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Tuesday, 7 February 2017

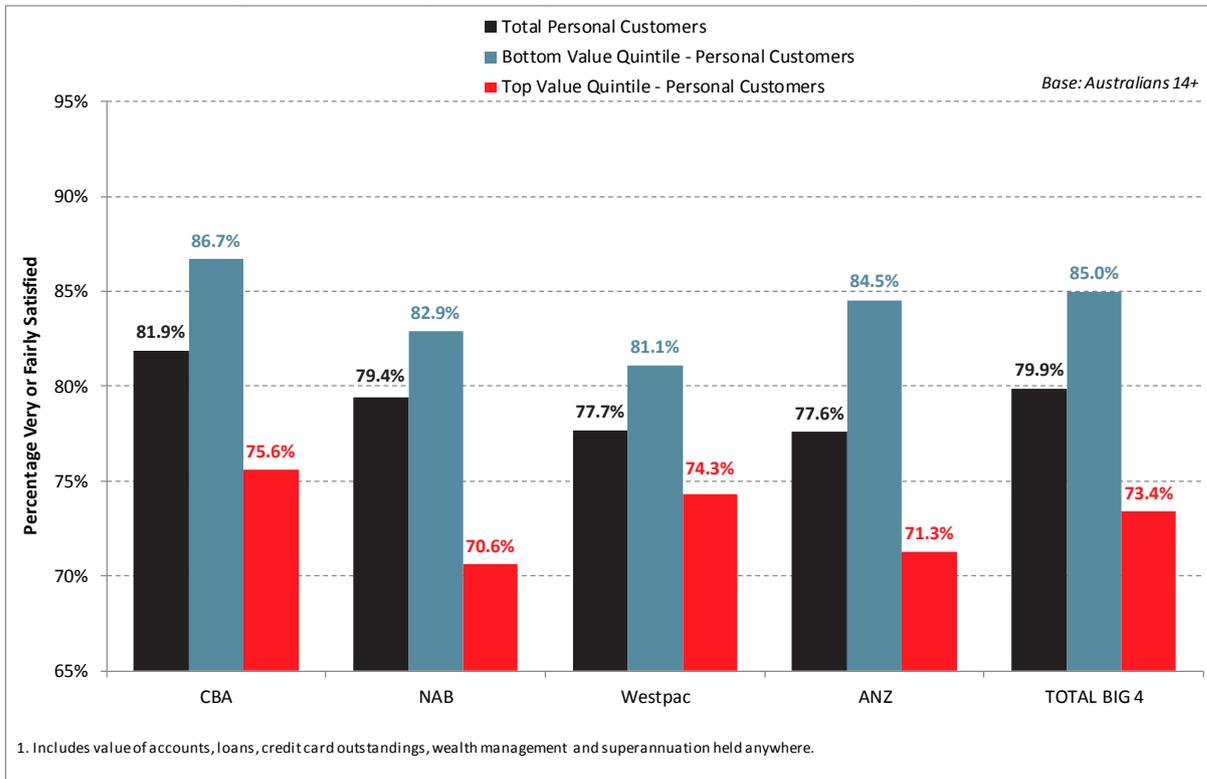
Satisfaction with big four banks up in December but high-value customers left well behind for satisfaction and advocacy

The satisfaction level of the big four banks' personal customers in the six months to December 2016 was 79.9%, up from 79.5% in November, the latest Roy Morgan data reveals. However the top-quintile customers (top 20%), who account for 62.9% of the total value of the financial services market across all banking and wealth-management products, had the lowest satisfaction level of all the quintiles (73.4%) and the lowest level of advocacy with a 'net promoter score' (NPS³) of minus 23.9. This NPS score is well below the big four overall average of minus 8.6 and the bottom quintile score of plus 10.

Top-quintile customers negatively impacting satisfaction, growth potential

For each of the big four banks, their highest satisfaction levels are among their lowest-quintile customers (bottom 20%), but as this group accounts for only 0.3% of the total market value and banks already have a high share of wallet (around 70%), they have very little growth potential. The best performer with this segment among the big four was the CBA with 86.7% satisfaction, followed by the ANZ (84.5%).

Consumer Banking Satisfaction by Banking and Finance Quintiles¹ of Big Four Banks



Source: Roy Morgan Research Single Source (Australia) 6 months ended December 2016, n=24,853.

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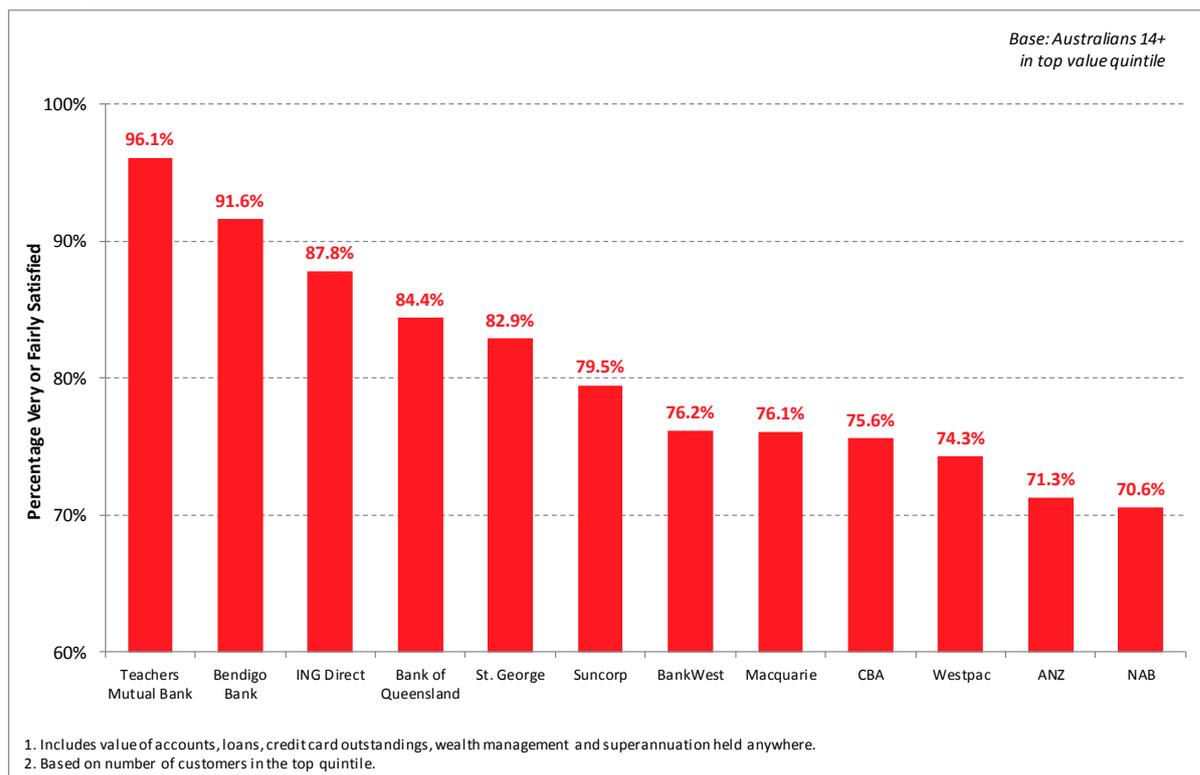
In contrast to the high satisfaction levels in the bottom quintile, the highest quintile—which represents nearly two thirds (62.9%) of total market value—is *least* satisfied with the big four. With such a large (and potentially profitable) group being well below the average satisfaction level for each bank, it highlights the need for increased attention if overall satisfaction levels and growth rates are to be improved. The scope for business growth in the top quintile is very significant, as all the major banks are only achieving an average share of around 30% of the potential business ('share of wallet') from their customers in this segment.

Once again, the CBA achieved the highest level of satisfaction of the big four, satisfying 75.6% of this quintile, followed by Westpac (74.3%), ANZ (71.3%) and NAB (70.6%).

Tough competition for top-quintile customers

The smaller banks' satisfaction levels among their high potential value customers (top quintile) are much higher than the big four. The best performer of the 12 largest banks was Teachers Mutual Bank with 96.1% satisfaction, followed by Bendigo Bank (91.6%) and ING Direct (87.8%).

Consumer Banking Satisfaction by Top Value Quintile¹ Customers: 12 Largest Consumer Banks²



Source: Roy Morgan Research Single Source (Australia) 6 months ended December 2016, n=4,780.

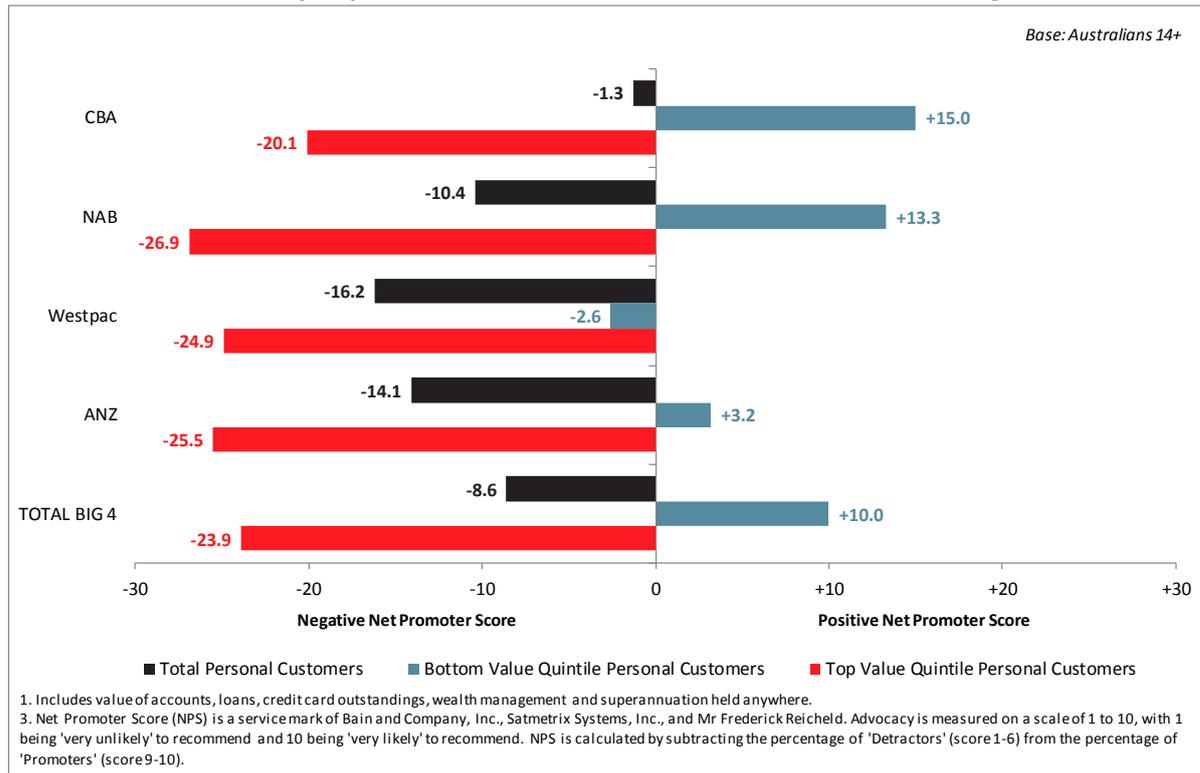
The chart above illustrates how much better the smaller banks are doing in satisfying this segment, the best of the big four being the CBA (75.6%). It is interesting to note the large difference between banks in the same group such as Westpac (74.3%) and St George on (82.9%).

Performing well in satisfaction among this important segment is critical in order to achieve greater 'share of wallet' and hence overall growth.

Top-quintile customers are much less likely to be strong advocates

Bank customers in the top quintile have the lowest 'net promoter score' (NPS) or advocacy levels and as such show a very similar pattern to that seen with satisfaction. The highest NPS for the big four banks overall is for the bottom quintile with +10, which is in contrast to the -23.9 for the top quintile.

Net Promoter Score³ by Top-Value Quintiles¹ and Bottom-Value Quintiles - Big Four Banks



Source: Roy Morgan Research Single Source (Australia) 6 months ended December 2016, n=24,853.

All of the big four banks have very low NPS scores for their top quintile customers, with the best being -20.1 for the CBA and the lowest was the NAB with -26.9.

The bottom quintile of the CBA has the best overall NPS with +15.0 and the lowest was Westpac on -2.6.

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

"Since around 2000 when satisfaction with banks fell below 60%, the big four banks have worked hard to improve customer satisfaction, and have since achieved major gains to now be hovering around 80%. Furthermore, the big four's satisfaction levels are now much closer than they were 10 years ago, which makes it increasingly difficult to carve out a clear market positioning as the satisfaction leader among this group.

"As Roy Morgan has reported previously, a focus on customers who are 'very satisfied' provides a more stringent criteria and a tougher benchmark for banks to target.

“Over the last decade, advocacy (NPS) has been used in addition to satisfaction as an important metric to assist banks in improving their level of customer focus. This research shows that there is now a big opportunity to focus both satisfaction and advocacy on the more important segments rather than simply a total market measure. With a market that is as highly skewed as finance, where 20% of customers account for nearly two thirds of the market value, banks must improve their performance with this segment if they are to achieve longer term financial gains.

“Not only does the top quintile have the lowest satisfaction and advocacy levels of the major banks, but it also has the lowest share of wallet of all the segments. Each of the major four banks has less than a third of their top-quintile customers’ wallet and as such this should become a key metric along with satisfaction and NPS in order to measure real marketing success.

“Achieving a higher share of wallet with this group represents the real challenge as they are clearly the segment with the highest potential for business growth and are likely to be more profitable than new low value customers.

“Over the last 12 months the Roy Morgan Single Source survey has included nearly 10,000 interviews with people in the top value quintile, enabling an in-depth understanding of their entire financial position. This database is unique in terms of size and depth, including the ability to look at long term trends.”

For comments or more information about Roy Morgan Research’s finance and banking data, please contact:

Norman Morris, Industry Communications Director

Office: +61 (3) 9224 5172

Norman.Morris@roymorgan.com

Related research findings

View our banking and finance satisfaction reports, including the [Customer Satisfaction: Consumer Banking in Australia report](#) and the [Advocacy Report: Financial Institutions](#) report.

About Roy Morgan Research

Roy Morgan Research is the largest independent Australian research company, with offices in each state of Australia, as well as in Indonesia, 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.

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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