
* Multiple answers allowed
 * Top 8 switching offers
 n = 555, COB Customers

Finally, while there is a strong loyalty amongst members of Customer Owned Banks, and a definite buy-in to their motivations and ideals, ultimately banks remain financial services institutions - and if consumers can get a better offer elsewhere, it could be enough to motivate them to switch. Above all else, members of Customer Owned Banks say that lower fees and better interest rates - if offered by a traditional bank - would be enough to make them consider switching. Of course, such offers would need to be strong enough to overcome the inertia caused by the aforementioned difficulty of switching, but this does not mean that Customer Owned Banks can be complacent about their competitiveness.

Again, this is about meeting a minimum standard of service offering. To have a successful customer retention strategy, member owned banks need to have sufficiently competitive fees and interest rates and a sufficiently satisfactory online experience. Only after these barriers have been cleared can they win loyalty through their strengths such as customer service and community values.



Figure 12 - Which of the following, if offered by a non-Customer Owned Bank and well-communicated to you, could make you consider switching to them?



* Multiple answers allowed
 * Top 8 switching offers
 n = 555, COB Customers

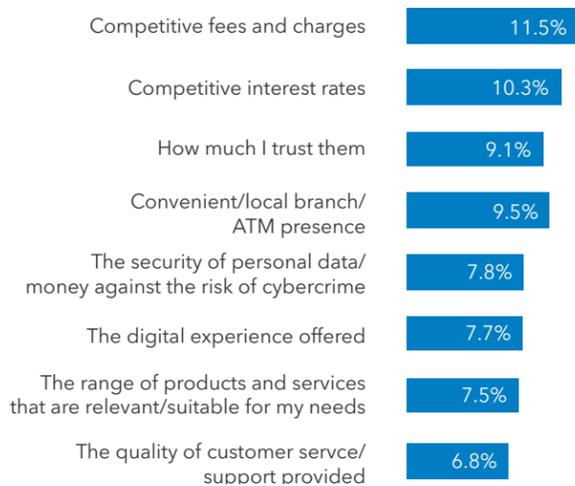
Keys to acquisition

Looking at the other side of the coin, it is valuable to understand the motivators of traditional banking customers that Customer Owned Banks could capitalise on to strengthen their customer acquisition strategies. It is already quite clear that Australian banking customers are loyal to their current providers. Motivating consumers to overcome barriers and the perceived hassle of switching to join a Customer Owned Bank is going to require fresh and innovative offers and ideas. For traditional banking customers, ideals such as trust and image take a back seat to the competitiveness of fees and charges. Fees, charges, and interest rates were the most popular first answers when these traditional banking consumers were asked what most influences their banking loyalty decisions.



Convenience, customer service, security are all nice to have. But, by far, the two main factors that traditional banking customers prioritise are the competitiveness of rates, and the competitiveness of fees.

Figure 13 - Which of the following factors are most important to you in deciding whether to stay with your main bank or to switch to another bank?

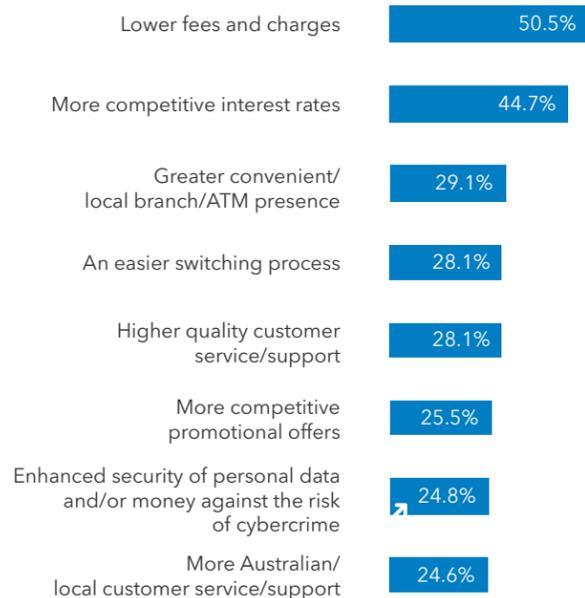


*Top 8 responses only
n = 555, COB Customers

It is the same story for these consumers when asked about things that would motivate them to switch. Convenience, customer service, security are all nice to have. But, by far, the two main factors that traditional banking customers prioritise are the competitiveness of rates, and the competitiveness of fees.

This presents a unique issue for Customer Owned Banks. Whilst members and non-members alike know that their rates and charges are competitive, in the current financial environment it is nearly impossible to have such competitive charges and rates that it overcomes the barrier that switching banks presents.

Figure 14 - Which of the following, if offered by a Customer Owned Bank and well-communicated to you, could make you consider switching to them?



* Multiple answers allowed
* Top 8 switching offers
n = 1,512, Non-COB Customers





The acquisition solution

“ It’s too much of a pain to change all your direct debits and all of the other things that you have but while they’re competitive with other banks, I’ll stay with them. I’ve been with them a long time.

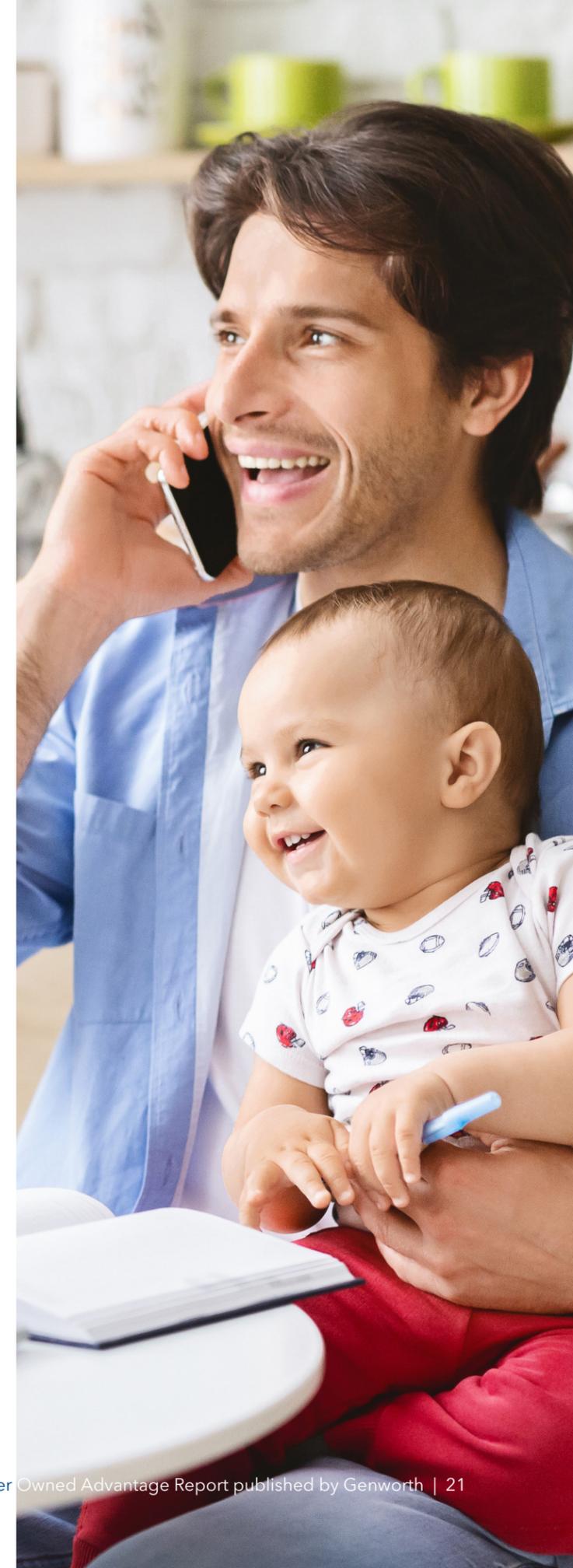
- COB customer

Customer Owned Banking strengths

Consumers have made it relatively clear that, above all else, they value competitiveness from their banks - and that a more competitive offer would motivate them to switch. Unfortunately, it is difficult to offer these to such a level that they motivate change. While this can be viewed as a negative, it can also be a positive. As long as Customer Owned Banks are perceived to be on a level playing field on fees and rates (as they are now), they can attract customers with their other strengths. This report has made clear that the sector’s existing strengths lie in the superior customer experience enjoyed by customers of the sector, as well as the strong community focus inherent to Customer Owned Banks. The banks also excel in their service ethos, trustworthiness and strength in their products offered.

Opportunities

The second half of this paper will present a number of areas of focus that the Customer Owned Banking sector will be able to leverage upon to achieve further growth. Opportunities for advancement include a focus on the home-ownership market through focusing the sector’s exemplary customer service on potential homeowners and providing them with support and pathways to home ownership with a Customer Owned Bank. An evidence base will also be provided for opportunities for further development in the areas of digitisation, as well as the sector’s product range, in addition to a spotlight on banking and community support.





Home buying and Customer Owned Banks

High housing prices still have not deterred Australians from their desire to own property, with more than a third of banking customers (36.1%) indicating they are looking to buy their first property in the next five years. Younger Australians are most eager to own property with seven in 10 of those aged 18 to 39 indicating they are looking to buy in the next five years, and nearly half (44%) are wanting to achieve this even sooner in the next two years.

Customer Owned Bank customers are more likely than traditional banking customers to want to purchase a property, with half indicating they are looking to buy in the next five years (50.6%), whilst only three in 10 non-customers indicated the same (30.8%). The desire to purchase is highest among couples who are not living together (61.1%), which is greater than the proportion of singles and also of those that are married or living with a partner.

Figure 15 - Are you looking to buy your first property in the next 5 years?

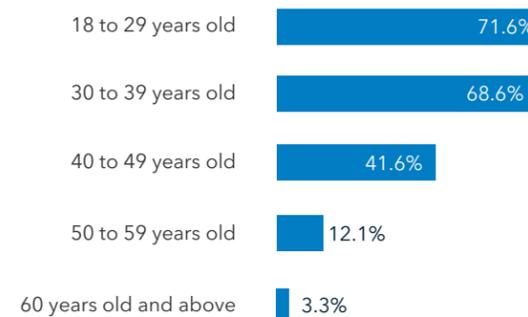
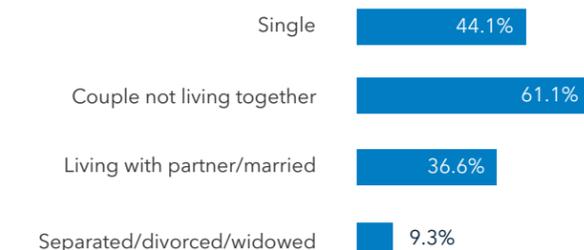


Figure 16 - Are you looking to buy your first property in the next 5 years?



n = 176, Single; 66, Couple not living together; 483, Living with partner/married; 22, Separated/divorced/widowed



Australian banking customers also want their bank to guide them through easy-to-understand and trusted information on the home buying process.

For the many Australians that are looking to enter the property market as a first home buyer the purchasing process is difficult to understand. Most agree that it is difficult to know who to trust to support them in the home buying process and are looking for their bank to help them with competitive savings and home loan products. Australian banking customers also want their bank to guide them through easy-to-understand and trusted information on the home buying process.

Figure 17 - How much do you agree or disagree with the following statements about the home buying process as first home buyer?

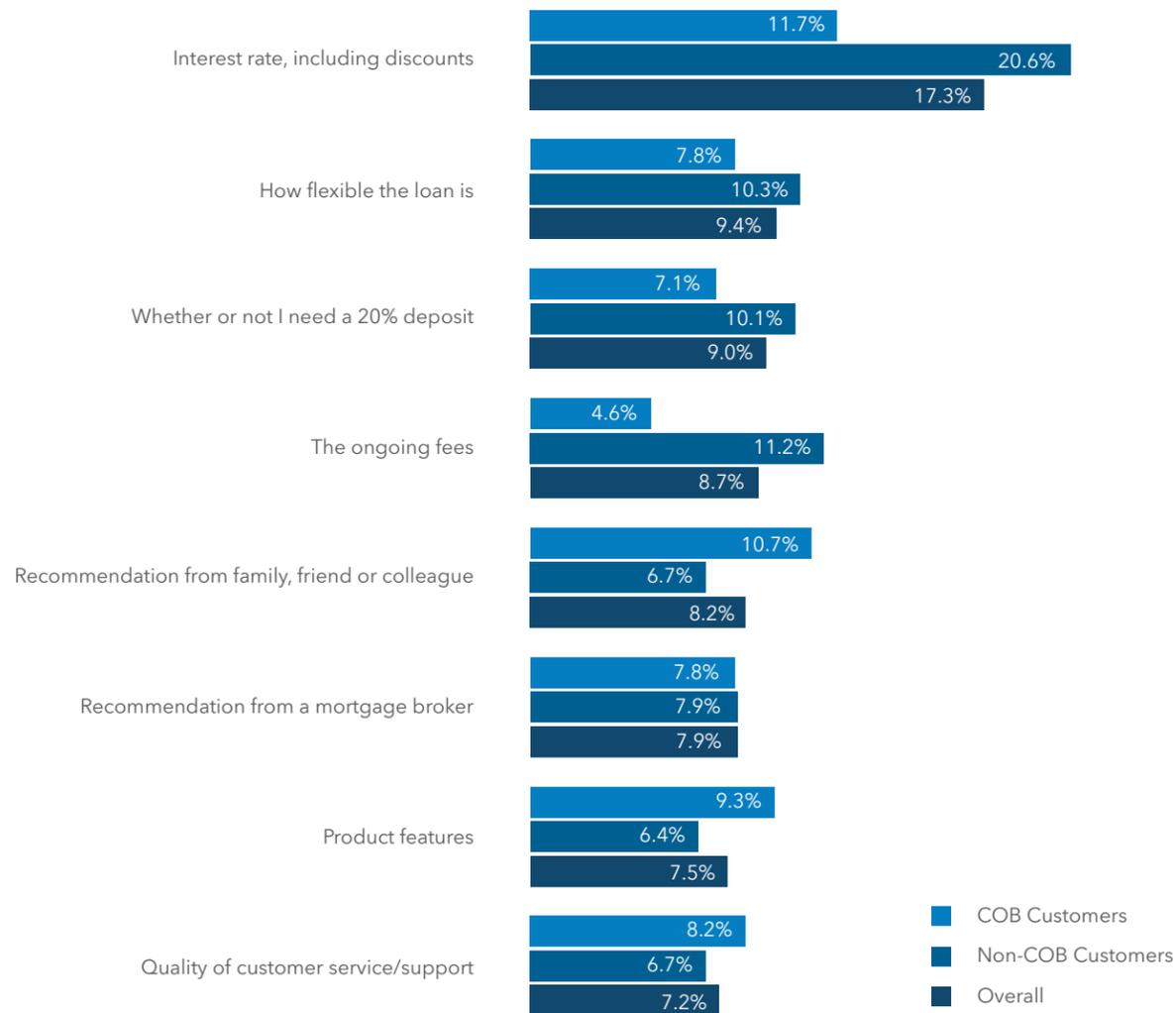


n = 747, Looking to buy first property in the next 5 years

Given that the process is difficult for many to understand, four out of five have indicated that they are likely to switch to another bank that provides more easy-to-understand and trusted information on the home buying process. This presents an opportunity for Customer Owned Banks to leverage the positive associations consumers already make with them, and to position themselves as the market leaders in providing not only quality savings and home loan products, but also advice and information for helping customers to navigate the often-confusing buying journey.

Four out of five have indicated that they are likely to switch to another bank that provides more easy-to-understand and trusted information on the home buying process.

Figure 18 - Which of the following aspects are most important to you in choosing which bank/lender to obtain a loan with?



* Top 8 answers only
n = 281, COB Customers; 466, Non-COB Customers; 747, Overall; Looking to buy first property in the next 5 years

As well as providing trusted information, there are a number of other factors that Australians are looking for when choosing which lender to obtain a loan with. Unsurprisingly, the most important factor to all customers is the interest rate and discounts that are on offer by the lender. After this first factor customers also consider how flexible the loan is, whether or not they need a 20% deposit to get a loan, and the ongoing fees on the loan. The reputation of the lender is also important, as are recommendations from family, a friend or colleague - which can weigh as high as a recommendation from a broker.

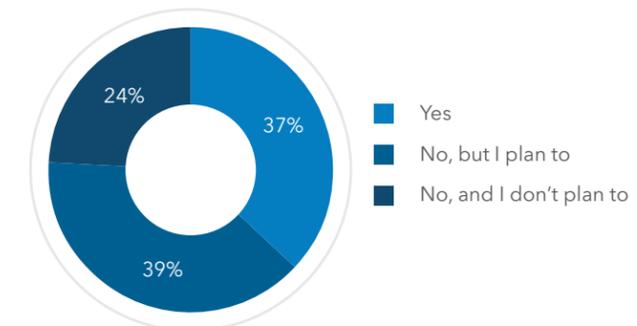
Mortgage brokers and Customer Owned Banks

For bank customers from both sectors of banking selecting a home loan, there are a number of factors more important than if it comes recommended by a mortgage broker, and those planning on purchasing a property in the next five years have varying plans as to whether they will use a broker or not. More than a third of overall banking customers indicate that they have already engaged a mortgage broker to help them finance their home purchase. Customer Owned Bank customers are much more likely to have engaged a mortgage broker, with more than half of respondents indicating they have already done so. Among all consumers, another four out of 10 (39%) have not yet engaged a broker but plan to, whilst a quarter of home buyers do not plan on engaging one (24.2%).

Despite a quarter of home buyers indicating they are not planning on engaging a mortgage broker, almost all respondents agreed that they think mortgage brokers provide them all the available home loan options and also recommend the best home loan option for them. Even though customers generally agree that mortgage brokers provide all the available home loan options, stakeholder research has indicated that the Customer Owned sector feels underrepresented among mortgage brokers.

This presents an opportunity for growth in the Customer Owned Banking sector as four in five Customer Owned Bank customers have engaged or intend to engage a mortgage broker (80.1%).

Figure 19 - Have you engaged a mortgage broker to support you in the home buying process?



“ When customers go to a broker, because they think they're getting impartial advice and they are shopping from this big supermarket of home loans when, in fact, the four major aggregators are owned or partly owned by a major bank.

- Chief Strategy Officer - Customer Owned Bank

Home buying action items - providing clarity at the right time

The cruciality of a targeted sales strategy towards home buyers cannot be overstated for Customer Owned Banks. Given the entrenched loyalty that Australian consumers have for their banks, there are only a few opportunities where banks can be certain a consumer is in the market for a new bank - searching for a home loan is a key one of these.

Australian home buyers are looking for clarity and education, as well as competitive fees and rates. First, Customer Owned Banks must ensure they're meeting the minimum bar to attract the customer (good interest rates, products that align with the market). Working with mortgage brokers to communicate value can also offer advantages. After that, it's up to the Customer Owned Bank to decide what they can provide as a point of differentiation. Product selling points in the past have included things like strong personal service, product flexibility, and add-ons to the loan (e.g. credit cards).



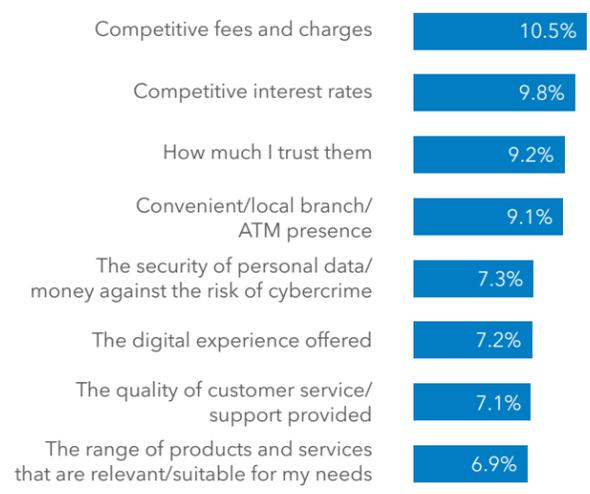
Digitisation

Despite the high frequency with which they interact with their bank's digital offerings, there are a number of factors that come up more regularly as being important to consumers.

As bank customers' lives are increasingly going digital, Australian banks have also had to update their offerings to be accessible and reliable in the digital space in order to meet the changing needs of their clients. Customers rely on digital banking to access their funds, along with other products and services offered by their bank.

However, despite the high frequency with which they interact with their bank's digital offerings, there are a number of factors that come up more regularly as being important to consumers. Most customers agree that competitiveness of fees and charges, followed by competitiveness of interest rates are the most important factors when deciding to stay with their main bank. Other factors, such as how much they trust the bank and convenient local branch and ATM presence, came ahead of digital experience.

Figure 20 - Which of the following factors are most important to you in deciding whether to stay with your main bank or to switch to another bank?



*Top 8 responses only
n = 2,067, Overall

This suggests that even though many interact with their digital banking experience daily, the rarer occasions when they visit their local branch and ATM rank higher in terms of consumers' overall perception of what is important. When asked about how a number of factors have improved their loyalty to their main bank, only about a third agreed that their bank's digital offering in the current digital world improved their loyalty, whilst more than half said it had little to no impact.

Figure 21 - How has the following impacted your loyalty to your main bank: My bank's digital offering in the current digital world

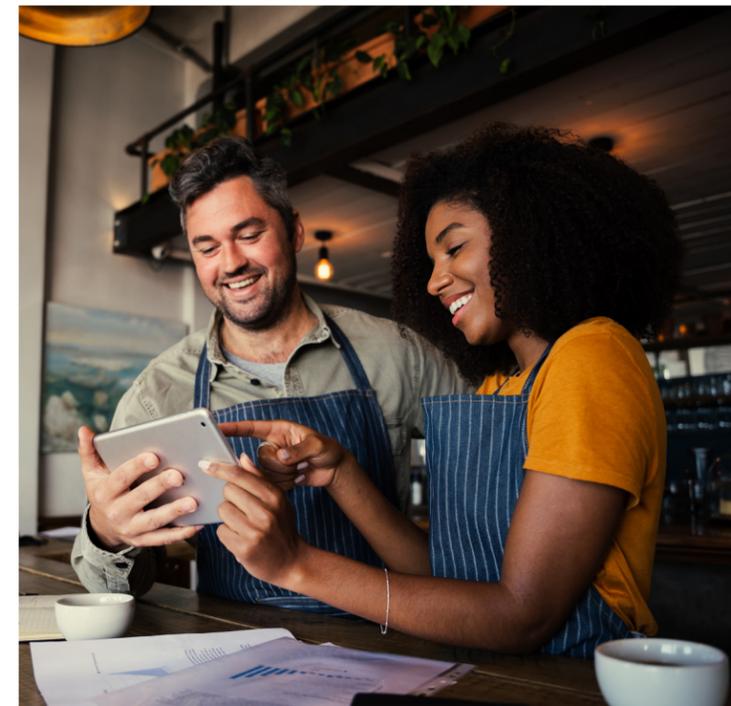
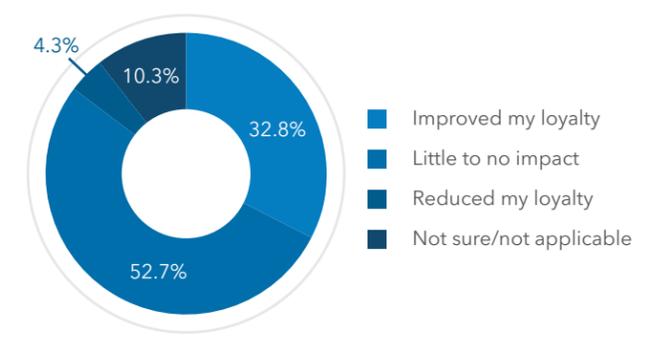
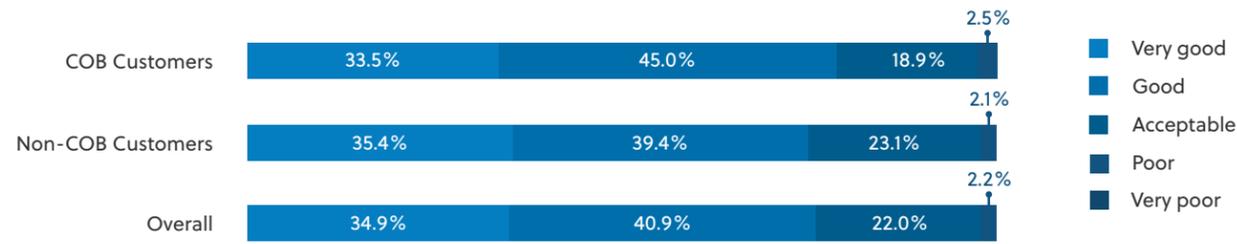


Figure 22 - Thinking about some of the best digital experiences that you've ever had (banking or non-banking), how would you rate your main bank's digital experience (e.g. app and online banking experience)



n = 555, COB Customers; 1,512, Non-COB Customers; 2,067, Overall

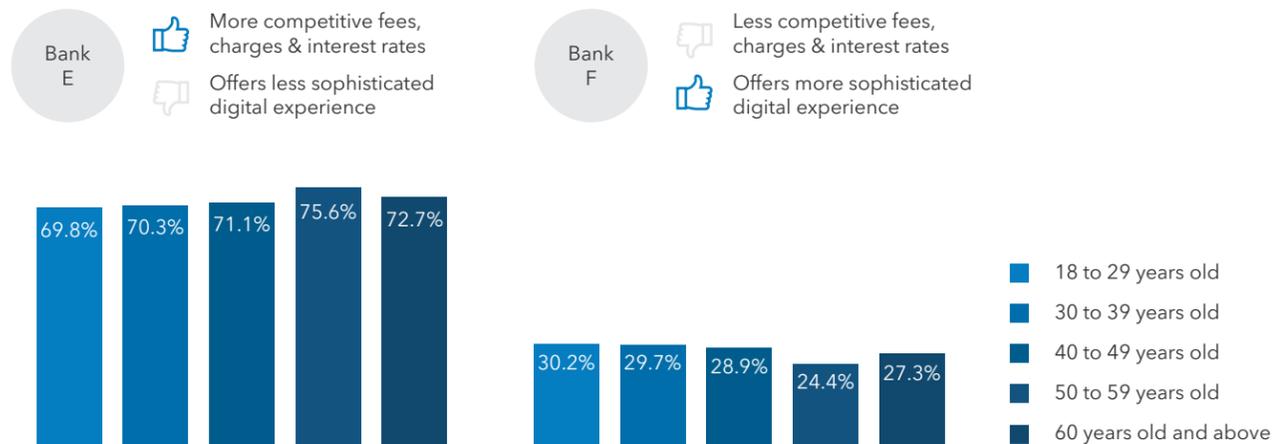
When asked to think about their bank's digital experience, the majority of consumers from across the spectrum of banking agreed that their experience has been good, with only a very small proportion (2.2%) categorising this as poor or very poor.

 This still leaves three in 10 consumers who would join the bank with a more sophisticated digital experience at the cost of fees, charges and interest rates.

Customers were posed a hypothetical question about joining two different banks with two competing offerings. Given that interest rates, fees and charges are the most important factors to consumers, it is unsurprising that seven in 10 agree that they would go for the bank offering a more competitive offering of these factors, with a less sophisticated digital experience. However, this still leaves three in 10 consumers who would join the bank with a more sophisticated digital experience at the cost of fees, charges and interest rates.

Agreement with these statements was similar across all age groups, with younger people being slightly more likely to want to opt for the bank with a better digital offering. The customers of Customer Owned Banks and traditional banks also shared similar views with each other on the topic.

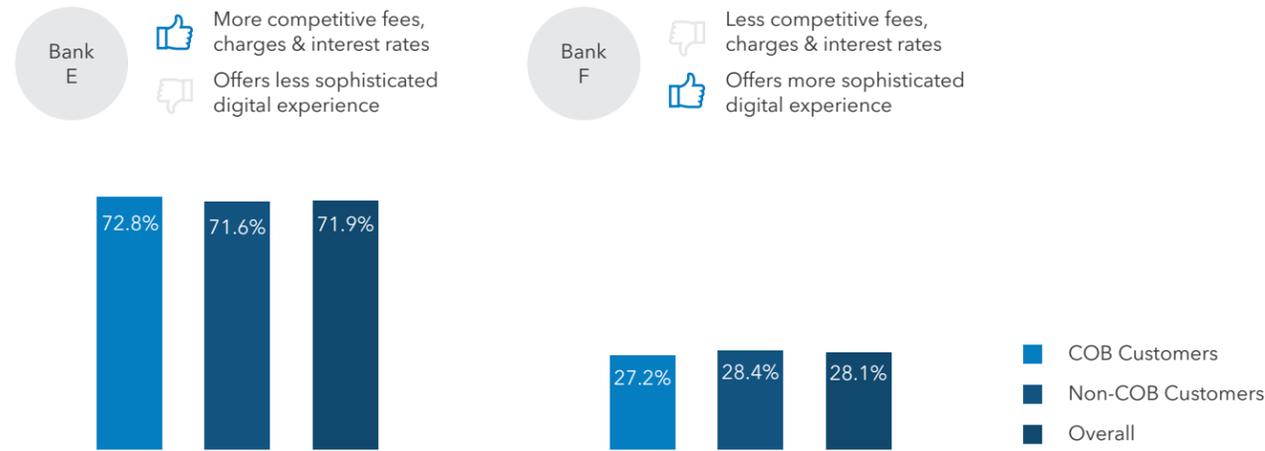
Figure 23 - Which one would you choose if you were in the market for a new bank, and had a choice of the following:



n = 225, 18 to 29 years old; 555, 30 to 39 years old; 353, 40 to 49 years old; 307, 50 to 59 years old; 627, 60 years old and above



Figure 24 - Which one would you choose if you were in the market for a new bank, and had a choice of the following:

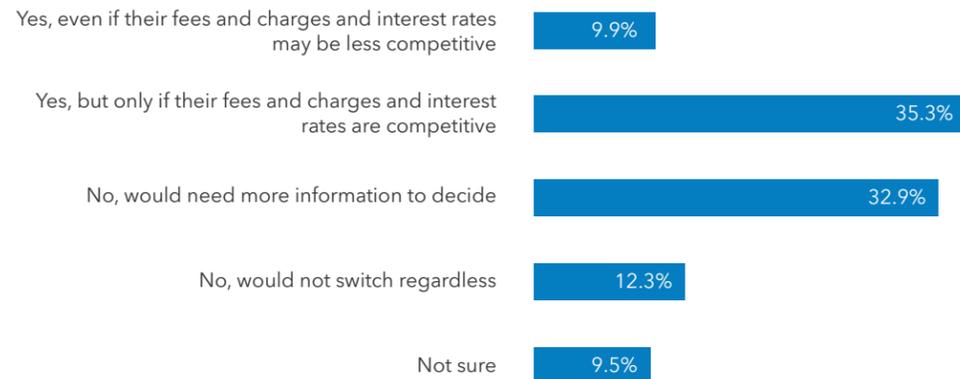


n = 555, COB Customers; 1,512, Non-COB Customers; 2,067, Overall

However, willingness to go with a bank with a more sophisticated digital experience and less competitive fees, charges and interest rates decreases sharply when the customer is not thinking about a hypothetical bank and is instead asked about changing from their current main bank. When presented with this scenario, only one in 10 (9.9%) agreed that they would change to another bank with less competitive interest rates, fees and charges, with a more sophisticated digital experience.

“ It depends on how not great it is... an app is an app, and all you want it to do is tell you how much is in there and where the hell it went, pretty much... So, as long as their app is able to function, you know to show me where the money is.
- COB customer

Figure 25 - If your main bank was lagging other banks in terms of improving the digital experience that it offers you, would you consider switching to another bank that offers a more sophisticated experience?

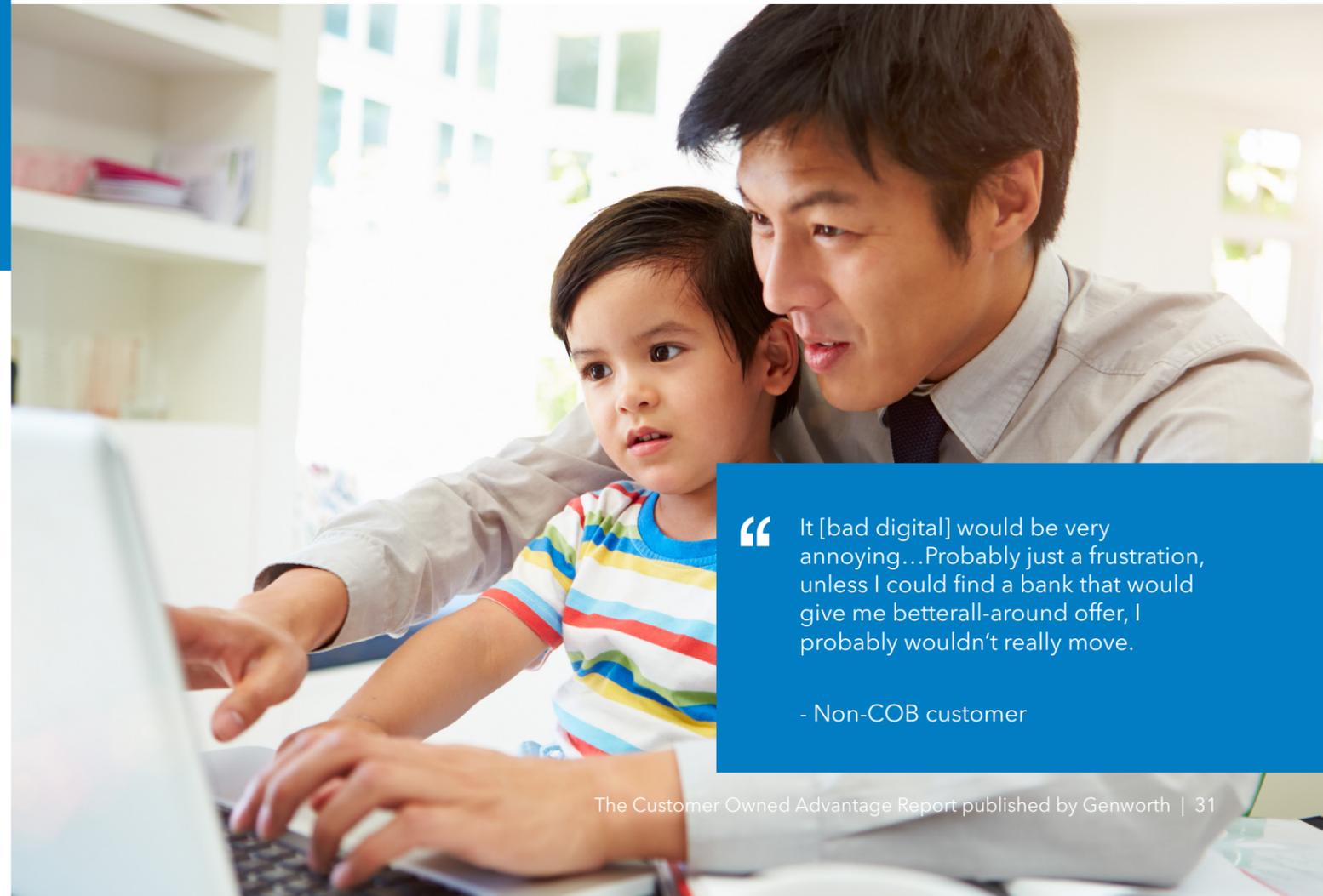


This shows that whilst digital offering does have some bearing on customers' choice of bank, the issues of fees, charges, and interest rates still reign supreme when considering the factors to choosing a bank. These findings indicate that as long as a customer's digital banking needs are being met, they are likely to stay with their current bank, and it would take an extremely enticing offer from a competing bank to tempt them away. A bank with a better digital offering sounds good to them in theory, however motivation to make the change based on this factor alone is low.

Whilst digital offering does have some bearing on customers' choice of bank, the issues of fees, charges, and interest rates still reign supreme when considering the factors to choosing a bank.

Digitisation action items - meeting the bar for security and experience

This provides a clear focus for any COB digital investment: improved cyber security and ensuring the digital offering is at least at the standard where it isn't a nuisance. Digitisation is about meeting the minimum bar of expectation and, fortunately for Customer Owned Banks, this standard is already being met to a level that satisfies customers.



“ It [bad digital] would be very annoying... Probably just a frustration, unless I could find a bank that would give me better all-around offer, I probably wouldn't really move.
- Non-COB customer

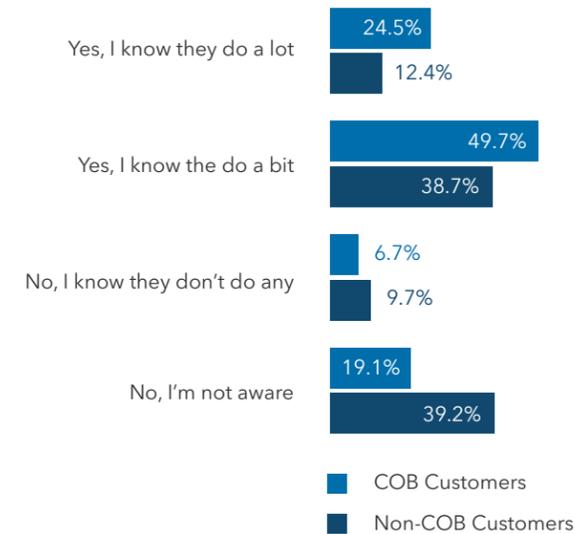


Banking and community support

A point of difference for Customer Owned Banks is the many initiatives that they run in their communities. Whilst these initiatives are undoubtedly important to the communities they are active in, these programs are also visible to the customers of the banks. Customer Owned Bank customers are likely to be aware that their bank is active in the community with three out of four saying they know their bank does either a bit or a lot in their local community. The proportion is lower amongst traditional banking customers where only about half know their bank is doing something in the community and two in five are not aware of any of their bank's initiatives.

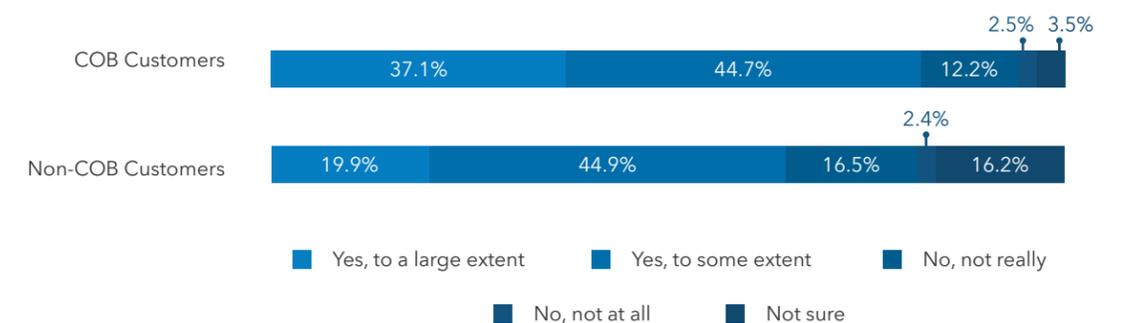
Additionally, the perception that Customer Owned Banks have a greater community focus is found among customers from both types of banking, with four out of five Customer Owned Bank customers and nearly two thirds of traditional banking customers agreeing with this statement. Customer Owned Bank customers are also proud of their bank's community support initiatives with an overwhelming majority (93.7%) agreeing they are proud that their bank supports their local community.

Figure 27 - Are you aware of your main bank's initiatives in supporting the community, including the local community in which it operates?



Customer Owned Bank customers are also proud of their bank's community support initiatives with an overwhelming majority (93.7%) agreeing they are proud that their bank supports their local community.

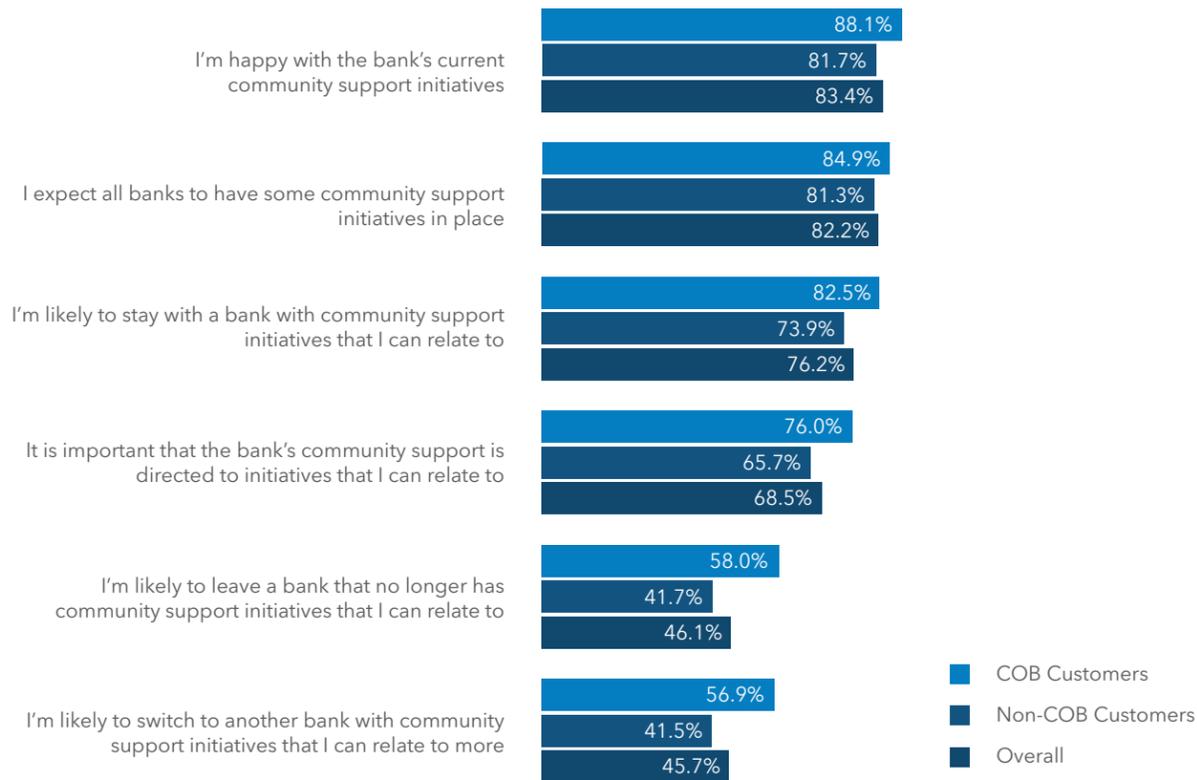
Figure 28 - Compared to non-Customer Owned Banks (e.g Westpac), do you think Customer Owned Banks (e.g Teachers' Mutual Bank) have a greater community focus?



Both Customer Owned Bank customers and traditional banking customers alike also mostly agreed that they are happy with their bank's current community support initiatives and that they expect all banks to have some initiatives in place. Further, nearly half of all respondents, and an even higher proportion of Customer Owned Bank customers, indicated they are likely to switch to another

bank with community support initiatives that they can relate to. This is not presently an issue for Customer Owned Banks, with an overwhelming majority of their customers saying they're proud of their bank's work supporting the community.

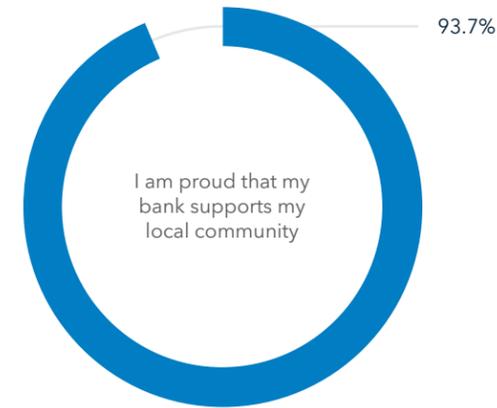
Figure 29 - Assuming your main bank has some community support initiatives in place, how much do you agree or disagree with the following statements?



n = 555, COB Customers; 1,512, Non-COB Customers; 2,067, Overall

“ Whereas the big banks seem to be mainland based and caring about the big cities and the...supporting the bigger states, whereas if they can make a reason to support Tasmania and local communities, that's probably going to go a long way to making me change my mind.

- Non-COB customer



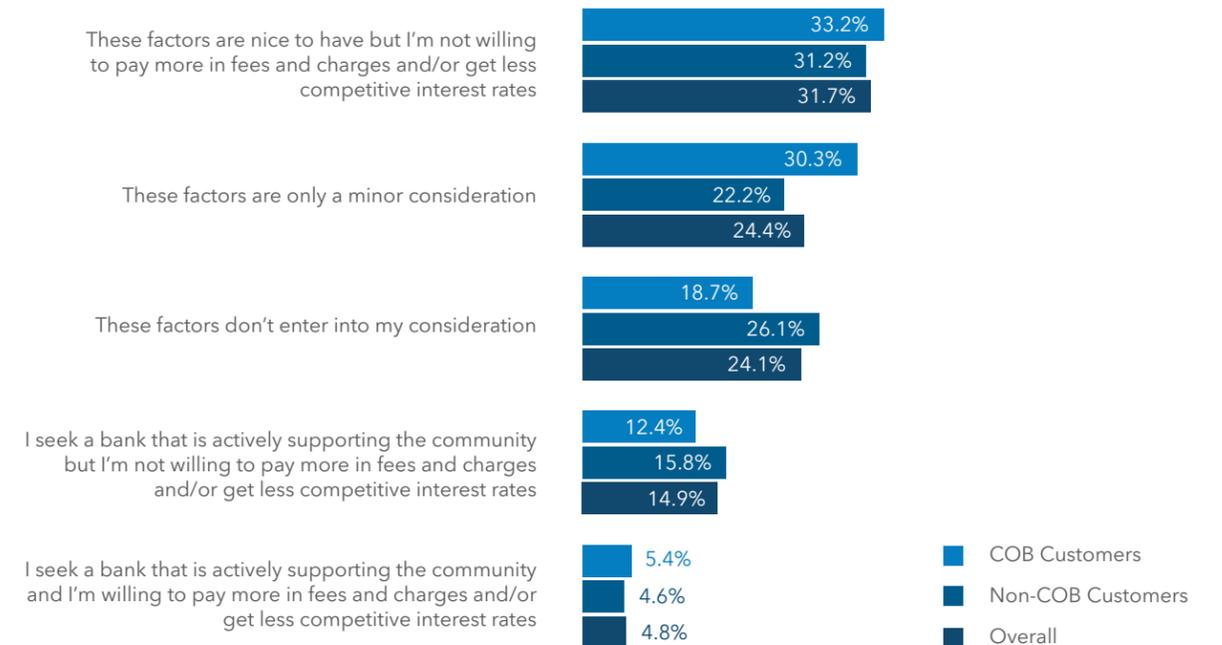
n = 555, COB Customers

But for all the positivity surrounding local support initiatives, customer support is conditional upon the bank meeting customers' other expectations for the bank's offerings and performance. Beyond the positive abstract idea of community support initiatives however, customer's actual behaviours diverge from their feelings about these programs.

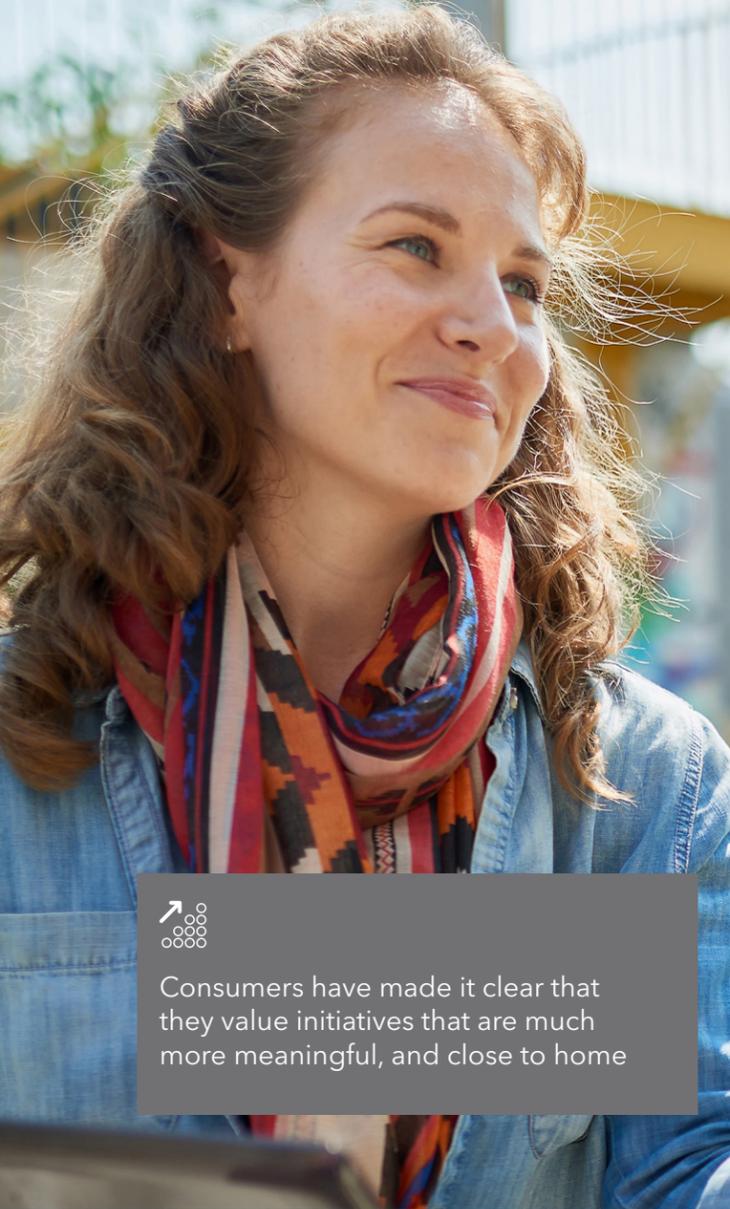
Whilst more than half of Customer Owned Bank customers indicated they are likely to switch to another bank with community support initiatives they can relate to more, less than one in 20 (4.6%) indicated that they actually seek a bank that is actively supporting the community and are also willing to pay more in fees, charges and interest rates in order to support this bank.

Less than one in 20 indicated that they actually seek a bank that is actively supporting the community and are also willing to pay more in fees, charges and interest rates in order to support this bank.

Figure 30 - Which of the following best describes your attitude to a bank's community support initiatives?



n = 555, COB Customers; 1,512, Non-COB Customers; 2,067, Overall



Consumers have made it clear that they value initiatives that are much more meaningful, and close to home

“ Anything that benefits the community, I think is a good idea. Not only that but it’s great for brand awareness and it sets you apart from the rest. We generally find that the majors are sponsoring big things like cricket... but the smaller community areas miss out on that

- Marketing Executive, Customer Owned Bank

This creates a dilemma for Customer Owned Banks. Community initiatives are mostly regarded by Customer Owned Banking customers as nice to have, but customers are not willing to compromise on issues such as fees and charges in order to fund them. There seems to be a diminishing return in funding community initiatives when customers regard them as only a minor consideration that few are willing to make monetary sacrifices to support.

However, it is worth remembering that community support initiatives are a key value that many Customer Owned Banks can still use to differentiate themselves in the market, and align with the sector’s community ethos. Consumers have made it clear that they value initiatives that are much more meaningful, and close to home - something Customer Owned Banks can do far more effectively than their traditional banking counterparts. If Customer Owned Banks focus on community support initiatives that actually make meaningful and impactful change within their communities, they’ll certainly benefit to some degree.

Community support action items - meaningful and communicated investment

There are certain steps that Customer Owned Banks can therefore take to maximise the impact and appeal of their community investments to the public. Above all else, it seems that meaningful investment is critical. Customers value seeing their bank invest in local events, sports, and activities more than a major sponsorship. Customers like their local community, and seeing their bank supporting this community is well received.

Ultimately, it is important to remember that customers see any community investment as their money being spent. They’re therefore only really happy for this to be the case if it’s making a meaningful difference to their local community.

Community investment - more than just marketing

It is also worth noting that most Customer Owned Banks are relatively ambivalent as to whether their community support initiatives bring in more customers. Most do it because they want to - they have the ability and the resources to make meaningful change in their community and will continue to do so regardless of whether it attracts any significant number of new customers. Community support is more than just a marketing technique for Customer Owned Banks. It’s at the very core of their values and what they do.



“ We don’t measure that [customer growth through community investment], and I don’t know that we would. It was something... that the board wanted to give back to the community and it didn’t really worry us as to whether we got any kind of brand awareness.

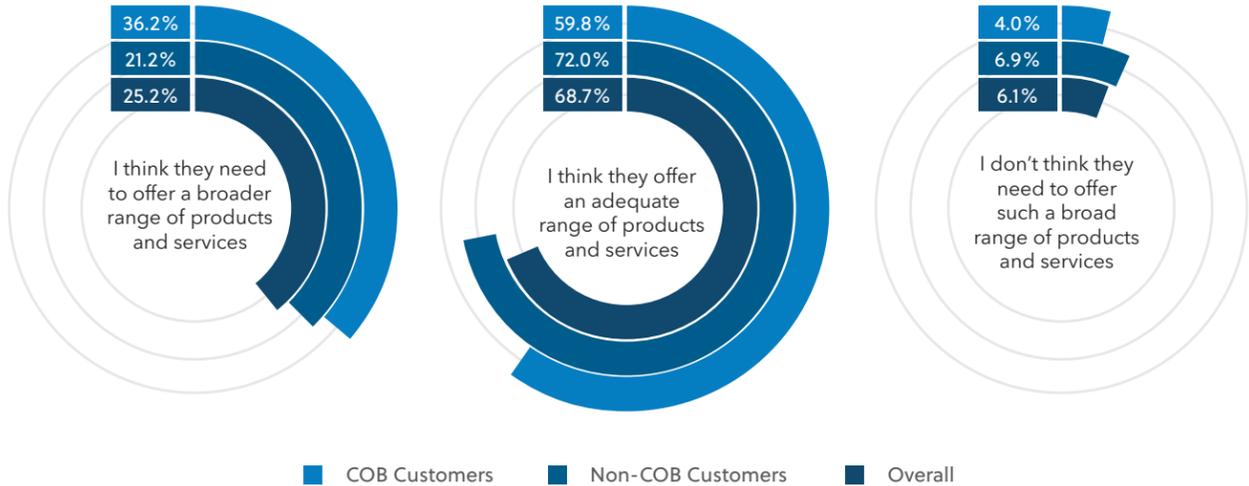
- Marketing Executive, Customer Owned Bank



Most Australian banking customers agree that their bank offers enough products to suit their needs with seven in 10 indicating they think their main bank provides an adequate range of products and services. However, there remains a third of Customer Owned Bank customers who would like to see their bank offer a broader range of products and services.

When considering the new products that their bank could offer, many of the most popular products or services that people want to see have a focus on receiving quality information. These options prove to be far more popular with consumers than products such as access to a reverse mortgage or buy-now-pay-later service.

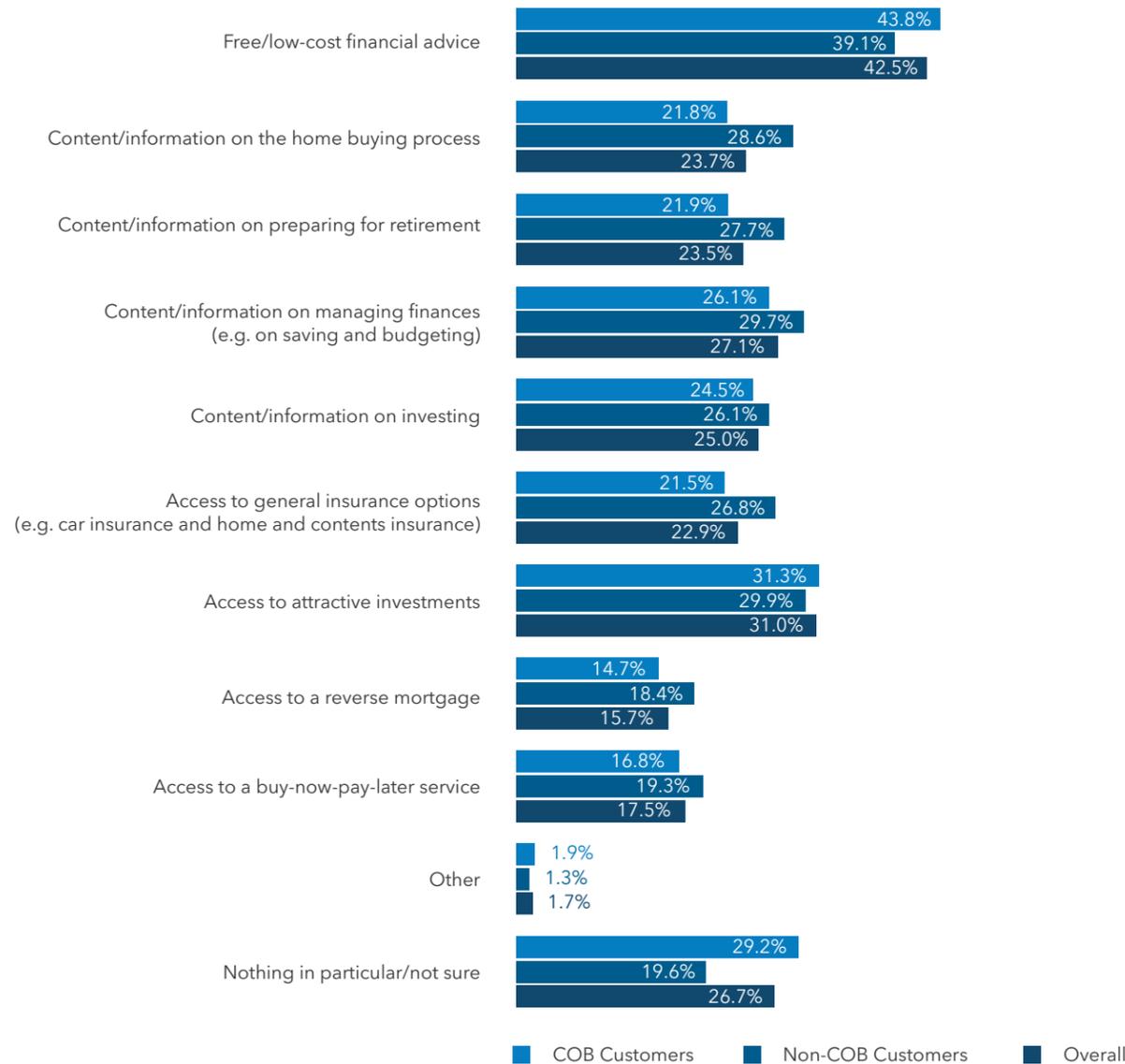
Figure 31 - Considering your current and likely future needs as a banking customer, what do you think about the range of products and services offered by your main bank?



n = 555, COB Customers; 1,512, Non-COB Customers; 2,067, Overall

Product range and offering

Figure 32 - Considering your current and likely future needs as a banking customer, which of the following products and services should your main bank continue to or start to offer you?



n = 555, COB Customers; 1,512, Non-COB Customers; 2,067, Overall

Product action items - information and education at the right time

Given the findings of the research included in this paper, a few key opportunities have emerged for Customer Owned Banks to attract and retain customers while also staying true to their values and adding to the community. So long as they meet expectations on issues such as digitisation, fees, rates and service, they can benefit from innovating and expanding into these opportunities.

Home buyers

This research has also shown that home buyers are confused and looking for guidance. Again, Customer Owned Banks can both serve the local community and benefit customers by being that single trusted source of advice about buying a home.

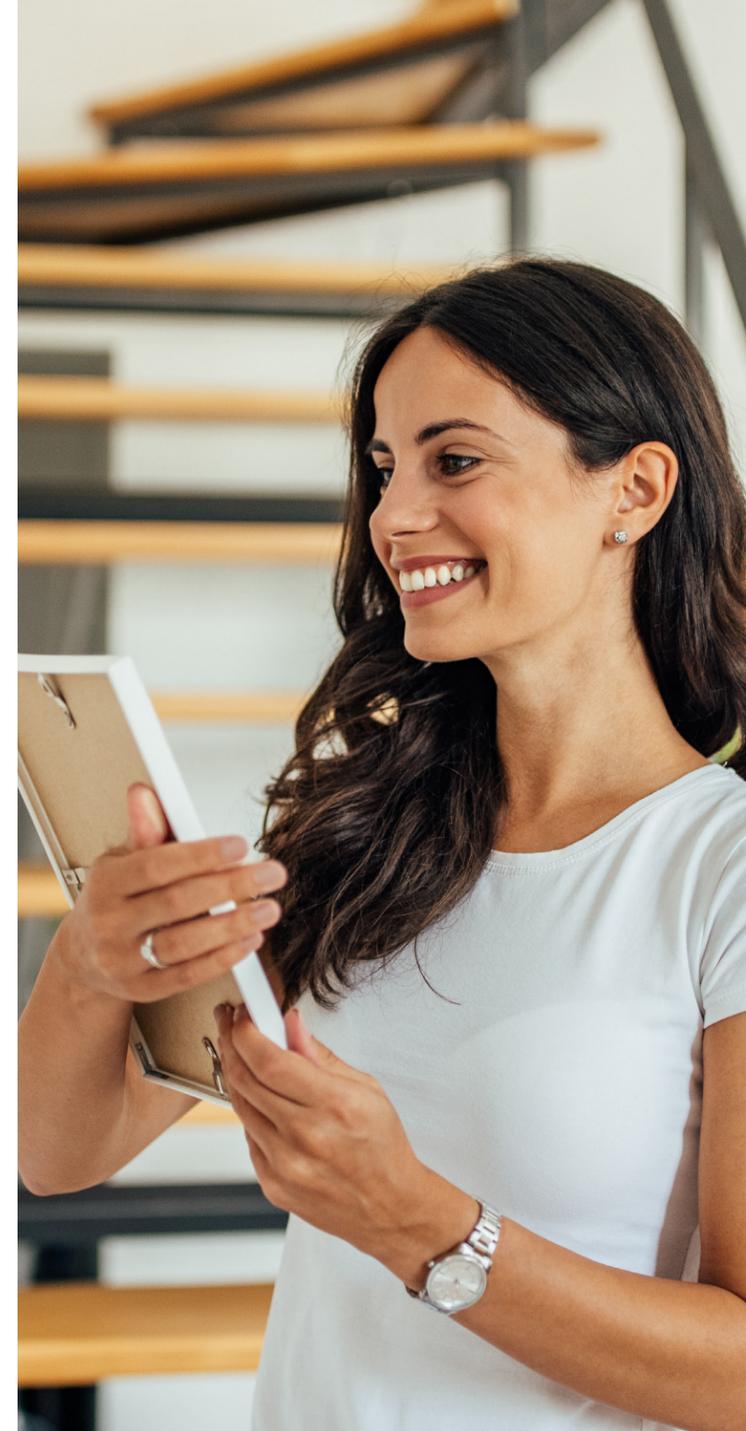
Reaching customers at this point is crucial. Given the strong loyalty that most consumers have to their banks, it can be difficult to choose the right time to approach customers. It has been established in this report that one of the main reasons consumers have more than one bank is because of product differentiation. Home loans are a popular product and thus likely to generate the best inflow of customers beyond the decision to choose one's first bank. Creating a better presence in the broker market will provide strong opportunities. Being a better point of information and helping customers in every way to purchase their home will also be key contributors to success here.

Other opportunities

Of course, aspects such as community investment and strong personal service are a core ideal of Customer Owned Banks and are not necessarily there purely to attract customers. But highlighting these ideals better through targeted marketing, meaningful investment, and sector initiatives that raise greater awareness can also serve to strengthen the value communication of Customer Owned Banks in Australia.



So long as they meet expectations on issues such as digitisation, fees, rates and service, they can benefit from innovating and expanding into these opportunities.



“ Actually introducing customers through a broker type style model into the customer owned sector... that value proposition being different, that might be a way of bringing the sector together.

- Chief Strategy Officer, Customer Owned Bank

Methodology and sources

Industry Stakeholder Focus Groups

- 2x Focus Groups with C-Suite and Marketing Executives
- Across a range of Customer Owned Banks
- Discussions about challenges of industry, opportunities, strategies, ideas

Consumer Focus Groups

- 2x Focus Groups with Customer Owned Bank Consumers
- 1x Focus Group with general Non-Customer Owned Bank Consumers
- 1x Focus Group with Non-Customer Owned Bank Consumers looking to buy a home
- Discussions about financial stresses, banking decisions and loyalty, and perceptions of industry

Consumer Survey

- Survey of 2,067 Australian Consumers
 - 555 Customer Owned Bank Customers
 - 1,512 Non-Customer Owned Bank Customers

