



## RETAIL BANKING TRENDS FOR AUSTRALIA

### Abstract

The retail banking industry in Australia has always aligned itself to the ever-changing consumer demands, by fine-tuning its services and customizing its products. Australian banks have already started investing heavily in following a customer-centric business model, instead of a bank-centric business model. Australian banks need to now harness the power of social media by integrating their existing technology and services with it. This would help enhance customer experience by making available tailored solutions and services to the customer.

A unique factor seen in the Australian banking industry is the blurring of lines between retail and commercial banking. A major factor responsible for this is the sole trader type of customer. A sole trader is an individual who operates a trade, usually under her / his name. Most sole traders are registered on the Australian Business Register (ABR) and thus, have an Australian Business Number (ABN). Unlike larger firms, they are generally dependent on financing from retail banks. The banking needs of such customers fall in between that of an individual and a business. These are individuals who need access to business products and services like higher transaction limits, daily transaction statements, and commercial loans. Providing for the requirements of such customers through mobile applications and social analytics is a perfect example of how banks can develop their strategies based on customer needs.

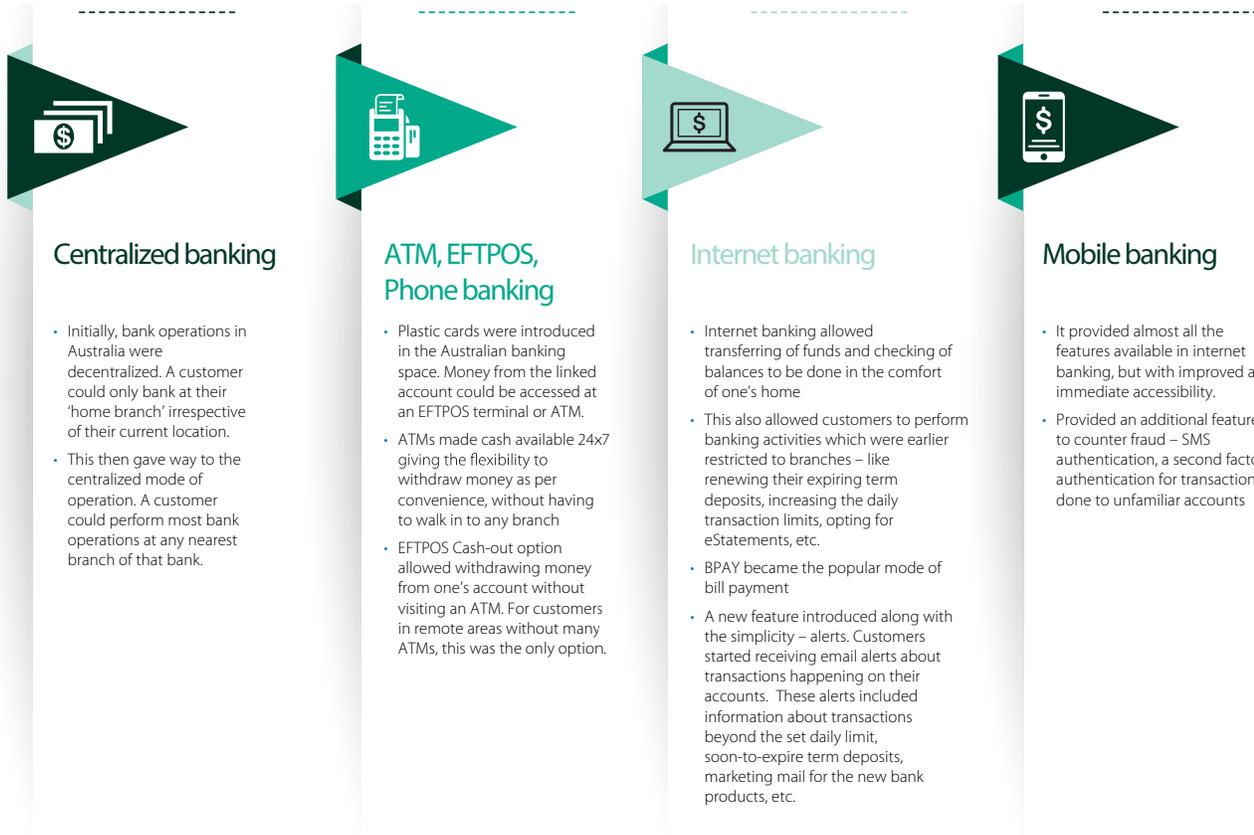
# The current state of retail banks and their challenges

The 'Big Four' banks – Australia and New Zealand Banking Group (ANZ), Commonwealth Bank of Australia (CBA), National Australia Bank (NAB), and Westpac Banking Corporation (WBC) – are the main competitors in the Australian retail banking sector. These are ranked among the world's 50 safest banks (source: Global Finance

Magazine, 2016). The Australian banking system is considered to be one of the five least-risky ones (source: Standard and Poor, 2016). In 2015, Australian banks ranked sixth in the world in providing a positive customer experience. In addition to the big four, there are other domestic banks like the Bank of Queensland and foreign banks like HSBC

which provide services in the Australian retail banking sector.

Banks continue to provide the same services and products that were offered several years ago; the only change being the channels used to provide these services.



With 24x7 access to internet banking from their computers and mobile devices, customers now prefer to use digital channels for their bank interactions, thus bringing about a digital transformation in the Australian retail banking arena.



Given below are some of the functionalities provided by banks, as on date, which give customers the ability to carry out a growing range of financial tasks on-the-go.



**Mobile payments** – This is a facility provided by Commonwealth Bank to make Mastercard PayPass purchases. This allows payments to be made by tapping the phone at a merchant's terminal, where such payments are accepted (on smartphones where this app is not supported, a device called PayTag allows customers to use this facility).



**Cardless Cash** – This app allows the customer to withdraw from accounts without using a card. The app also has a feature where the customer can even allow someone else to collect the money by nominating them through the app.



**P2P payments** – Payments can be made to a registered Australian mobile number (limited to Australian bank accounts).



Other services include setting a limit on daily transactions, BPAY for bill payments, checking transaction history, checking balance, and making transactions between accounts of the same or different banks.

## Long-term trends and recommendations

The popularity and convenience of the online lifestyle drives customers towards online banking services instead of the traditional staff-based services (branch and phone banking). Banks can get useful insights about their customers' preferences and spending patterns by integrating social media with their existing online banking channels. This can be used to increase customer loyalty by providing them service support on-the-go. It is said that time is money, and the very principle behind these trends is for banks to make money by saving the customer's time and hence, money. The technology trends seen in Australian retail banking are:

- Increased investments in mobility to enhance customer's banking experience
- Increased usage of social media and analytics tools to assist decision-making about services offered to customers



Due to the increasing popularity of the Internet and widespread availability of smartphones and mobile devices, a growing number of Internet users are becoming involved with social

networking, the most active being the younger segment. Facebook, Twitter, and YouTube have taken the consumer world by storm. A 'like' or 'share' on Facebook will be viewed by hundreds of people, and so will

bad feedback on a bank product or service.

Some examples of how mobility and social media are being used by the Australian retail banking are as below:



## Using mobile and social media analytics in banking

Banks are yet to utilize the potential of social media fully. Banks can use social media channels for personalized interactions with customers. As of date, banks know how big data can be captured and stored, but the practical ways to utilize this, are still in the nascent stages, and are being explored.

In order to leverage maximum benefit, banks should be able to develop a social media analytics model, which could identify useful data, improve the quality of this data, and use this information to achieve the required goals.



This model must be scalable to accommodate evolving social media trends. Thus, data analytics, which segregates the data into useful customer information, will play a prominent role in the coming years.

Some of the areas where banks can realize the true potential of mobile and social media analytics are detailed below:



### Marketing research

- Use the customer's current social behavior data to analyze the risk attribute of the customer. Such predictive analytics could be applied to make several product decisions for the customer, e.g., the spending pattern of a person could help decide the person's credit limit or loan eligibility (potential defaulter elimination).
- Banks could use social analytics to better understand the customer's needs and preferences. This could help improve sales and services of the bank, e.g., by providing home-loan-related offers to a customer who is planning to buy a new house.



### Communication and feedback

- Banks could use social media as a platform to reach out to customers and deal with customer issues in real time. This could help improve the quality of their service and the level of customer trust, thus, improving the bank's brand image.
- Offer video interaction with bank representatives like agents and customer service executives.
- A customer's feedback (written or videos uploaded on social media by the customer) could be used to find solutions to their problems faced in banking activities.



### Loyalty programs

- Offer discount coupons to customers based on their real-time location which can be redeemed by using mobile banking.
- Banks can monitor the posts, likes, comments, and shares of the customer to arrive at the best possible discount offers and freebies for the customer.



### Transaction capabilities

- Mobile contactless payment / mobile wallet powered by NFC (near-field communication) technology – Mobile phones can be equipped with an application that could enable consumers to tap their mobile phone in front of an NFC terminal to make a payment.
- Mobile remote deposit capture and cheque truncation for reduced time to cheque settlement.
- Payments made through social media – still in the nascent stages, but this has been explored by a couple of Australian banks and has huge scope to emerge.



### Connect with new customer segment and brand marketing

- Gamification – mobile applications designed as games can help increase sales of new products. This can specially attract the younger customer segment.
- Social media can also be used for brand marketing like promoting upcoming bank events.

## Challenges and action plan

Like any other change, this change also has its own share of risks. A deterrent that currently stops banks from deep-diving into social media is that of fraud.

Banks can provide added layers of security like fingerprint login for the increasing number of customers using smartphones to do their banking on-the-go. The convenience that this feature brings along will be well received by customers. In addition, banks need to ensure the following when using social media and mobile apps for banking activities:



Sharing of customer details with a third party should not lead to breach of the customer's privacy.



Fraud risk should be avoided by constant monitoring, providing lock-out feature (e.g., on entering an incorrect password thrice) and time-out feature (due to inactivity for a certain duration of time) during use of mobile apps.



Regulatory requirements are complied with and potential risks related to regulatory compliance are avoided.



## In summary

As customers increasingly use their mobiles as a substitute for cash in low-value payments, a lesser need for ATMs is observed. Banks have already started reducing the number and size of their branches in response to the increase in the digital transactions.

The retail banking section now needs to develop strategies, and utilize mobile and social media's reach to improve and increase its connections with existing and

prospective customers. Banks need to identify customer priorities and leverage efficient solutions for business growth and efficient customer service.

If tapped efficiently, the deep dive into mobility, and social media analytics could provide a cost-efficient solution to a significant number of problems that Australian banks currently face. The good news is that this revolution has already started.

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