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Wednesday, 30 September 2015

Satisfaction with retail superannuation funds catching up to industry funds

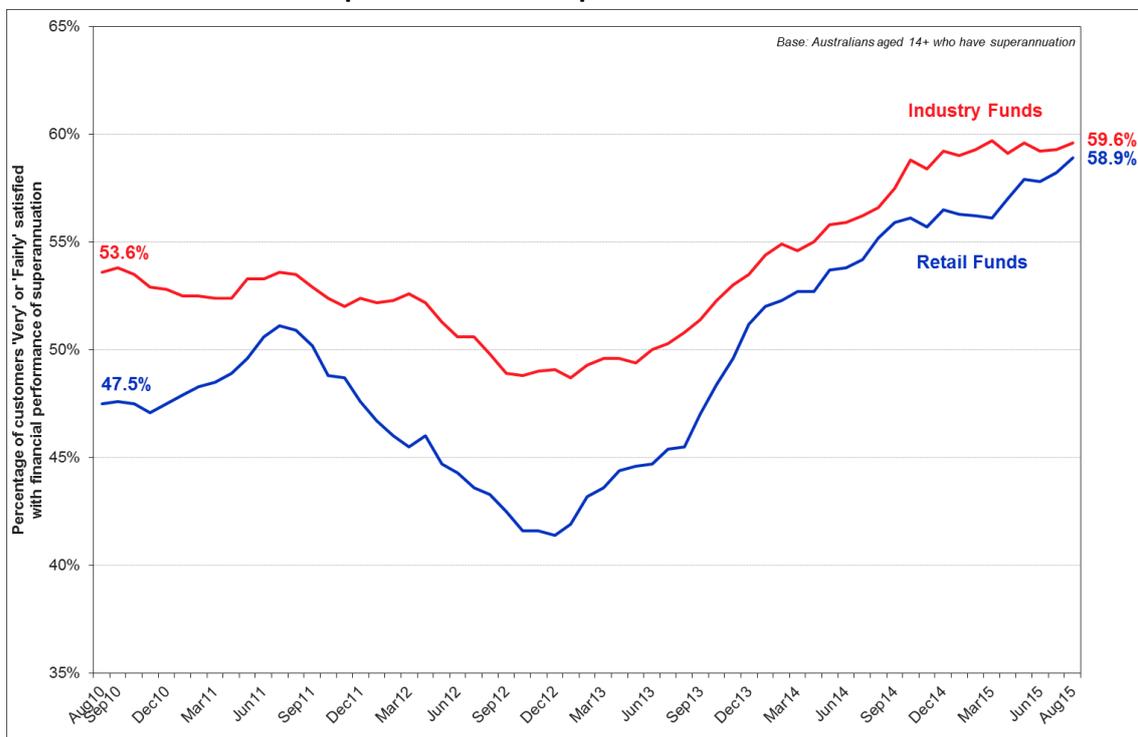
Industry superannuation funds continue to be ahead of retail funds for satisfaction with financial performance but with a rating of 59.6% in the six months to August, they are now only just ahead of retail funds with 58.9%. This is the narrowest lead industry funds have had in satisfaction over their main rival during the last five years.

These are the latest findings from the Roy Morgan Single Source survey of 15,525 interviews with people holding superannuation conducted in the six months to August 2015.

Superannuation satisfaction: industry funds vs retail funds

The lead in satisfaction for industry funds has varied considerably since 2010 but they have always remained ahead of retail funds, although this advantage has now largely dissipated due to the closeness of their ratings.

Satisfaction with financial performance of superannuation



Source: Roy Morgan Single Source (Australia), six months rolling March 2010 - August 2015, average sample n = 15,525

Retail fund satisfaction appears to be more sensitive to stock market fluctuations, as shown by the dramatic drop experienced in 2012 and the strong recovery since then which coincides with the improvement in the stock market. In the six months to December 2012, industry funds held a 7.7%

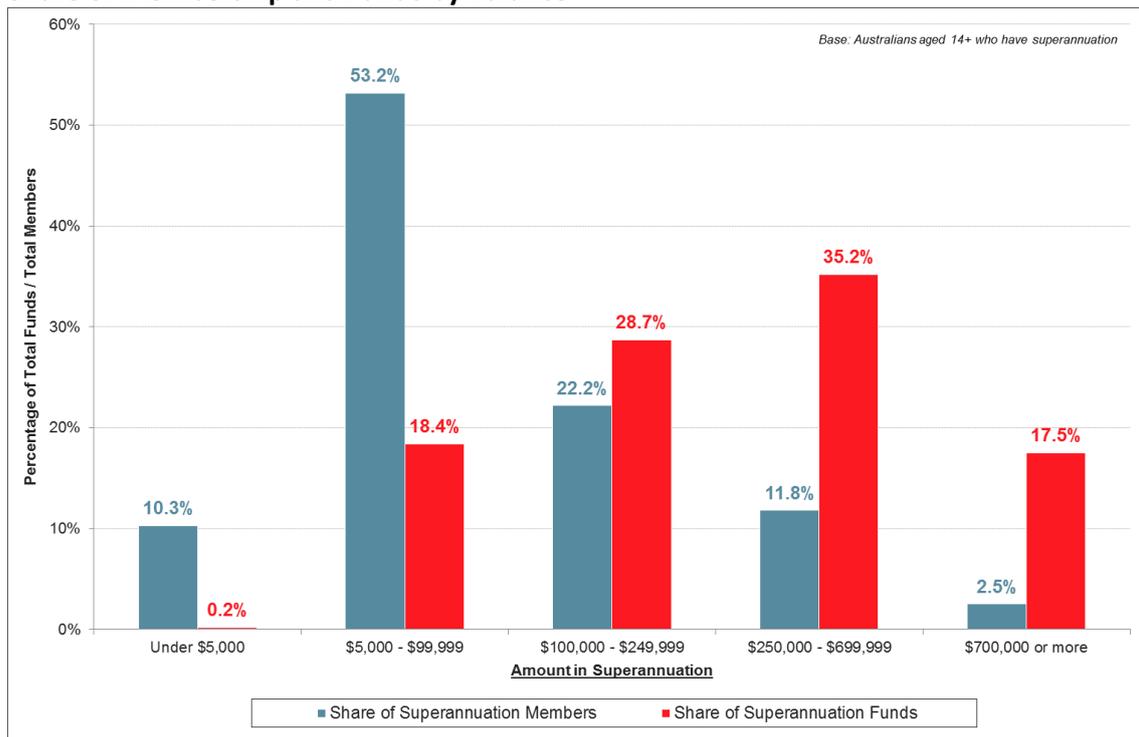
point lead in satisfaction over retail funds and in the six months to August 2015 this has declined to only a 0.7% point advantage.

Who holds the superannuation funds?

The superannuation funds held by members show a major skew to the top end. This is an important point to understand when looking at satisfaction levels because the high value members ideally should have the highest satisfaction levels in order to reduce the chances of them switching.

Although more than six out of ten (63.5%) people with superannuation have balances of less than \$100,000, they account for less than a fifth of the dollars (18.6%) held in superannuation.

Share of Membership and Funds by Balance



Source: Roy Morgan Single Source (Australia), six months to August 2015 (n = 15,733)

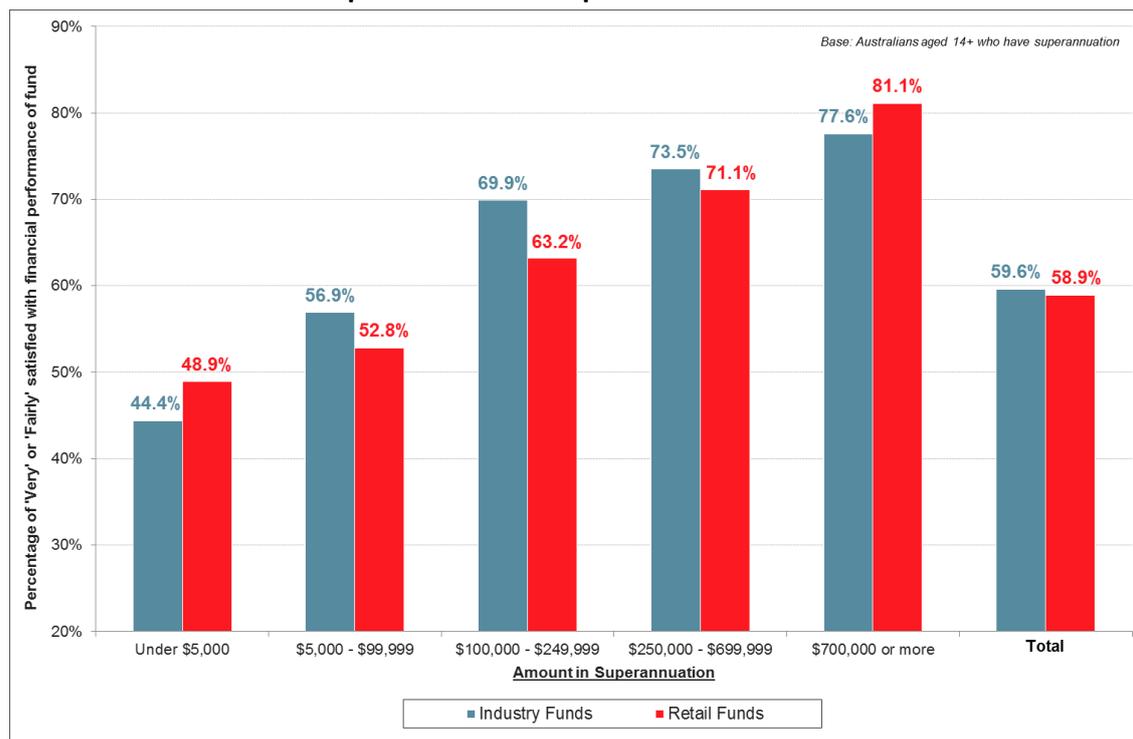
At the top end of the scale, where self-managed funds are making major inroads, these people with \$700,000 or more in superannuation account for only 2.5% of people with superannuation but have 17.5% of total balances.

The people who have \$250,000 or more in superannuation account for just over half of all funds (52.7%) but represent only 14.3% of total customers. This shows the significance of making sure that these people at the top should be targeted to achieve the highest levels of satisfaction if funds are to be retained and attracted.

Retail funds now lead with high value customers

Although industry funds lead retail funds overall for satisfaction, they are not ahead in the all-important high value market (\$700,000+) where retail funds score 81.1% compared to 77.6% for industry funds. This is the segment where competition is greatest from self-managed super funds who now have a satisfaction rating of 85.8%.

Satisfaction with financial performance of superannuation funds



Source: Roy Morgan Single Source (Australia), six months to August 2015 (n = 15,733)

For those holding less than \$5,000 in superannuation, retail funds have marginally higher satisfaction than industry funds (48.9% compared to 44.4%) but this segment accounts for only 0.2% of total superannuation balances.

Satisfaction levels for both industry and retail funds increase in line with balances held.

Norman Morris, Industry Communications Director, Roy Morgan Research, says:

“With intense competition between retail super funds and industry funds, it is important to understand what fund members think regarding the financial performance of the two groups. It is ultimately the members who will decide where their funds are best directed.”

“Of particular significance is the fact that industry funds have now only got a narrow lead in satisfaction over their retail rivals to the point where their strong market positioning on this has been largely dissipated. It is important to note that both groups face potential losses to self-managed funds from their higher value members if satisfaction levels decline. Currently satisfaction with self-managed funds in the \$250,000 and over group is 77.7%, ahead of industry funds (74.0%) and retail funds (72.9%).”

“The relative satisfaction across competitors in the over \$250,000 group needs to be closely monitored because they hold over half (52.7%) of all superannuation funds and yet only account for 14.3% of members.”

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Roy Morgan Research is the largest independent Australian research company, with offices in each state of Australia, as well as in New Zealand, the United States and the United Kingdom. A full service research organisation specialising in omnibus and syndicated data, Roy Morgan Research has over 70 years' experience in collecting objective, independent information on consumers.

Margin of Error

The margin of error to be allowed for in any estimate depends mainly on the number of interviews on which it is based. Margin of error gives indications of the likely range within which estimates would be 95% likely to fall, expressed as the number of percentage points above or below the actual estimate. Allowance for design effects (such as stratification and weighting) should be made as appropriate.

Sample Size	Percentage Estimate			
	40%-60%	25% or 75%	10% or 90%	5% or 95%
5,000	±1.4	±1.2	±0.8	±0.6
7,500	±1.1	±1.0	±0.7	±0.5
10,000	±1.0	±0.9	±0.6	±0.4
20,000	±0.7	±0.6	±0.4	±0.3
50,000	±0.4	±0.4	±0.3	±0.2