Article No. 6834
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Wednesday, 8 June 2016

Satisfaction with performance of industry super funds increases their lead over retail funds

Industry superannuation funds continue to out-do retail funds for satisfaction with financial performance, with a 60.6% score in the six months to April, compared to 56.9% for retail funds. Industry funds increased their satisfaction level over the last 12 months by 1.5% points, while retail funds showed a small decline of 0.1% point. Industry funds have now had higher satisfaction than retail funds every month since this survey began in 2002.

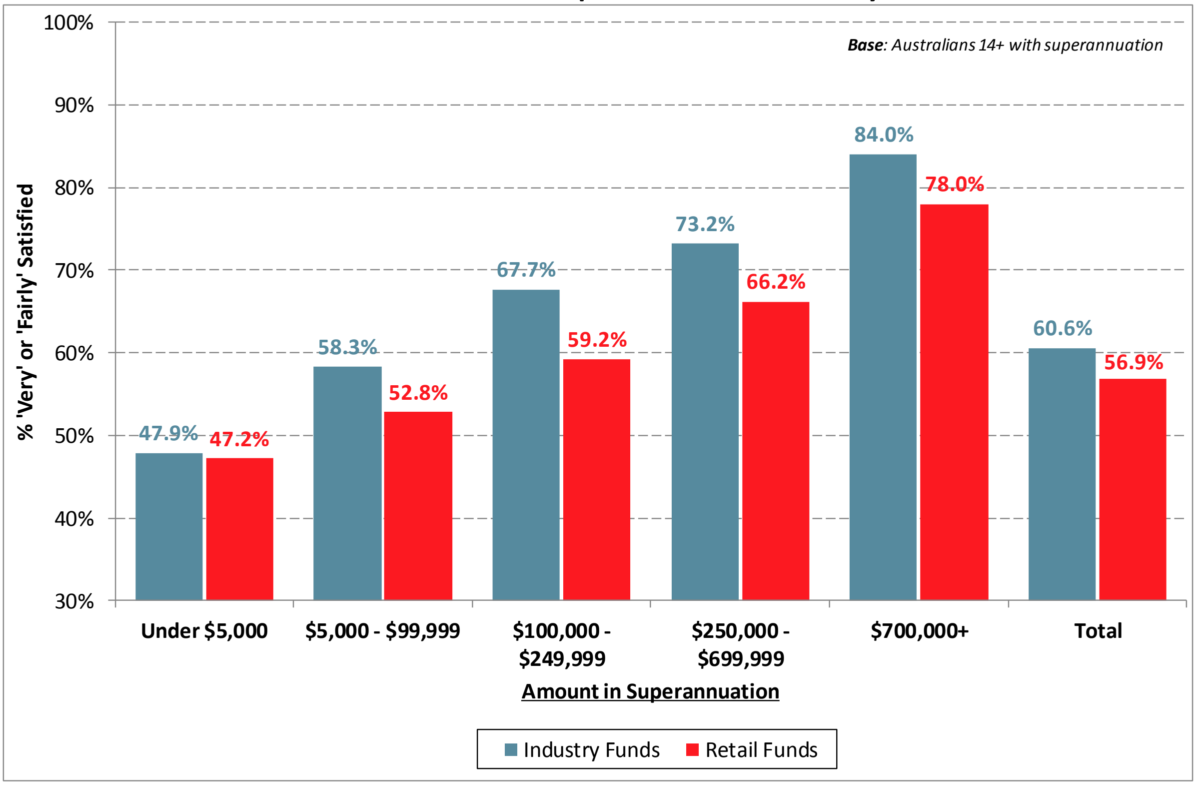
These are the latest findings from the Roy Morgan Single Source survey of 18,261 interviews with people holding superannuation conducted in the six months to April 2016.

Industry funds satisfaction lead across all superannuation balances

Satisfaction with superannuation increases with amount held, with both industry and retail funds scoring best among people with balances of $700,000+.

The following chart shows that for balances under $5,000, satisfaction with industry funds is only marginally ahead of retail funds (47.9% vs 47.2%) but above $5,000, the lead by industry funds is much greater.

Satisfaction with Financial Performance of Superannuation - Industry Funds vs Retail Funds



Source: *Roy Morgan Single Source (Australia), 6 months to April 2016 (n=18,261)*

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The biggest lead in satisfaction that industry funds have over retail funds is among those people with balances between $100,000 and $250,000, where they are ahead by 8.5% points (67.7% vs 59.2%).

At the top end, for balances over $700,000, satisfaction with industry funds is 84.0%, well ahead of retail funds on 78.0%.

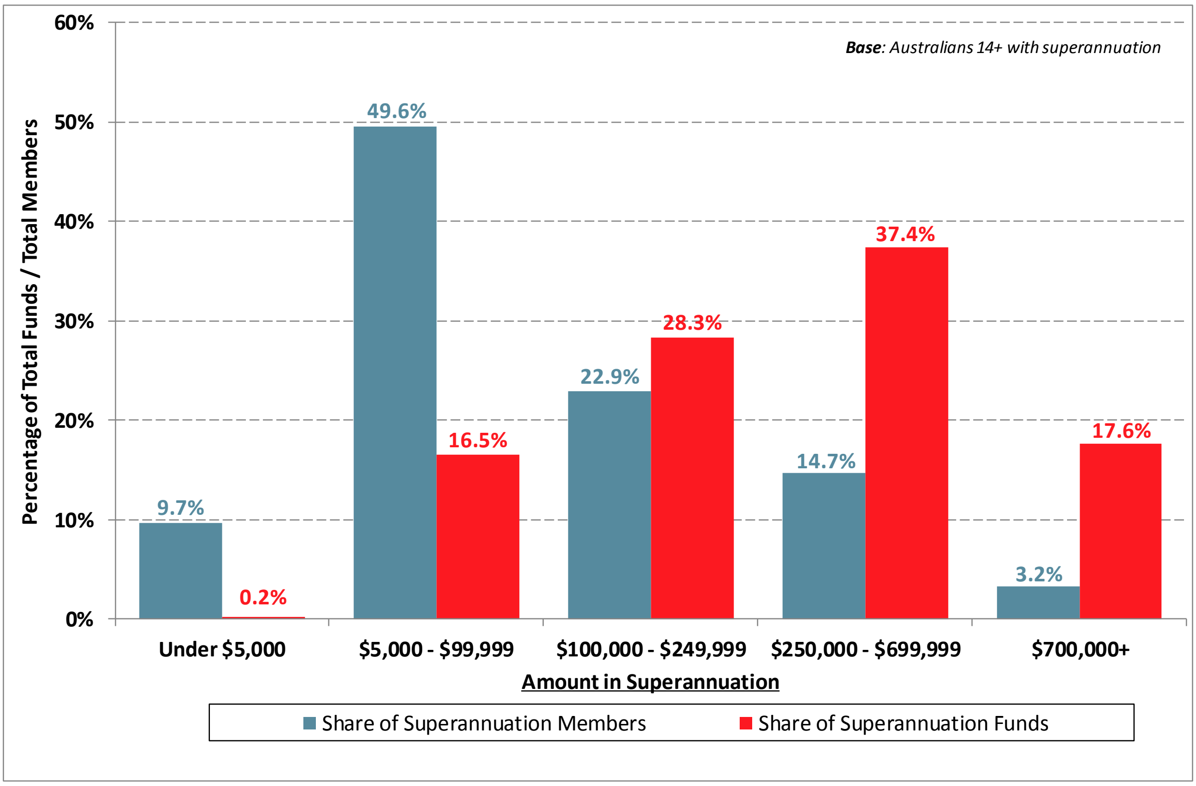
It is worth noting that these high levels of satisfaction for larger balances can be compared very favourably with self-managed funds, which have a satisfaction level of only 72.9% overall in the same period.

Superannuation fund balances heavily skewed

The superannuation funds held by members show a major skew to the top end, with 17.9% holding 55.0% of balances. This is an important point to understand when looking at satisfaction because the high-value members should ideally have the highest satisfaction levels in order to reduce the chance of defections and to attract new high-value members.

Although nearly six out of 10 people (59.3%) with superannuation have balances of less than $100,000, they account for only 16.7% of the dollars held in superannuation.

Distribution of Superannuation Funds: Share of Funds vs Share of Members



Source: Roy Morgan Single Source (Australia), 6 months to April 2016 (n=18,261)

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 3.2% of members but have 17.6% of total balances.

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The members who have $250,000 to $700,000 in superannuation account for over one third of funds (37.4%) in superannuation but represent only 14.7% of total customers.

The fact that industry funds are achieving higher satisfaction than retail funds at the top end represents a challenge for retail funds.

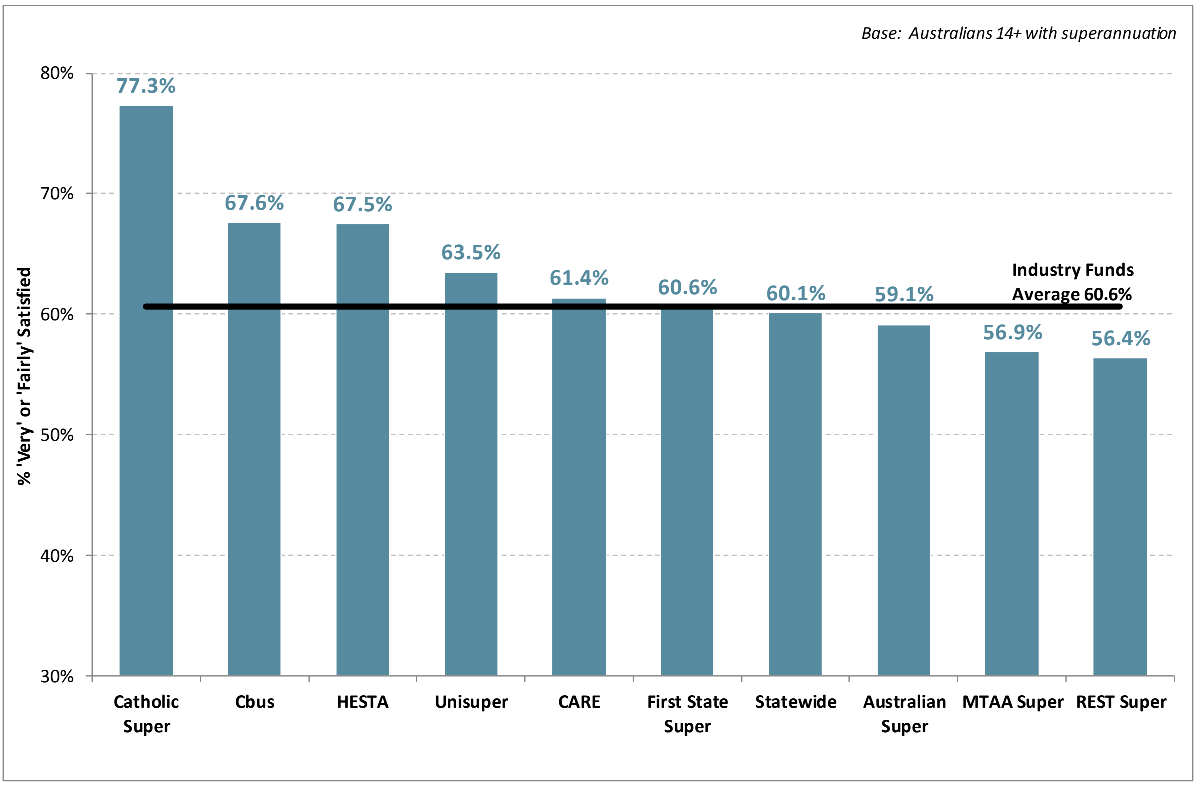
The best performing industry funds

With industry funds achieving good satisfaction levels overall it is worth looking at how individual industry funds are performing.

Roy Morgan Research measures the satisfaction levels of a large number of retail and industry funds. The following chart focuses on the performance of some of the major industry funds.

The best performer of these funds is Catholic Super with 77.3% satisfaction, followed by Cbus (67.6%) and HESTA (67.5%).

Satisfaction with Financial Performance of Major Industry Funds



***Source**: Roy Morgan Research Single Source: 6 months to April 2016 (n = 18,261)*

Four of the major funds scored below the industry fund average of 60.6%: Statewide (60.1%), Australian Super (59.1%), MTAA Super (56.9%) and REST Super (56.4%).

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

> *"Our research shows that industry funds are viewed much more favourably by their members than retail funds when it comes to their performance. Of particular significance is the fact that industry funds have higher satisfaction at all balance levels and in fact they peak at the $700,000+ level where their satisfaction level is 84% -- 6% points higher than retail funds.*

"This segment is the primary group facing potential losses to self-managed superannuation funds, making it imperative that both industry and retail funds maintain a strong connection and performance with them if they are to avoid losses.

"We have seen in the Roy Morgan Research "Superannuation & Wealth Management In Australia" report that poor investment performance and associated issues relating to fees and charges are important motivators in switching providers, so maintaining leadership in satisfaction with investment performance is a critical success factor.

"With over 30,000 interviews conducted annually with superannuation members over the last 15 years , Roy Morgan Research can provide unique and detailed customised insights for anyone involved or interested in the superannuation industry."

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

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Related research findings

View our Consumer Satisfaction – Financial Performance of Superannuation in Australia Monthly Report and our Superannuation and Wealth Management in Australia Report.

View our Federal Voting Intention 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.

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