

Monday, 1 April 2019

NPS[®] rating of big four banks declines during Finance Royal Commission

In January 2018, immediately prior to the Finance Royal Commission, the Net Promoter Score[®] (NPS) of the big four banks was 2.8 and this fell to minus 2.8 in November 2018. The latest figure for February 2019 has shown some recovery to minus 1.6 but this remains one of the lowest level recorded since 2014 and much lower than the latest rating of 23.2 for banks outside of the big four.

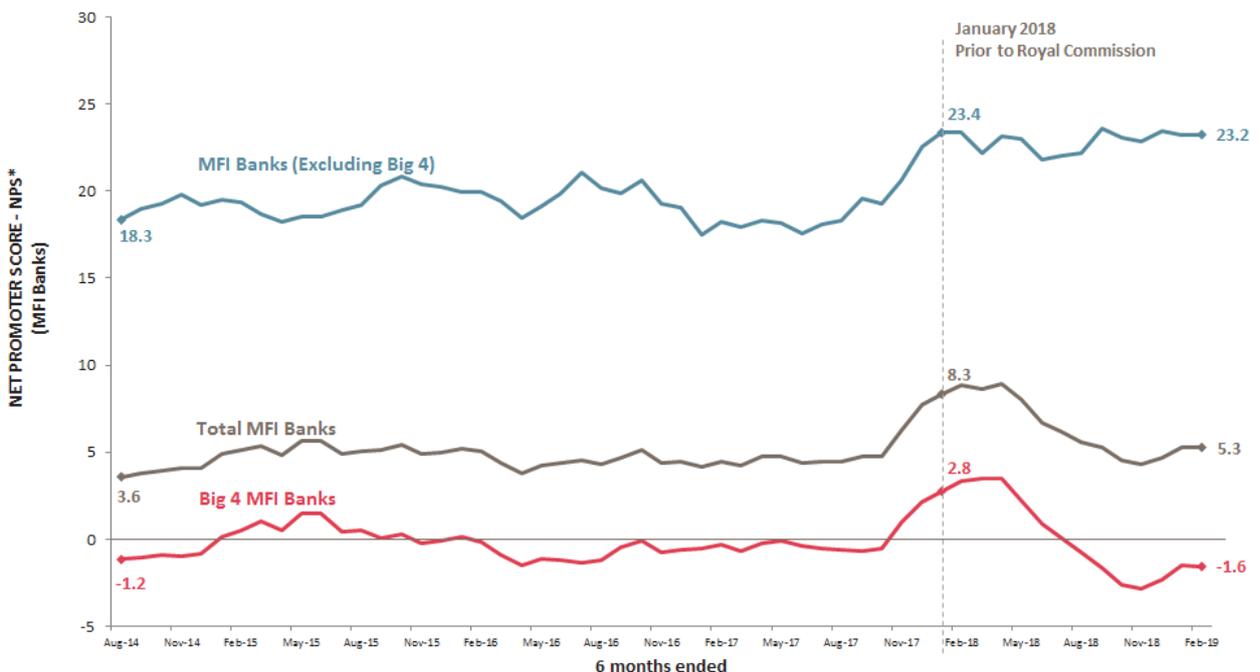
These are some of the latest findings from Roy Morgan's '[Advocacy Report, Financial Institutions, Monthly Report-February 2019](#)' which is based on in-depth interviews conducted face-to-face with over 50,000 consumers per annum in their homes. This large sample of bank customers over many years enables an accurate understanding of long term trends rather than being distracted but what in hindsight can often turn out to be just a short term event. The latest data in this release is for the six months ended February 2019.

Positive NPS[®] trend for banks up to the Royal Commission

The following chart shows that in the three months leading up to the Royal Commission, there was a positive trend in the NPS[®] score for banks overall. This data is based on a six month moving average and on an individual month basis the peak result occurred in December 2018.

For the month of December NPS[®] reached 27.6 for banks excluding the big four, 12.6 for total banks and 6.7 for the big four.

NET PROMOTER SCORE (NPS*) MFI¹ Banks: 2014 – 2019



Source: Roy Morgan Single Source (Australia). Average 6 month sample n = 25,326
 Base: Australians 14+. *Net Promoter Score and NPS are registered trademarks of Bain & Company, Inc., Mr Frederick Reichheld and Satmetrix Systems, Inc. Based on score of 9 or 10 minus 1 to 6 on a ten point scale, where one is very unlikely to recommend to a friend or colleague and ten is very likely. 1. Main Financial Institution.

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With the main publicity associated with the Royal Commission being focused on the big four banks, it is not surprising they have shown the biggest drop in their NPS[®] score, with a decline from 2.8 to minus 1.6, while the other banks have only gone from 23.4 to 23.2.

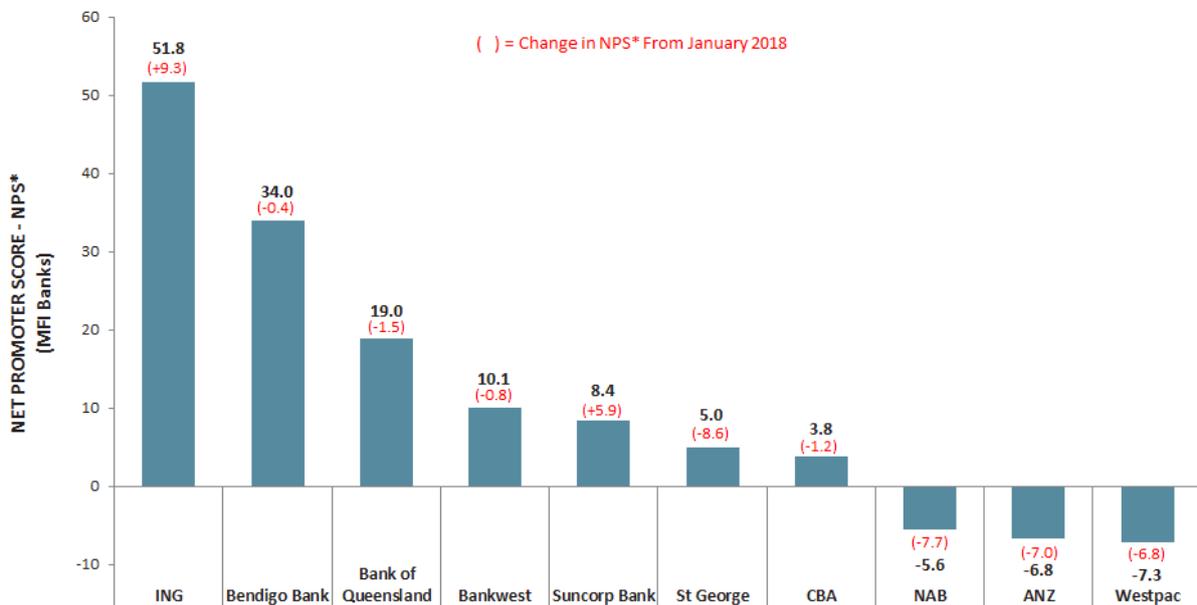
It is worth noting that since 2014 the banks outside of the big four have been increasing their NPS[®] lead over the majors, from 19.5 to the current gap of 24.8.

ING the clear NPS[®] leader and biggest improver

Among the ten largest MFI banks, ING has an NPS[®] score of 51.8, well ahead of second placed Bendigo Bank on 34.0, followed by Bank of Queensland with 19.0. These three top performers are well above the current bank average NPS[®] of 5.3. The CBA is the only one of the big four with a positive NPS[®] but it only rates 3.8 and is followed by NAB (-5.6), ANZ (-6.8) and Westpac (-7.3).

The only two banks among the top 10 to show improved NPS[®] scores from before the Royal Commission were ING (up 9.3) and Suncorp Bank (up 5.9). Among the big four banks, the largest drop in NPS[®] since the start of the Royal Commission was for the NAB (-7.7), followed by the ANZ (-7.0), Westpac (-6.8) and CBA (-1.2).

NET PROMOTER SCORE (NPS*) MFI¹ Banks - 10 Largest Consumer Banks²



Source: Roy Morgan Single Source (Australia). 6 months to January 2018, n=23,945. 6 months to February 2019, n=25,115

Base: Australians 14+. *Net Promoter Score and NPS are registered trademarks of Bain & Company, Inc., Mr Frederick Reichheld and Satmetrix Systems, Inc. Based on score of 9 or 10 minus 1 to 6 on a ten point scale, where one is very unlikely to recommend to a friend or colleague and ten is very likely. 1. Main Financial Institution. 2. Then largest MFI banks based on MFI customer numbers.

Satisfaction with banks also declines since the Royal Commission

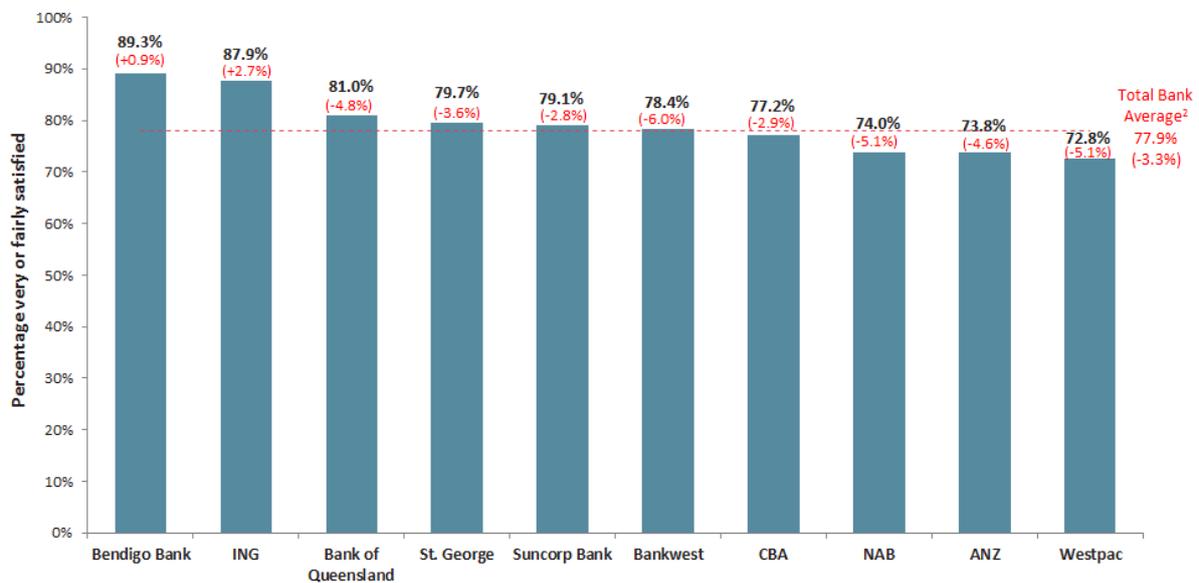
The long term measure of bank customer rating that Roy Morgan has been tracking for more than two decades is customer satisfaction. This is closely related to the advocacy measure (NPS[®]) examined in this release because it is generally a precondition to high advocacy levels.

The following chart shows that satisfaction with banks has declined from 81.2% prior to the Royal Commission in January 2018 and has fallen to 77.9% in February. Despite the overall drop in bank satisfaction over the last year, there were two banks in the top 10 that actually improved, they were ING (up 2.7% points) and Bendigo Bank (up 0.9% points). They were also the top two performers, with Bendigo Bank on a satisfaction rating of 89.3% and ING 87.9%.

Each of the big four showed declining satisfaction levels, with NAB and Westpac both down by 5.1% points, ANZ down 4.6% points and CBA retaining top spot among the big four with 77.2%, down 2.9% points.

Consumer Banking Satisfaction - 10 Largest Consumer Banks¹ - 6 months to February 2019

() = % point change from January 2018 prior to Finance Royal Commission



Source: Roy Morgan Single Source (Australia). 6 months to January 2018, n=23,945. 6 months to February 2019, n=25,115

Base: Australians 14+. 1. Based on MFI customer numbers. 2. Includes banks not shown

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

"While it is important to measure bank NPS and satisfaction, it is critical to understand what drives them so as to apply resources to the most cost effective areas. There are many factors that drive the levels of customer advocacy and satisfaction in banks, as shown in detail in the Roy Morgan 'Drivers of Advocacy-Consumer Banking Market Report,' and the 'Drivers of Customer Satisfaction-Consumer Banking Market Report'. In summary, these include detailed coverage of areas such as; 'customer experience', 'reliability and security', 'interest rates, fees and charges', 'product offering' and 'internet banking'. These reports also provide a detailed analysis for the factors driving advocacy and satisfaction for each of the major banks.

"It is not surprising that over the last year there has been the additional negative impact on bank satisfaction and NPS as they faced a continuing barrage of negative publicity during and following the Finance Royal Commission. Despite the decline in satisfaction and NPS over the last year, they remain above historic levels but the potential impact of continued negative publicity represents a major ongoing challenge for banks.

"The data used here is only a small part of the consumer finance data available from Roy Morgan. The full database enables a truly holistic and unique understanding of consumer's financial behaviour and trends gathered from 50,000 interviews per annum across more than two decades, including the complete range of customer metrics, including advocacy, satisfaction and NPS. To find out more ask Roy Morgan."

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To learn more about Roy Morgan's Banking data, call (+61) (3) 9224 5309 or email askroymorgan@roymorgan.com.

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About Roy Morgan

Roy Morgan is the largest independent Australian research company, with offices in each state of Australia, as well as in the United States and the United Kingdom. A full service research organisation

specialising in omnibus and syndicated data, Roy Morgan 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
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

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