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Customer Banking Report 2024

The Evolving Role of Banking in Australia

Foreword

Customer Banking Report

Technology is reshaping the banking industry.

And banks are facing a stark choice: lead the way by offering personalised, AI-enabled, customer-focused products and services, or get left behind. Under pressure from within and without, Australian banks are looking at what the future of their business model might be: What will the value and role of a bank be to society in five to 10 years?

At the same time, customer expectations and behaviours are evolving. We saw this clearly during the COVID-19 pandemic, when there was a significant shift away from cash towards contactless payment methods. Customer perceptions of banking are also increasingly relevant, as we have seen through the impact of the 2019 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The question is, how well are banks' strategies aligned with trends in customer behaviours?

In this landmark survey, Publicis Sapient spoke to more than 5,000 Australians from all walks of life to understand how they interact with their banks today, and how they expect to engage tomorrow. The findings cover a broad range of topics, from the rise of AI to the cost-of-living crisis and the purpose of branches.

In this report, we've identified five trends that we see running through the responses, and the critical actions that banks must take to address them.

Overall, it's clear that we're in a challenging yet dynamic period for banking. Customers want to retain the convenience and security of the status quo, but also expect seamless and personalised experiences–and may not understand the trade-offs required to deliver those two priorities. Banks have the difficult job of balancing those expectations, while digitising and streamlining their systems on the back end to improve efficiency.

Banking is at a crossroads, where the ability to adapt and innovate will determine the market leaders of tomorrow. Our research aims to shed light on customer expectations and provide valuable insights for banks to forge their path forward. The team will be happy to talk through the findings and their implications. Let's leverage these insights to spark productive conversations and drive the banking industry towards a more customer-centric and technologically advanced future.

Tales Sian Lopes
Head of Financial Services
Publicis Sapient, Australia

Key trends
in this report

1 The Physical and Digital Dichotomy: A Personal Service Challenge

Customers connect personalised services to physical channels. Banks must develop an omnichannel strategy to reimagine this experience in their digital channels, leveraging the power of AI.

2 The Evolving Role of Branches: A Cash Conundrum

Customers feel that banks are moving to digital offerings at an uncomfortably fast pace. It will be crucial to deliver a model for the future that supports customers and communities, particularly around cash services, while solving for their own economics.

3 The New Experience Frontier: Scams and Security

Customers feel threatened by scams, and they expect banks to support them financially and emotionally if they become victims. Banks must continue evolving their capabilities in security and scam prevention while also enhancing customer experiences and awareness.

4 The Cost-of-Living Crisis: Customer Care Lifecycle

Customers expect banks to support them during times of financial stress. Banks must continue to invest in capabilities to provide proactive, data-driven customer care that elevates the customer experience by identifying warning signs early and offering guidance to get back on track.

5 The Green Horizon: Meeting Societal Expectations

Customers that want green banking products are growing in number, and soon this desire will become an expectation. Banks need to think beyond 'reporting green' and must start to build a strategy for retail customers.

About the Report

Australian banks face dual pressures today: delivering a game-changing customer experience while prioritising cost reduction and risk mitigation. Meeting the ever-rising expectations of customers, and the resulting pressure to provide unique and personalised services, is a crucial element of this challenge. The Publicis Sapient Customer Banking report examines how customers engage with their bank through traditional branches, cash use and digital services. It delves into the expectations of customers when it comes to personalised services, scam support, financial stress and product offerings.

The results offer rich insights into customer behaviours and expectations shaping banking services in Australia.

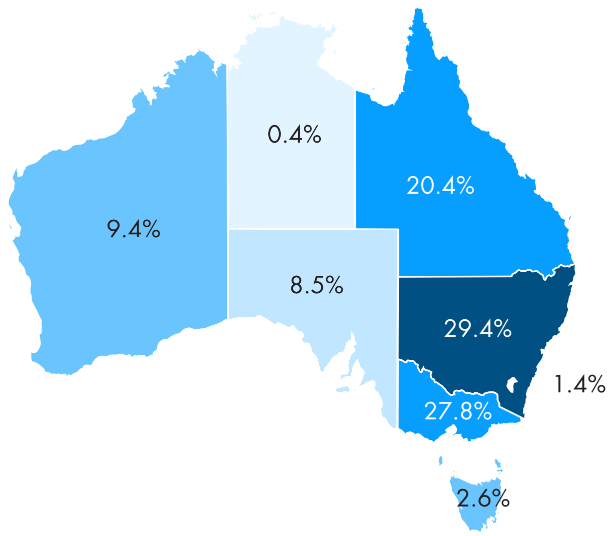
This report aims to:

1. Examine the evolving banking expectations of customers.
2. Identify gaps in effective delivery of banking services.
3. Define clear pathways for improved banking experiences.

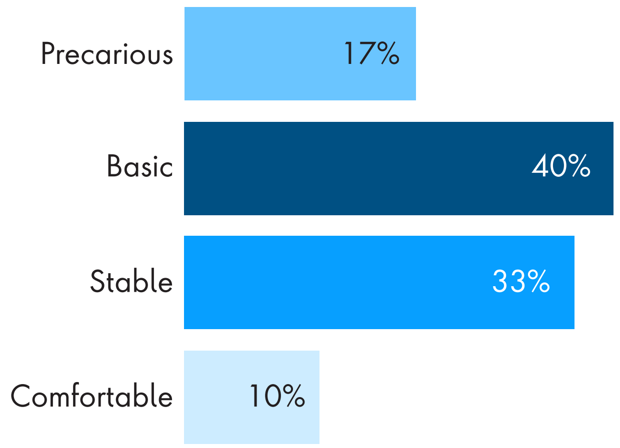
Methodology and Research Demographics

Our survey focused on customer expectations, experiences and perspectives of the Australian banking industry in January–February 2024. It involved over 5,000 participants, aiming to give a representative sample of the Australian population along a range of demographic criteria.

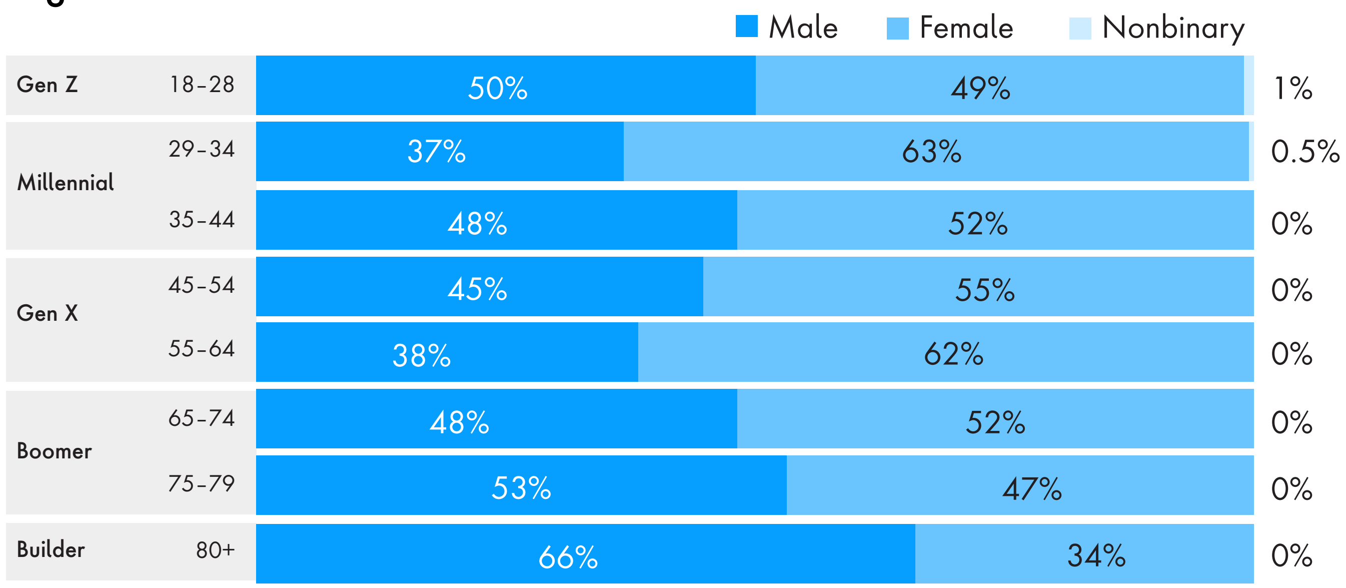
State breakdown



Financial situation



Age and sex breakdown



Perceptions and Royal Commission

The banking industry plays a pivotal role in the economic stability and growth of Australia. Banks are entrusted with the money and personal information of the majority of Australians. However, the perception of these institutions and their conduct is complex and difficult to navigate.

Perceptions of the Banking Industry

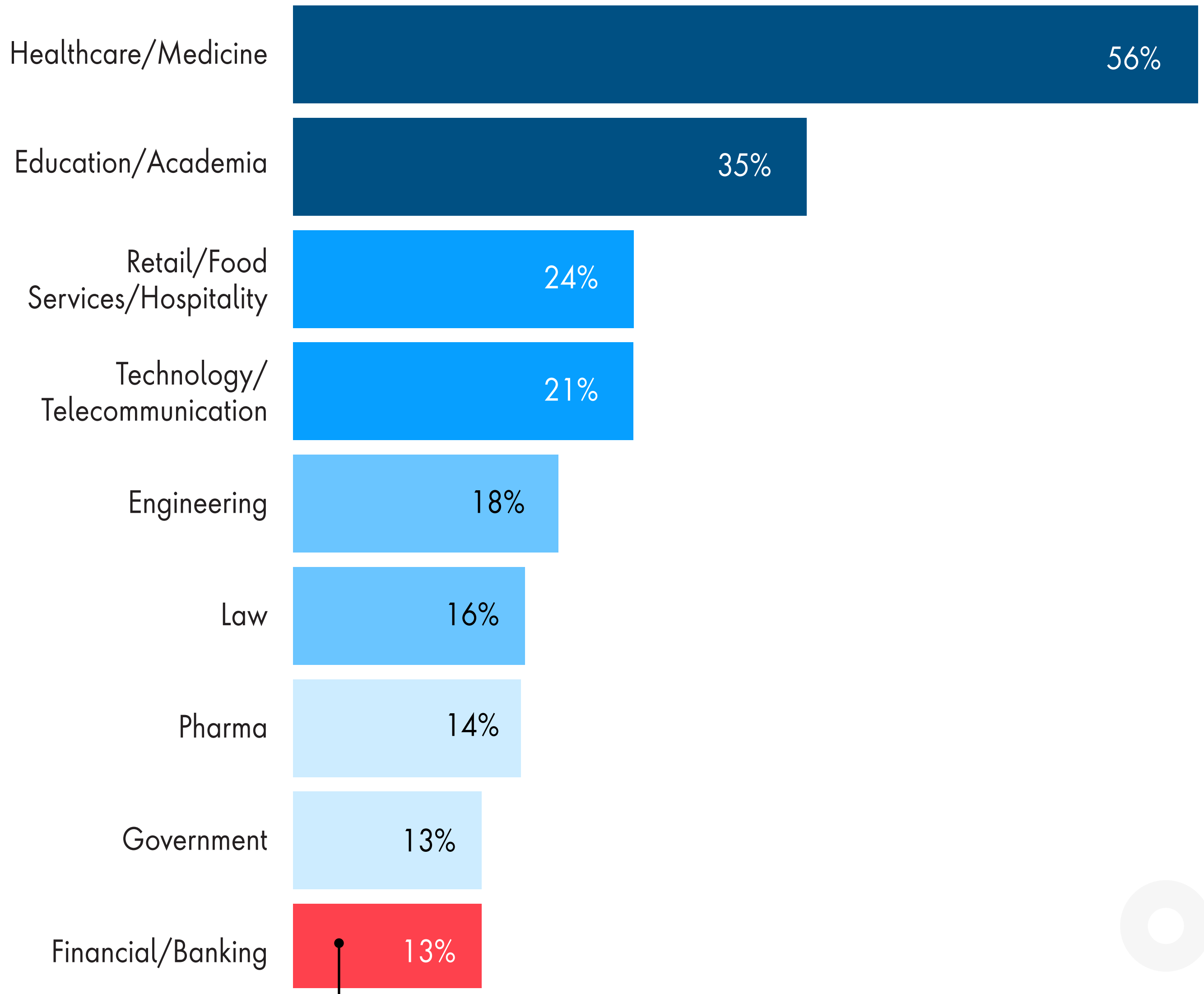
We asked Australians to select industries they respected most for their benefit to society. They placed Healthcare/Medicine (56%), Education/Academia (35%) and Retail/Foods Services/Hospitality (24%) as their top three–well above Financial Services/Banking (13%), which came ninth out of the 13 industries.

To understand the traits associated with banks, respondents were asked to identify their top three positive or negative characteristics. The survey revealed that a significant portion of the public (83%) can identify a positive trait, while 69% identified a negative one, indicating a net positive perception of banks but with clear areas for improvement.

Australians perceive banks as secure, responsible and trustworthy; however, they also view them as expensive and unaccountable. The current cost-of-living crisis may reinforce the perception of banks as expensive, but other negative sentiments pose a threat to the institutional trust in banks, which is crucial for customer retention and competitive advantage. Despite this, banks have ample opportunities for growth by making changes that resonate with customers.

> "I'd like to think all banks are secure and ethical, but the news reports I see lead me to think otherwise."

Which of the following sectors do you most respect for their benefit to society overall?



Financial Services/Banking ranked much lower, with only 13% of all respondents acknowledging they have respect for the industry.

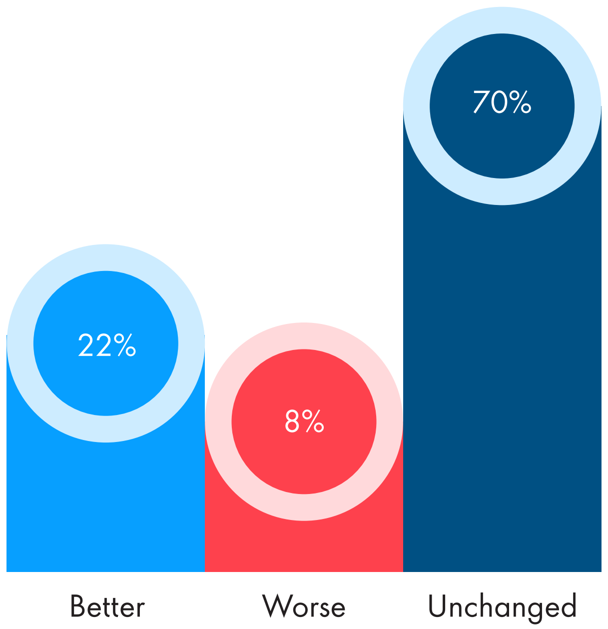
Royal Commission

Back in 2017, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry investigated the conduct and behaviour of banks' business practices. In 2019, 24 recommendations were made by the Royal Commission to prevent ongoing misconduct. However, more than five years later, over half (56%) of Australians report not seeing any changes in how their banks operate. This demonstrates that banks are still struggling to maintain a positive perception with the public, which has been impacted by the Royal Commission but has not yet recovered.

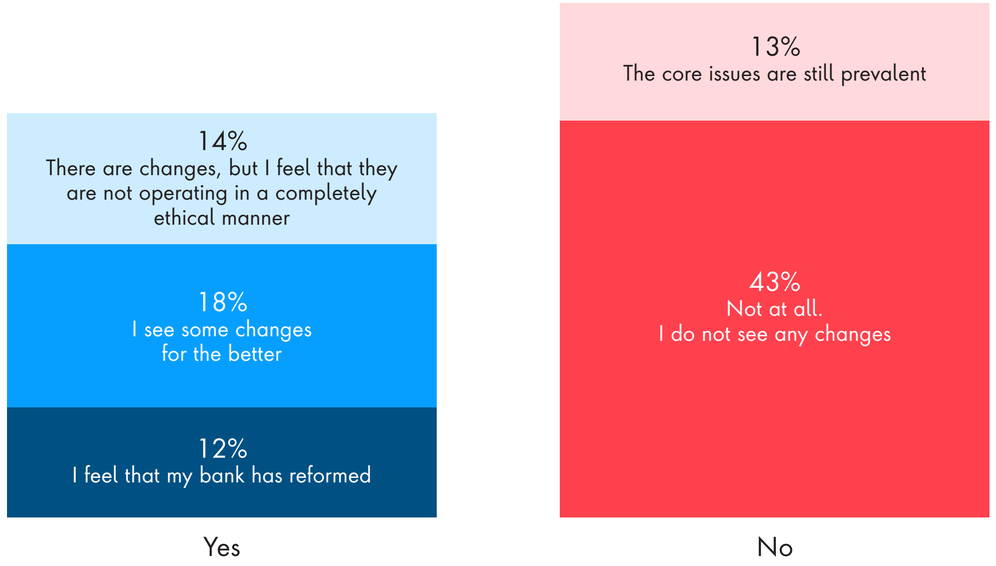
> "I have not seen any changes as a result of the [Banking] Royal Commission... They don't do much at all. Recommendations are made and not much else happens."

The banking industry in Australia faces significant challenges in improving its public perception and regaining the trust of its customers in a post–Royal Commission world. The findings of this report highlight the need for banks to address these issues proactively and transparently. By understanding and responding to the concerns and expectations of their customers, banks can not only improve their public image but also bolster their competitive advantage and growth.

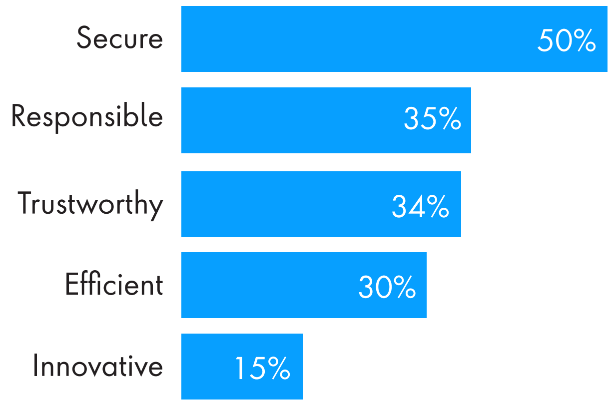
Since the Royal Commission, has your relationship with your bank become...



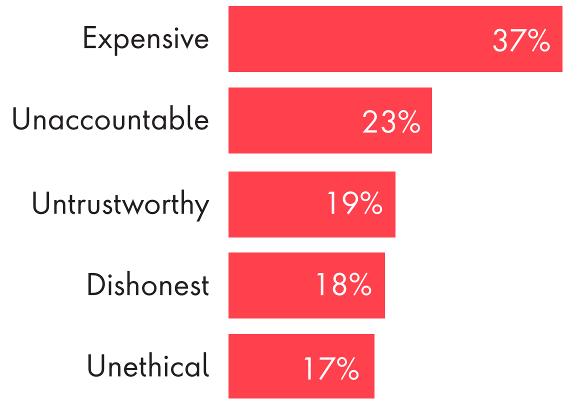
Overall, as a result of the Royal Commission, do you see a real change in how your bank is operating?



Positive associations



Negative associations



Key takeaways for banks:

1. More than five years on from the Royal Commission, most Australians say they have not seen changes in how their banks operate.

2. Banks are seen as secure, but they should not be complacent. Enhancing accountability and trust is now more critical for customer retention.

The Physical and Digital Dichotomy: A Personal Service Challenge

Personalisation has been a buzzword in banking over recent years, but do customers actually care about personalisation, and how easy is it to deliver in practice, at scale?

We asked Australians for their perspective on personalised banking, and what it meant to them. A large majority (74%) of respondents expected banks to offer personalised services and conversations, which involves understanding customers' overall financial situations and guiding them towards suitable financial products and services. Many Australians also associate branches with personalised services, with comments reminiscent of past times where familiarity in local branches was common. The challenge for banks is: how can this be applied to the hyper-digital world of today?

The advent of artificial intelligence (AI), including generative AI, has opened opportunities for banks to innovate and simplify with new business models, deploy tools for enterprise enablement and, in particular, provide elevated personalised customer experiences. AI can help banks to offer personalised customer experiences at scale by analysing huge amounts of data and using it to provide customers with pertinent information at the right time.

However, as AI continues to become an increasingly prevalent tool to support banking experiences, customers must be supported and reassured with clear communication and safeguards to ease common fears.

To achieve this level of personalisation, AI will be necessary to drive results. However, only a slight majority of Australians (58%) believe that AI will improve the level of service from their bank, while almost all Australians (96%) express concerns about banks using AI technology. Notably, older customers who would benefit from personalised support to help them transition to digital offerings are also the ones most cautious of AI.

Personalisation Expectations

Most Australians expect banks to offer personalisation, with those in 'precarious' financial situations expecting tailored services (10% more than those in a 'comfortable' financial position), and younger Australians (aged 18–28) having higher expectations (10–15% more) than their older counterparts (aged 45+).

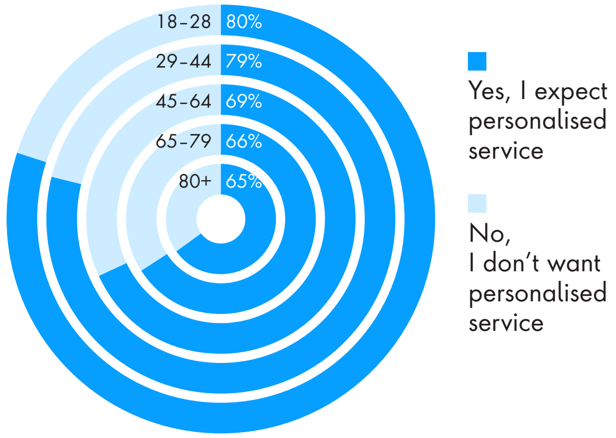
It also appears that those who visited a physical location of their bank in the past month are far more likely to expect a personalised service (83%), while only 62% of those who haven't visited a branch in more than six months expect personalised services. Customers appear to associate personalised services with physical channels, presenting both a challenge and an opportunity for banks to shift these expectations towards digital channels, ultimately leading to increased differentiation and enhanced customer experiences.

When asked which banking services customers wanted improved or introduced digitally, customer service (49%) emerged as the top priority, followed by account management (37%), financial planning (37%) and loan and credit services (33%). These services are clear contenders for more personalised offerings and an enhanced customer experience. Focused investment in these areas could substantially contribute to boosting customer satisfaction.

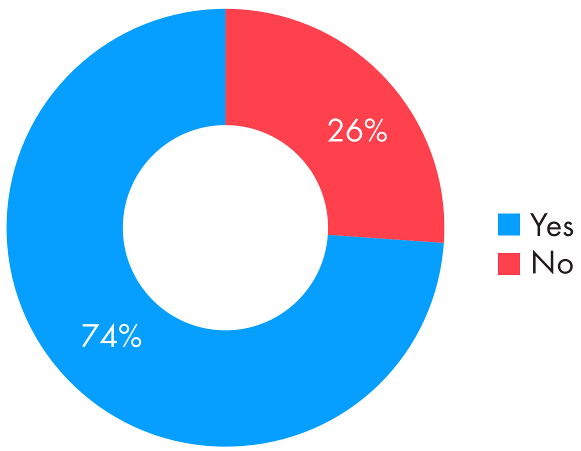
> "Less banks, less staff = less service."

> "Go back to the way it was. One person looked after your portfolio, not like now, no one knows anything."

Expectation for personalisation by age group



Do you expect your bank to offer you personalised service?



Addressing AI Concerns and Sentiment

Most Australians (62%) can see that their bank uses AI to some degree today; however, almost all Australians (96%) are concerned about their banks' use of AI. This indicates that as banks mature in their application of AI, they must provide reassurance to customers about security and privacy to avoid any inappropriate use of the technology and must lead the way in providing the solutions to common fears.

In a positive sign for AI, most Australians (58%) believe the technology will improve service quality in the coming years. Younger Australians (aged 18–44) are more positive (69%) about the future impact of AI on banking services in comparison to those aged 65+ (38%).

This also raises a warning sign for the banks: 42% believe AI will worsen service quality over the coming years.

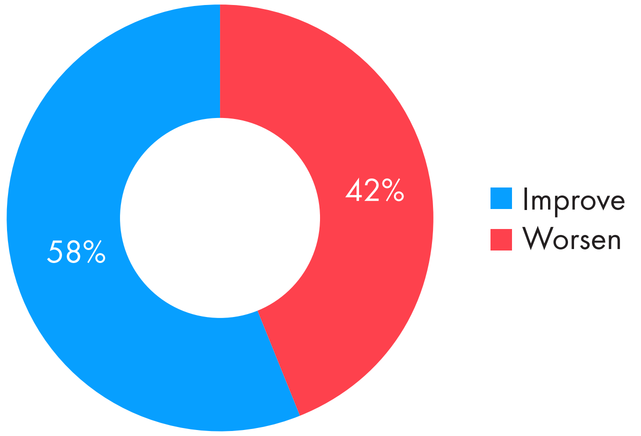
The main concerns raised about the use of AI in banking were that most Australians would prefer to speak with a person (58%); people would lose jobs (54%); and data security and privacy (49%). This demonstrates the potentially limited awareness of AI capabilities and a lack of understanding of the difference between chatbots, automated phone calls and broader applications of AI. Sentiment towards AI is caught between giving the technology a chance to offer better, more personalised service, and the frustration of it not resolving queries at the same level a human would.

The disconnect between customers' experiences and their attitudes towards the technology that sits behind it will be a critical issue for banks to navigate in the next five to 10 years..

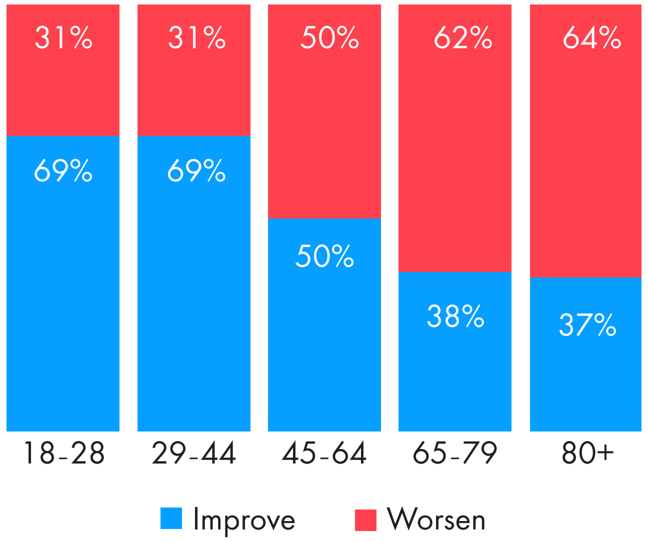
Banks must navigate the use of AI carefully and holistically, as customers are already wary of the service and ethical challenges it might bring.

> “High levels of personal frustration and stress at not being able to have the AI understand and resolve issues.”

Do you believe that in the coming years AI will improve or worsen the service quality that you receive from your bank?



Impact of AI on service quality segmented by age groups



Ranking banking services customers would like improved or introduced for online access

Key takeaways for banks:

1. The role of omnichannel personalisation is increasingly critical to manage the shift in customer behaviours towards digital channels.
2. To provide greater personalisation in services and customer interactions in a cost-effective way, banks urgently need to develop a strategy that leverages AI technology as an enabler.
3. To successfully leverage AI, governance is crucial to respect privacy, address bias, prevent deterioration in services and align with customer expectations.

The Evolving Role of Branches: A Cash Conundrum

Balancing Digital and Physical Banking in a Changing Landscape

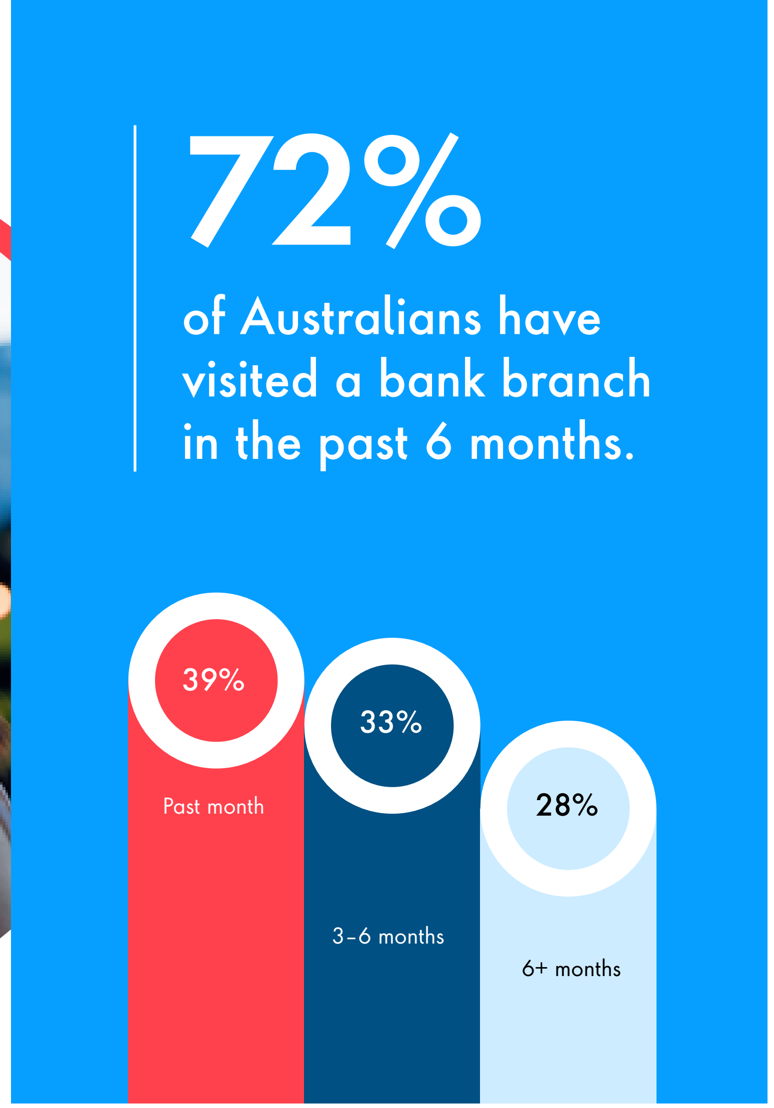
Before the rise of digital and online banking, branches were the main touchpoint for Australians to interact with their bank. Today, that picture is changing as more customers move to digital channels, and banks rationalise their branch infrastructure.

We asked Australians about their expectations for branch services, to build a picture of what the future of banking may look like. We found that customers expect the following as the top three available services at their local bank branch: ATMs (66%), customer service (60%) and deposits/withdrawals (60%). Lending (51%) and account services (50%) rounded up the top five. Cash services are among two of the top three services that customers expect at a branch, indicating a strong demand for cash transactions. Banks must explore alternative methods for offering cash services beyond traditional branch models to meet this need effectively in the future.

Much of the customer sentiment around banking services centres around branch availability. If branches are removed or relocated, customers are quick to voice any inconvenience caused.

According to the Australian Banking Association[1] (ABA), there are 95 banks across Australia managing a total of 4,014 branches and 24,695 ATMs. However the latest data from the Australian Prudential Regulation Authority[2] (APRA) highlights a further decline in bank branches in 2023, with 424 branches closed Australia-wide, and 122 of those branches in regional and remote areas. This continual decline has seen a reduction in physical branches by 37% since June 2017, with regional and remote areas being hit the hardest, experiencing a 34% decrease in the same period.

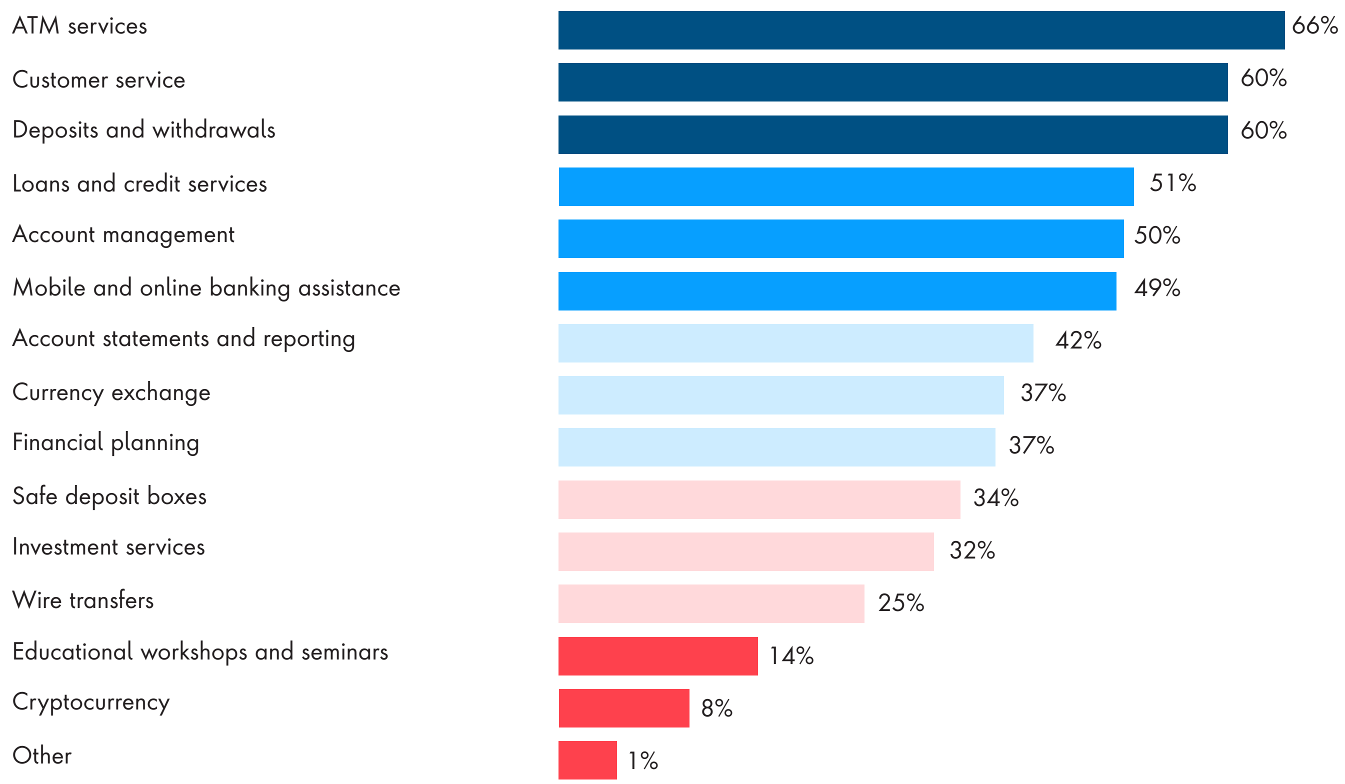
1. ABA, Banking by Numbers: 2023
2. APRA releases latest points of presence statistics for authorised deposit-taking institutions, 2023



The relevancy of branches was highlighted when we asked customers how often they visit their local bank. A majority of respondents (60%) reported visiting their bank within the past three months. With only 17% of customers reported to not have visited their bank in more than a year. As expected, customers who primarily use cash for everyday purchases (62%) were most likely to visit a branch in the past month.

Banks envision a future where most financial interactions occur through digital channels, with physical channels reserved for key sales and service interactions–but this is at odds with the expectations of large parts of the population. To address this, banks must strike the right balance between digital and physical banking, ensuring seamless and convenient experiences across channels while reserving the physical pathways for crucial sales and service interactions.

Ranking of expected services at a local bank branch



Navigating Cash Expectations

When asked about whether branches should continue to offer cash services, a clear majority of Australians (70%) opposed banks eliminating cash services from branches. The research also found that more than three in four customers (76%) still carry cash on them, and this is higher amongst those who frequently visit banks and increases again among the elderly. However, despite strong opposition to eliminating cash and a large percentage of customers still carrying cash, card and digital payments are overwhelmingly preferred in actual usage (53% mostly using card and 25% using a mix of card and cash).

Many Australians feel that removing cash services would impact elderly members of our society, as indicated through their commentary, which is validated by 93% of the elderly opposing any such move by the banks.

> "Not everyone is digitally savvy, especially the older generation. Unless proper education is given, then cash should still be available."

> "It would be unfair, especially for the needs of small businesses needing to deposit takings, and in smaller towns and communities that could be isolated from major services."

Opposition to the elimination of cash services is also higher among those with a low level of confidence in the banking system.

In contrast, customers with children (42%) are more open to the removal of cash from branches, even if still opposed to the move overall. This may be because raising 'digital native' children leads to greater familiarity with digital platforms, and parents are more likely to recognise the convenience and safety benefits of digital payments, such as being able to send money to their kids anytime, wherever they are in the world.

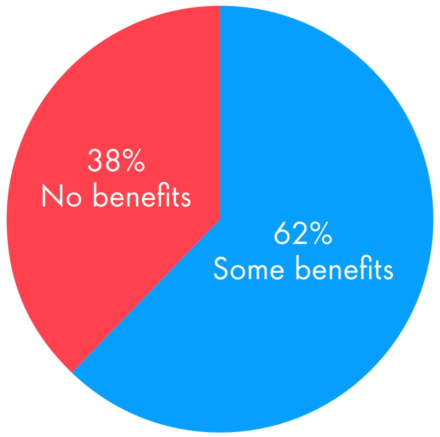
The only demographic in favour of cashless transactions is made up of those working in the gig economy. These individuals tend to be more familiar with digital payments through gig work (such as Uber drivers) and open to digital payments. Gig workers depend on digital tools for their income and are more familiar with a cashless economy.

Many customers are also concerned that if cash is no longer available, they will not be able to avoid the surcharges that come with digital payments.

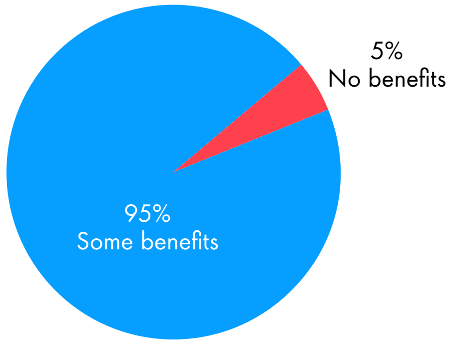
While there is overwhelming opposition to eliminating cash, most customers (62%) still recognised at least some benefits of a cashless economy. The main reasons customers cited were related to reducing cash-related risks (including crime) and convenience. Conversely, 95% of customers see some benefits of paying with cards or digital wallets.

The challenge for banks is familiarising more customers with the benefits of going cashless, especially those who do not rely on instant, digital micropayments for their income. Removing surcharges and promoting the benefits through market positioning (hygiene, ease, security, instant transfers, etc.) are strategies that banks can adopt to help customers transition to digital. With customers still in favour of cash, banks can also investigate alternative ways to provide cash services outside the branch model.

What are the key benefits of eliminating cash?



What are the benefits of paying with cards/digital wallets?



Top three identified benefits of eliminating cash

1. Reduced cash-related risks: 24%
2. Reduced crime: 22%
3. Convenience: 21%

Top three identified benefits of cards/digital wallets

1. Convenience: 67%
2. Record keeping: 42%
3. Security: 35%

Exploring Cash Transaction Fees

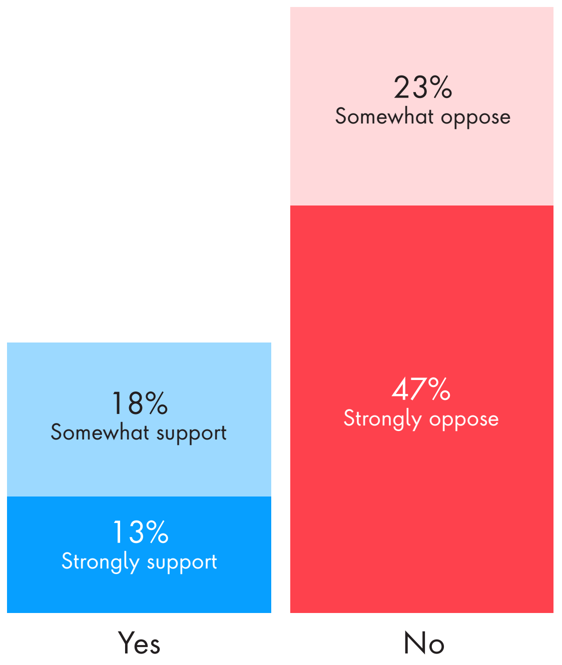
With digital payment use turbocharged by the COVID-19 pandemic, our research sought to examine what a transition from cash to digital may look like. Cash transaction fees (like card and digital payments) were explored with customers as a strategy to ensure ongoing sustainability of cash.

Most Australians (76%) are against paying extra to have cash transactions available at their local branch. However, nearly a quarter of Australians (24%) do understand the value of having cash available to them and are willing to pay roughly between 0.1% and 5% for continued access to cash services.

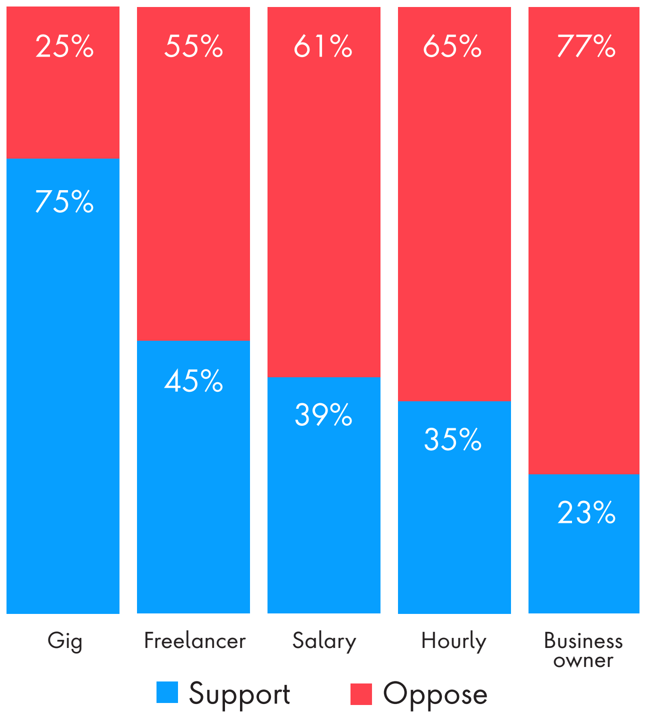
Support for feeless cash also depends on how often it is used. Of those who mostly use cash for everyday purchases, 44% were willing to pay for cash transactions. In comparison, those who use a mix of payment methods and those who pay mostly with card are stronger in their opposition, With only 25% and 16% willing to pay extra for cash, respectively.

Younger customers had the lowest resistance to paying for cash services, with those aged 18–28 and 29–44 having 33.7% and 36.2% of their cohorts willing to pay, respectively. However, in every age group, the majority oppose any surcharges.

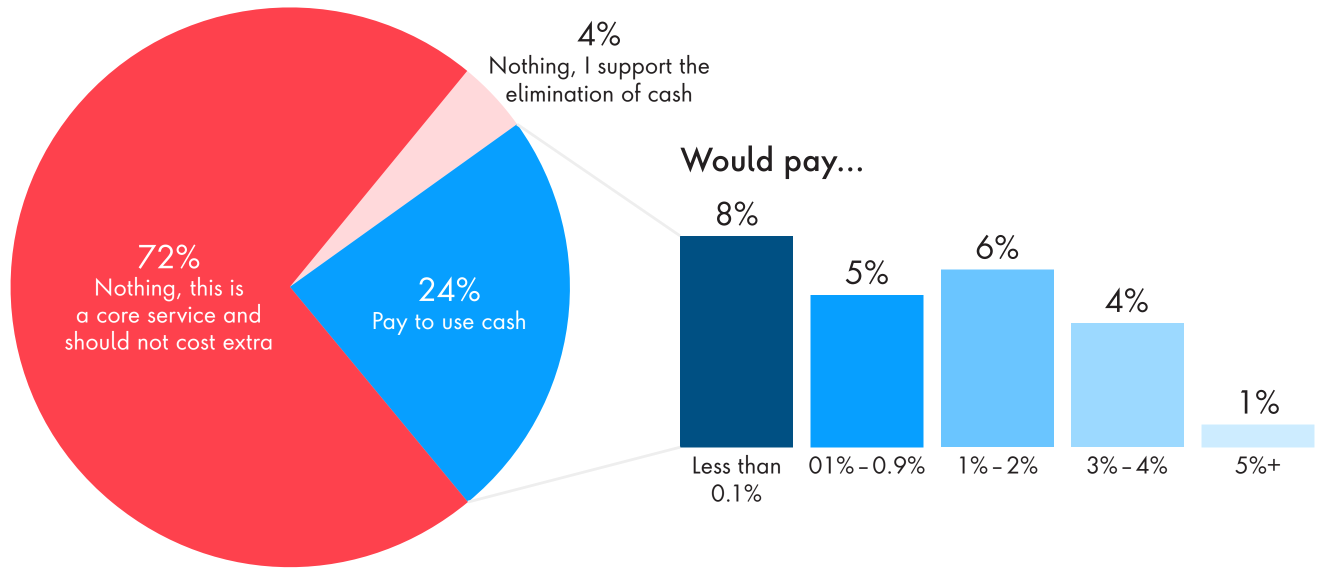
Reactions to the elimination of cash services from local banks



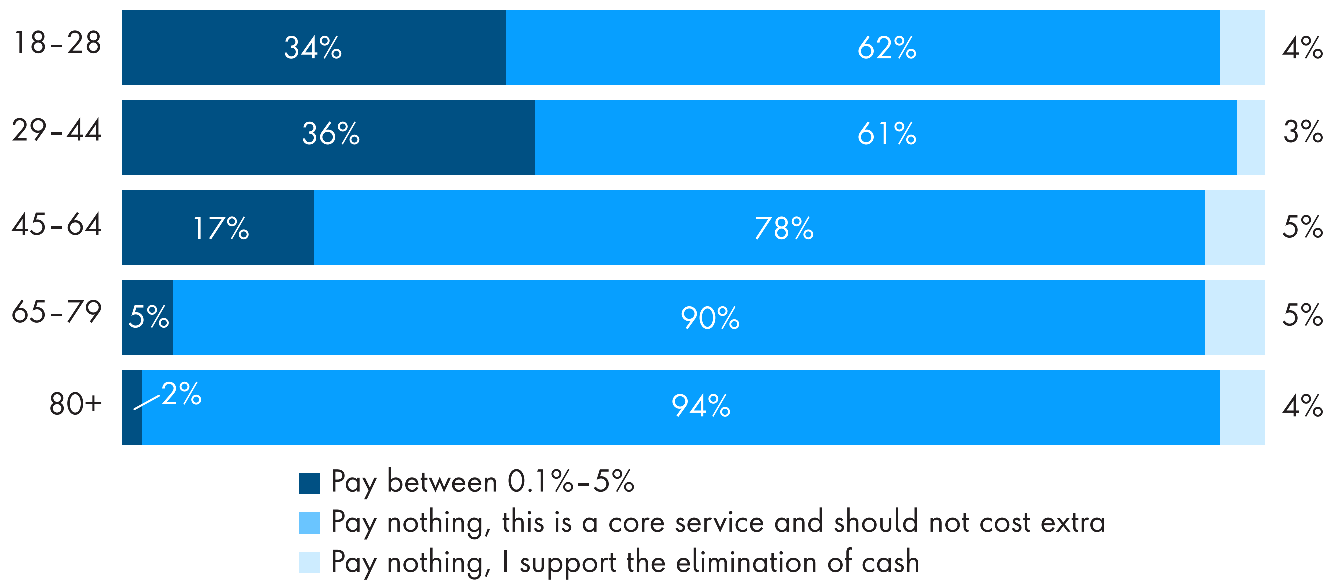
Reactions to the elimination of cash services from local banks by employment type



Willingness to pay to use cash



Willingness to pay to use cash by age group



> Shops are charging surcharges for paying by card, so we need cash to avoid surcharges."

Building Trust in Digital Payments

A significant barrier to digital payments uptake is the fear of service outages. Outages were a common concern among customers in our research–both due to IT service issues and power or telecom network downtime. Allaying these concerns will be important for banks to shift customers to card and digital payment methods.

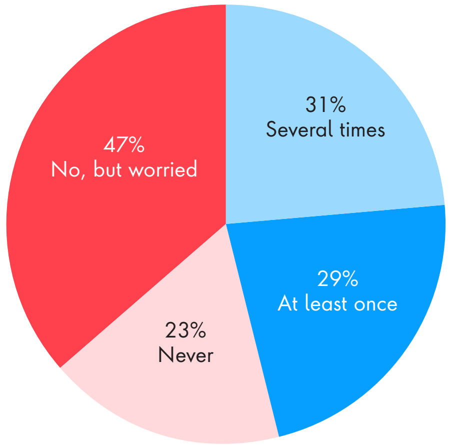
Any major outages could create a serious setback for customer faith in cashless payments. It would also be a major issue for customer retention; around a third (34%) of Australians would consider switching banks based on a digital outage.

Most customers (60%) have experienced at least one service outage with their bank when paying with a card or digital wallet, with 31% experiencing multiple outages. While 40% have never had to experience this inconvenience, 17% are still worried about the prospect.

Customers who had previously experienced service outages, or who are in precarious financial situations, reported having the lowest tolerance for incidents and are most likely to switch banks at 18% and 24%, respectively.

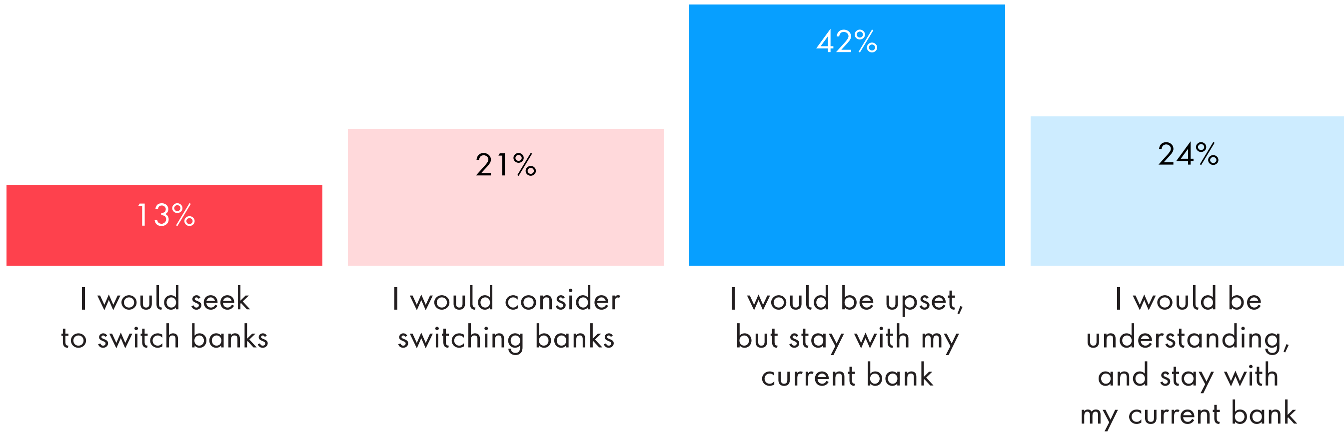
The persistent issue of service reliability in the banking sector continues to pose a considerable threat to customer trust. Over the next five to 10 years, addressing this challenge will prove to be a key market differentiator for banks.

Have you ever experienced a service outage when paying with a card or digital wallet?



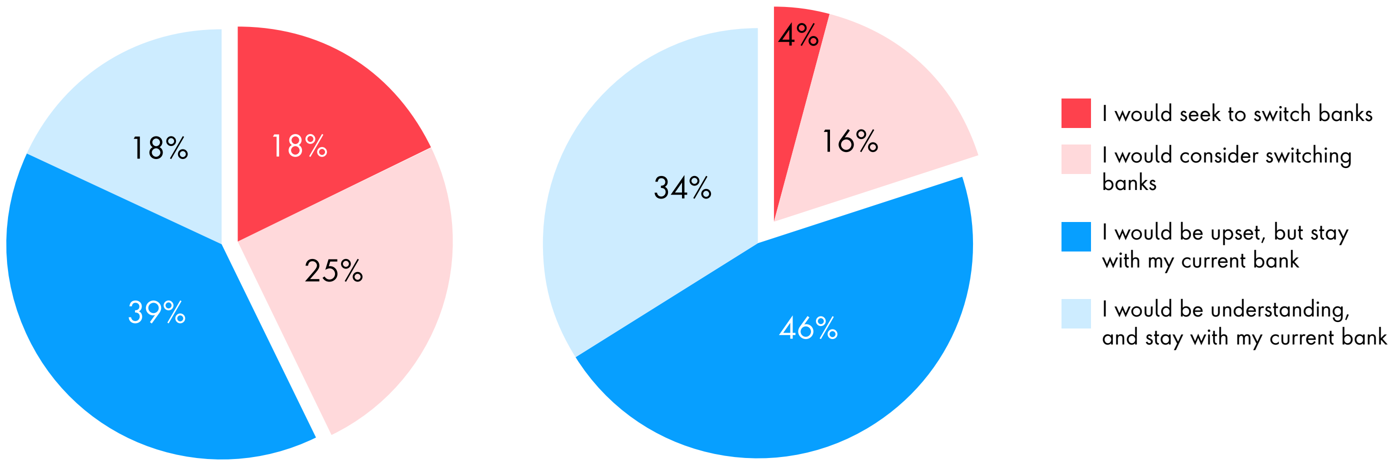
> It is humiliating to be rejected at a cashier's point of sale when an outage happens. We have no cash as backup! Just another plastic card."

If your bank had a digital outage, which of the following comes closest to your sentiments?



Have experienced a card outage in the past

Have **not** experienced a card outage in the past



Key takeaways for banks:

1. Banks must accelerate digital readiness to keep pace with their branch closure agenda and maintain a seamless customer experience.
2. Customers are open to paying for the convenience of cash; however, there may need to be a corresponding reduction in digital transaction fees and surcharges.
3. Banks urgently need to explore alternative models for cash services to avoid customer dissatisfaction with upcoming branch closures.

The New Experience Frontier: Scams and Security

Confidence in Australian Banks: Security and Fraud Prevention

Banks in Australia play a critical role in safeguarding customers' money and personal information. As such, banks recognise the gravity of scams and fraud and the potential consequences of data breaches, but so do their customers. Our research indicates that Australians are acutely aware of the risks posed by scams and fraud, and therefore hold strong opinions regarding the measures that banks should adopt in order to protect their customers.

Overall, most Australians (83%) are confident in their bank's security and fraud prevention measures. Customers trust their banks and their processes to avert potential cases of scams or fraud; however, 17% of customers are either not confident (12%) or not at all confident (5%) in their bank's security and fraud prevention measures. This level of trust is important for banks' reputations as it impacts their relationship with customers.

83%
Australians with a high level of confidence in their bank's fraud prevention measures

One of the most significant findings of the research was that nearly all Australians (98%) expect banks to offer some sort of support if they were to fall victim to a scam or fraud. For banks to deliver on this expectation, they need to use data effectively to identify risk factors, build a personalised plan for each customer and deploy a range of intervention techniques depending on the situation. These could include providing educational materials, pausing suspicious activity sooner or assisting with next steps in the event of a scam.

> "Fraud is not your fault, so the bank should pay it back as they allowed it to happen."

Understanding Distinctions in Scam Exposure

Our research found that more than half (55%) of Australians feel they have been targeted by a scam or fraud attack. A breakdown of those experiences is as follows:

1. Email scam: 25%
2. Fraud or financial attacks: 24%
3. Password theft: 14%

When compared to the Australian Bureau of Statistics (ABS), which reported that 65% of those aged above 15 received a scam request in 2021–2022, this represents an increase from the 55% reported from the preceding year. While the number of Australians exposed to a scam is on the rise, it should be noted that only 2% responded to a scam request in 2021–2022–a decrease from the 4% of customers who responded the year prior.

Who is most at risk? We found that those who identify as being in a 'precarious' or 'basic' financial situation (i.e. those who struggle to pay their bills and have debts that will take some time to pay off) were most likely to have been exposed to scams (74% and 57%, respectively), compared to those who are in a 'stable' (49%) or 'comfortable' (42%) financial situation. Interestingly, we also found younger generations to have higher rates of exposure to scams.

While younger generations may be more exposed to scams, the rates of victimisation (i.e. after being exposed to a scam, they provided money or personal information or accessed links associated with the scam) as reported by the ABS, show that younger generations have a lower rate of following through with a scam compared to older generations. This may be due to younger customers being more active online, leading to a heightened exposure to scams.

Overall, when compared to the ABS findings, our research shows customers are reporting a lot more scams than the national average, which indicates scams (or fear of them) have a high emotional resonance–customers remember being scammed, even if they have not.

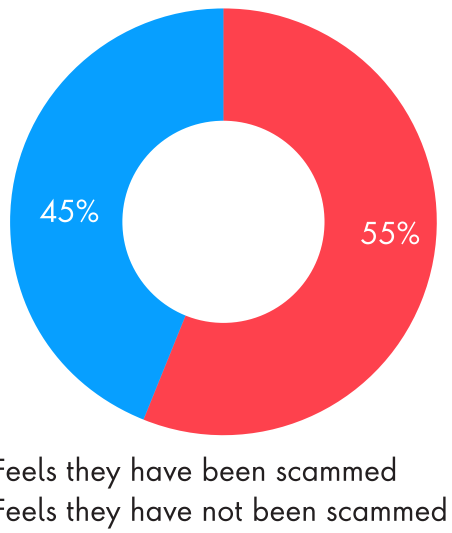
These findings suggest a dual trend:

- Heightened awareness of the prevalence of scams
- Improved scam literacy amongst the population

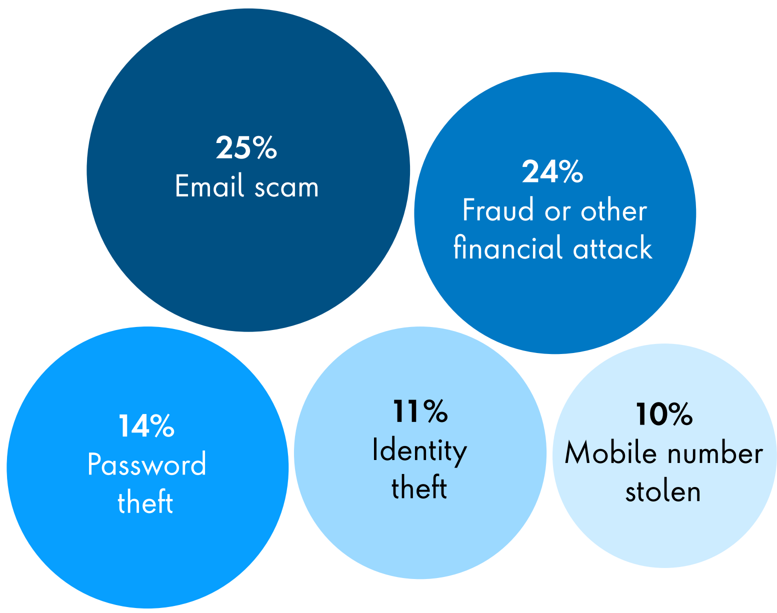
Individuals are becoming increasingly cognisant of the variety and prevalence of scams, but nefarious actors are upping the ante and will continue to improve the level of sophistication of scams. Banks must remain diligent to stay ahead of the perpetrators to protect their customers from a constantly evolving threat.

From the research, we can deduce that scam exposure and susceptibility are impacted by several factors, such as generational differences and financial stability. Understanding these distinctions is crucial for developing personalised prevention strategies to safeguard customers.

Have you ever fallen victim to a scam?



Breakdown of selections



"We were hacked after placing an ad and we asked the bank not to allow any other money out which they failed to do, so we were very upset and basically withdrew all our money and we moved the bulk of it to a different bank."

"If they had answered my call straight away it could have been stopped. After 30 minutes of trying, the person who took my call did not have the knowledge to at least quickly transfer my call to the right person."

The Role of Banks in Scam Recovery and Support

When prompted, half of Australians (50%) identify banks as being secure, hence the high expectations of customers when it comes to a bank's response to scams. Our research found that almost all Australians (98%) want their banks to help them if they fall victim to a scam. Customers identified the following expectations from their banks:

1. Replace any money that was taken (65%)
2. Monitor accounts and alert for suspicious activity (62%)
3. Freeze or close the affected accounts (56%)

While these expectations are optimistic, especially in cases where banks bear no responsibility in the scam incident, it nonetheless places banks in a delicate position that impacts both their customer retention and reputation.

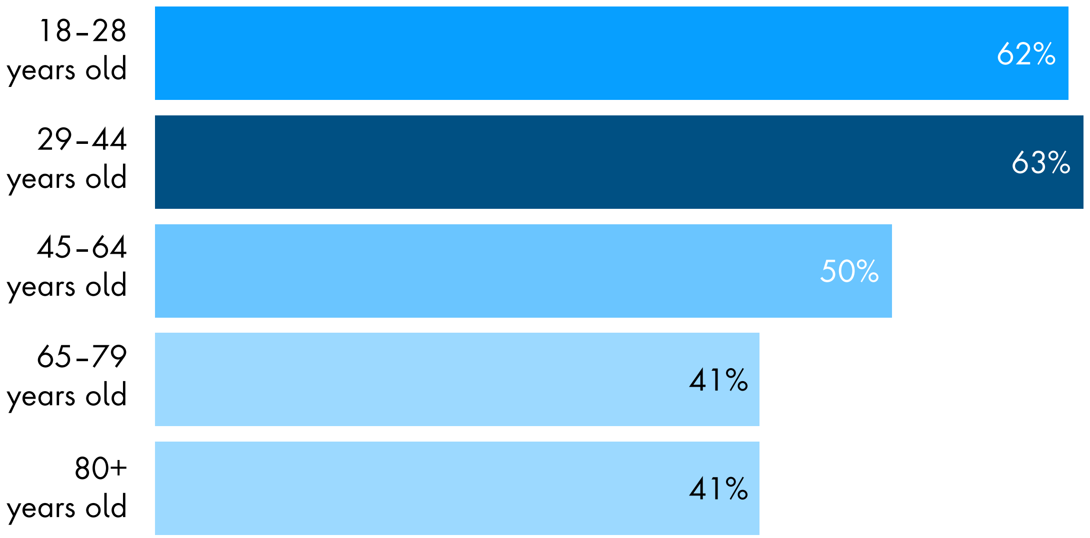
What was clear from the research was the emotive impact of scams on the respondents. Some customers reported incidents as far back as the early 1990s–emphasising the lasting impressions such attacks can have on individuals. Many of the respondents commented on the response from their bank, with negative experiences being clearly harmful to their ongoing relationship with their bank. This demonstrates how crucial a positive response from banks is for customer retention.

To delve deeper into this matter, we explored the effectiveness of banks in responding to scams. Encouragingly, just over half (58%) of those who were a victim of a scam found their banks to be helpful when providing them assistance during this challenging situation.

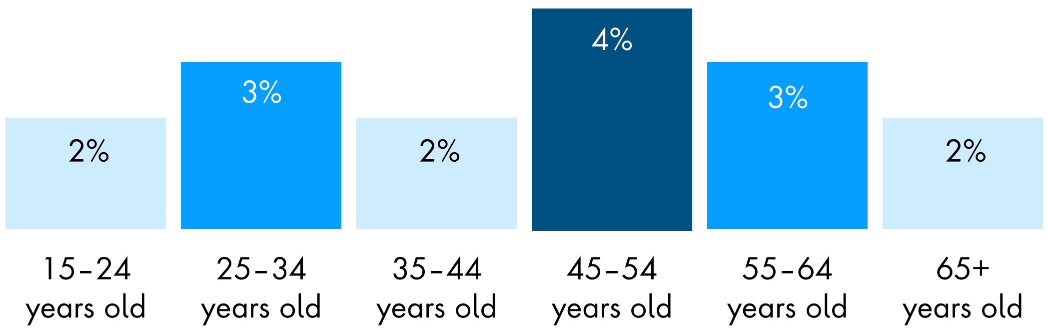
Despite this, 42% of customers expressed dissatisfaction with the support experience itself, particularly commenting on slow response times. Australians need fast, personalised support in a crisis, with access to the right contacts to get proper assistance from their banks.

"I am confident that they will help me in the case of another fraudulent attack, but for my prior attack, I received no alerts or communications that money was being taken out consecutively."

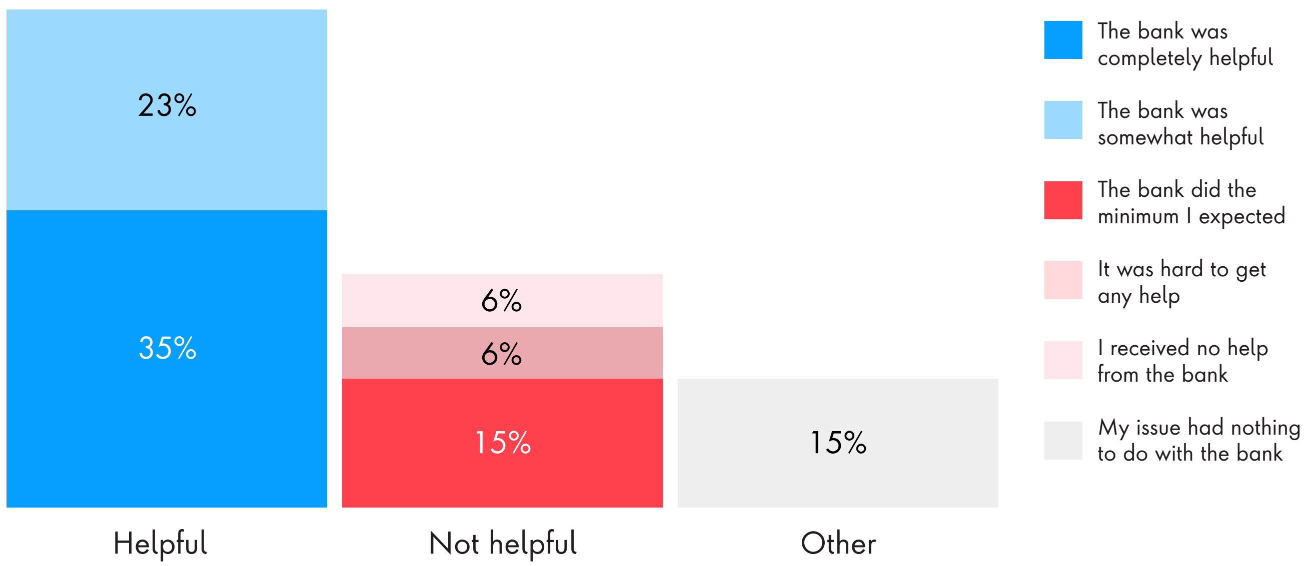
Have you ever fallen victim to any of these types of scams? (Email scam, Fraud or other financial attack, Password theft, Identity theft, Stolen mobile number) Respondents who answered 'Yes', by age group:



Victimisation rate from the Australian Bureau of Statistics (ABS), 2021–2022



Helpfulness of the bank in a past cyberattack



Key takeaways for banks:

1. With the number of Australians experiencing scam attacks on the rise, it's imperative for banks to equip customers with knowledge to safeguard their money and data.

2. Nearly all customers expect support from banks in the event of a scam. Educating customers on the areas where banks bear responsibility and where they can effectively intervene can help manage customer expectations.

3. Experiencing a scam is an emotionally charged event, and customers value not only the outcome but also the quality of assistance received. Banks need to enhance their service with personalised support to meet expectations.

The Cost-of-Living Crisis: Customer Care Lifecycle

It is no secret that Australians are feeling the pinch of the cost-of-living crisis. The current economic landscape has prompted widespread belief that banks should bear some responsibility and help customers during times of financial stress. Although banks are not able to change economic trends directly, and forms of relief may not be feasible for banks to offer, the expectation from customers is still there. From our research, it is clear that the cost-of-living crisis is an urgent priority for all Australians, and the need for personalised customer care won't diminish in the years to come, even if the economic outlook improves.

The question is, how can banks use customer data more effectively to build a personalised experience that uplifts and supports customers' financial well-being?

Customer Expectations for Proactive Financial Stress Support

The imperative for banks to intervene when customers face financial stress is resoundingly clear, with more than nine in 10 Australians expressing strong support on the matter. Additionally, an overwhelming majority of respondents (96%) believed that banks need to proactively detect signs of financial stress early.

Warning signs cited include:

1. Missed payments on credit cards and loans: 44%
2. Job loss or income reduction: 36%
3. Overdrafts and insufficient funds–more than usual: 35%

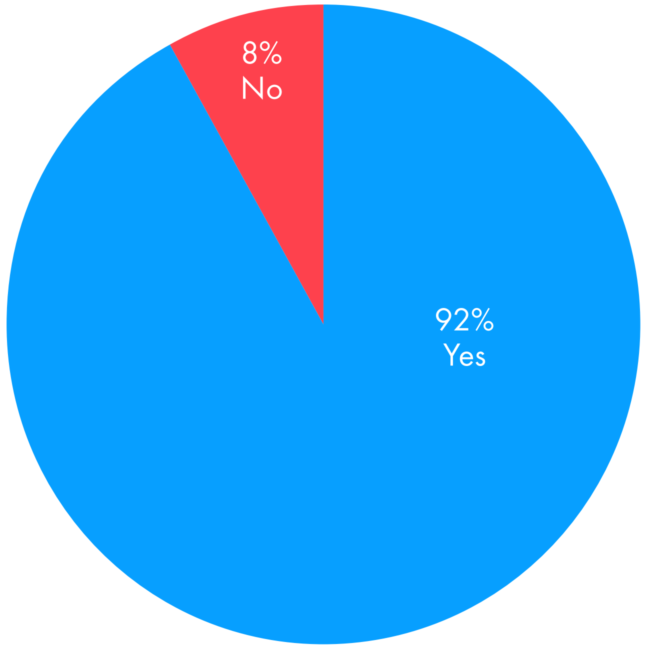
This sentiment resonated as almost all respondents (96%) were then able to identify the ways banks could be helpful to customers if they were to experience financial stress.

Tactics included:

1. Flexibility in loan repayment terms (or temporary relief): 49%
2. Fee waivers and reductions (especially for essential daily living): 45%
3. Interest rate adjustments: 42%

Considering these expectations, it's incumbent on banks to build a toolkit of financial well-being intervention techniques, which they can deploy proactively when the data suggests customers are at risk of falling into financial stress.

If a bank could see a customer was about to fall into financial stress, do you feel that they should take every step to ensure that this did not happen before it's too late?



> "Banks know who spends what and if they see someone struggle, then they should step in and see what they can do to help before it's too late. They should know their customers well enough to approach them."

Addressing the Cost-of-Living Crisis

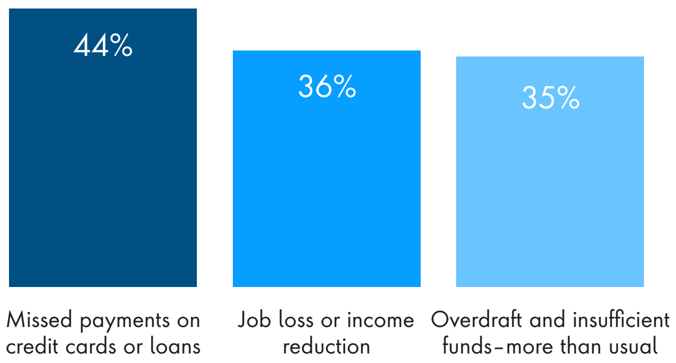
When asked, a majority of respondents (79%) expect banks to proactively address the cost-of-living crisis. This expectation varied in intensity, but the consensus was clear: banks need to be doing more.

Unsurprisingly, we found that younger generations, particularly those aged under 45, as well as people who are in a 'precarious' financial situation, strongly believe that banks need to play a role in addressing the cost-of-living crisis (85%). This sentiment gradually decreases for older generations and those who are better off financially, as only a slight majority of those aged 80+ (66%) and those who are in a 'comfortable' financial situation (69%) share similar beliefs.

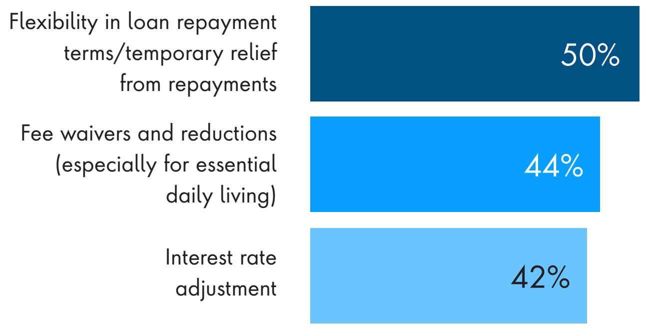
Customers believe that banks already have the technology, processes and data to help those in need and therefore have a responsibility to do so. The implementation of mechanisms to prevent worsening financial stress for customers, enabled by technology (AI and personalisation), will drastically improve customer retention and satisfaction, a clear competitive advantage for banks.

> "The most important help would be financial assistance as that will help fundamentally change how customers manage money–to ensure they don't get into that situation again."

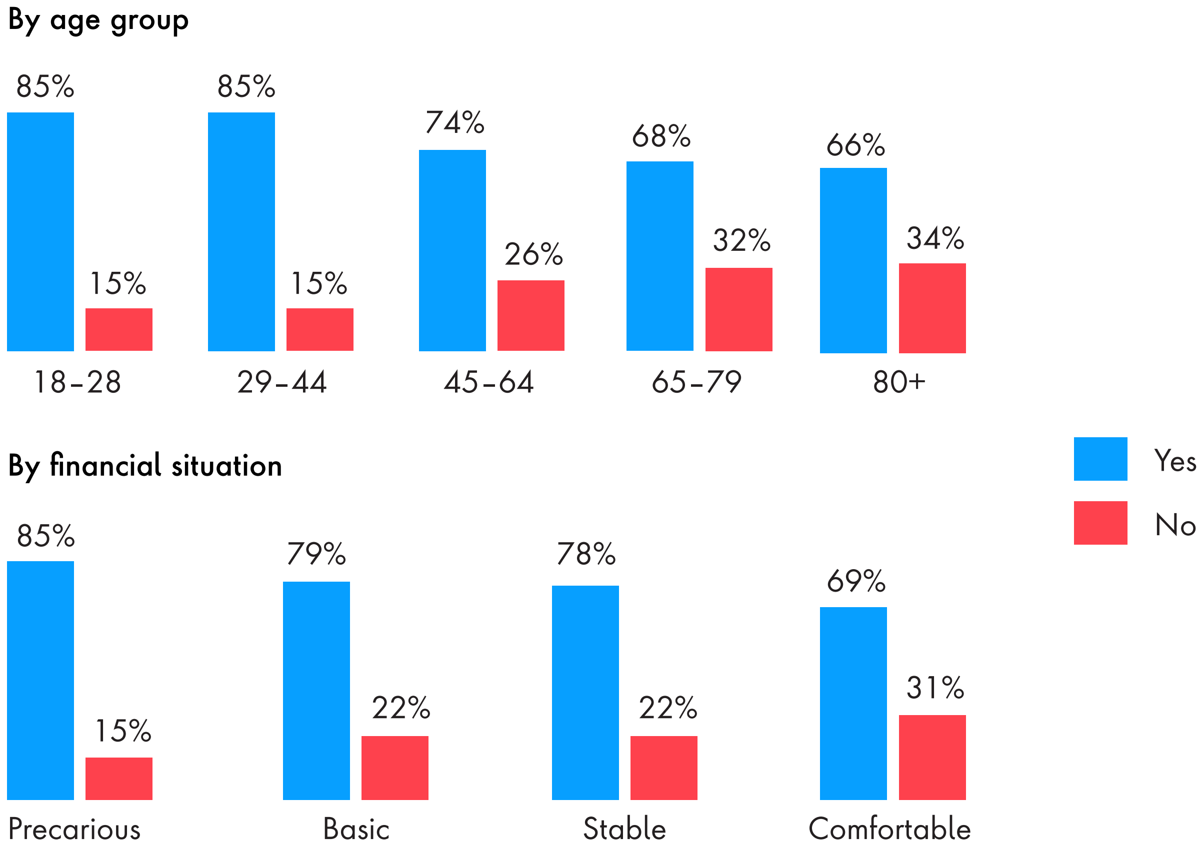
What should trigger the bank to offer you assistance and prevent worsening financial stress?



Which of the following would be most helpful if you were to experience financial stress?



Do you expect your bank to play a role in the cost-of-living crisis?



Key takeaways for banks:

1. The existing process of seeking assistance from banks in times of financial stress has been characterised as suboptimal and disjointed. Banks should enhance their services in this area to better align with customer expectations.
2. Banks must leverage readily accessible data to proactively identify and support customers who are experiencing financial stress.
3. Creating a strategy that supports customers throughout their lifecycle is imperative to ensuring that the impact of financial stress is mitigated and improving financial outcomes for both customers and banks.

The Green Horizon: Meeting Societal Expectations

Sustainable and Socially Responsible Products in Banking

It should be no surprise that Australians are paying attention to sustainability and social responsibility, especially those in younger generations. In fact, only 17% said they have no interest at all. Even among older cohorts, this only rises to around a quarter of respondents.

A majority (75%) of Australians support a bank that is committed to green initiatives and provides green products, centred primarily around sustainability and social responsibility, with the main reason being they 'feel it is the right thing to do and they want to support it'. Those under 45 are the most supportive (87% of those aged 18–28, and 83% of those aged 29–44 support green initiatives), while those least likely to support green products are over 65 (58% of those aged 65–79, and only 56% of those aged 80+).

These findings uncover an important long-term strategy for banks: as millennial and Gen Z generation customers age, they will form a much larger percentage of banks' customer base. Banks must accommodate their generally lower amounts of savings and inability to afford mortgages. There is an opportunity for banks to invest in sustainability and social responsibility to stay ahead of the curve with strategic offerings for the future.

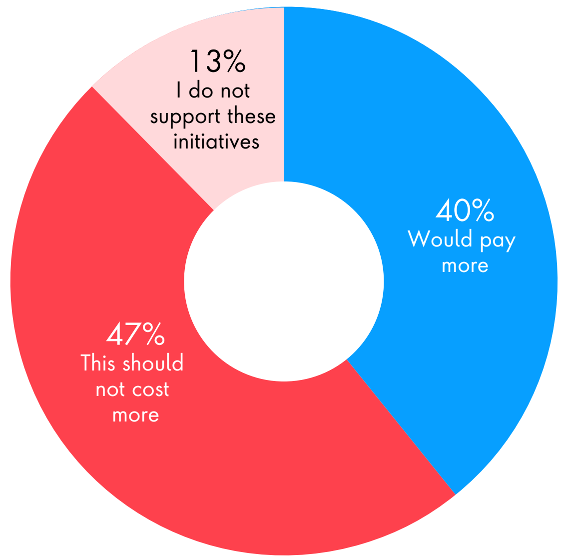
We asked our respondents whether they would be prepared to pay for access to socially responsible banking products. Overall, only 40% said they would be willing, but this rises to more than half for Australians under 45 (58% for those aged 18–28, and 54% for those aged 29–44). How much more are customers prepared to pay? About 24% would pay under an extra 10% for green products, with 16% willing to pay more than 10%.

> "I would need to see real proof that it wasn't just being used for "green washing"."

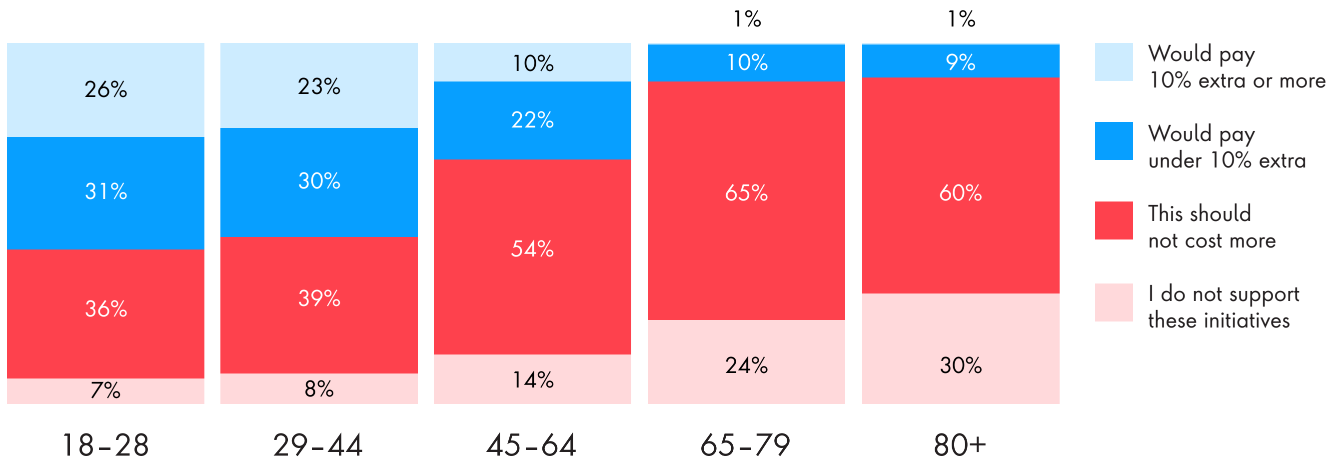
There is already a significant proportion of customers willing to pay for access to green banking products, and this sentiment will decrease over time as green initiatives and products become the norm and are no longer seen as a premium worth paying extra for, but a basic expectation for any reputable bank. It is important for banks to address this drifting sentiment to avoid churn, attract new customers and maintain or grow market share.

The findings are clear: Green initiatives and products are no longer just trends; they are here to stay and will be supported and expected by future generations of customers. Banks must innovate with new products and business models, elevating customer experiences and improving business performance to stay ahead of the curve.

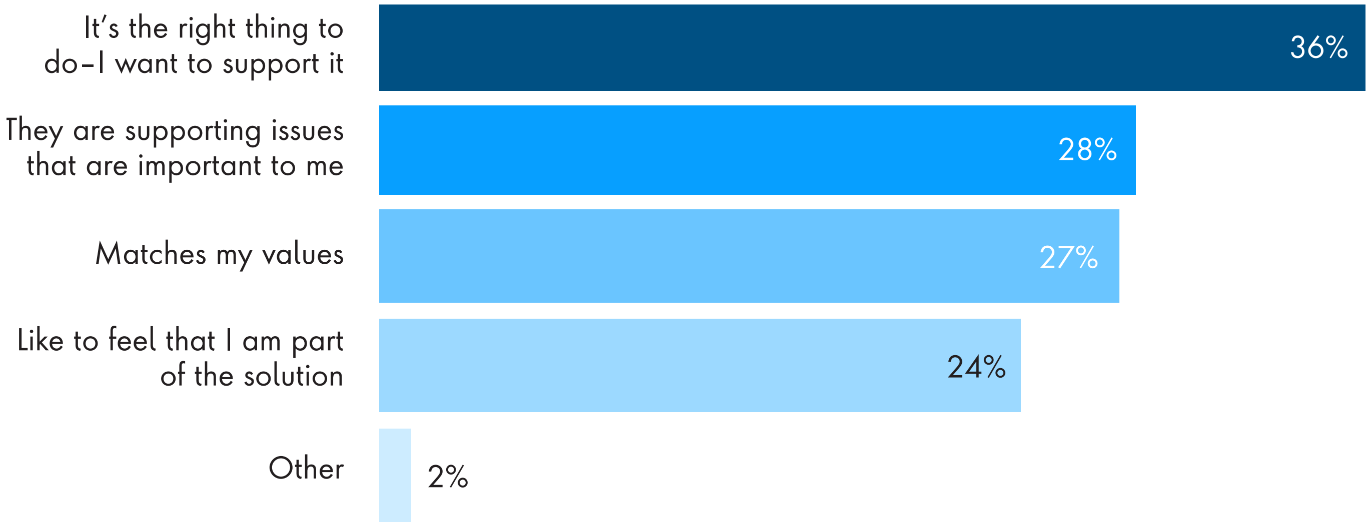
How much more would you be prepared to pay for socially responsible banking products?



By age group



Which of the following reasons most inspire you to work with a bank that is committed to green initiatives?



> Yes, banks should massively contribute towards reducing global warming. They should get customer cooperation and confidence too."

Key takeaways for banks:

1. Green products are poised to become industry standard in the future so banks need to build them now to take advantage of this customer sentiment shift.
2. The green horizon presents an opportunity for banks to think beyond existing products and business models to provide green services that directly support customers' sustainability ambitions.
3. The younger generations are more discerning about social responsibility, and banks must see this as a long-term growth strategy.

Putting this research into action

We conducted this research into Australian banking to help organisations like yours get a better understanding of your customers' behaviours and attitudes. The next step is turning that insight into action.

The insights shared in this report are just a few of the highlights from our research. To find out more, book a workshop with one of our financial services experts who can share a deeper cut of the findings. We'll provide our analysis of the trends and how they relate to your bank, as well as the actions you can take today to address them and build a competitive advantage.

Publicis Sapient can help you to build a strategy for the future, make smart decisions about how to develop your solutions, invest ahead of the curve and set yourself up for competitive advantage.

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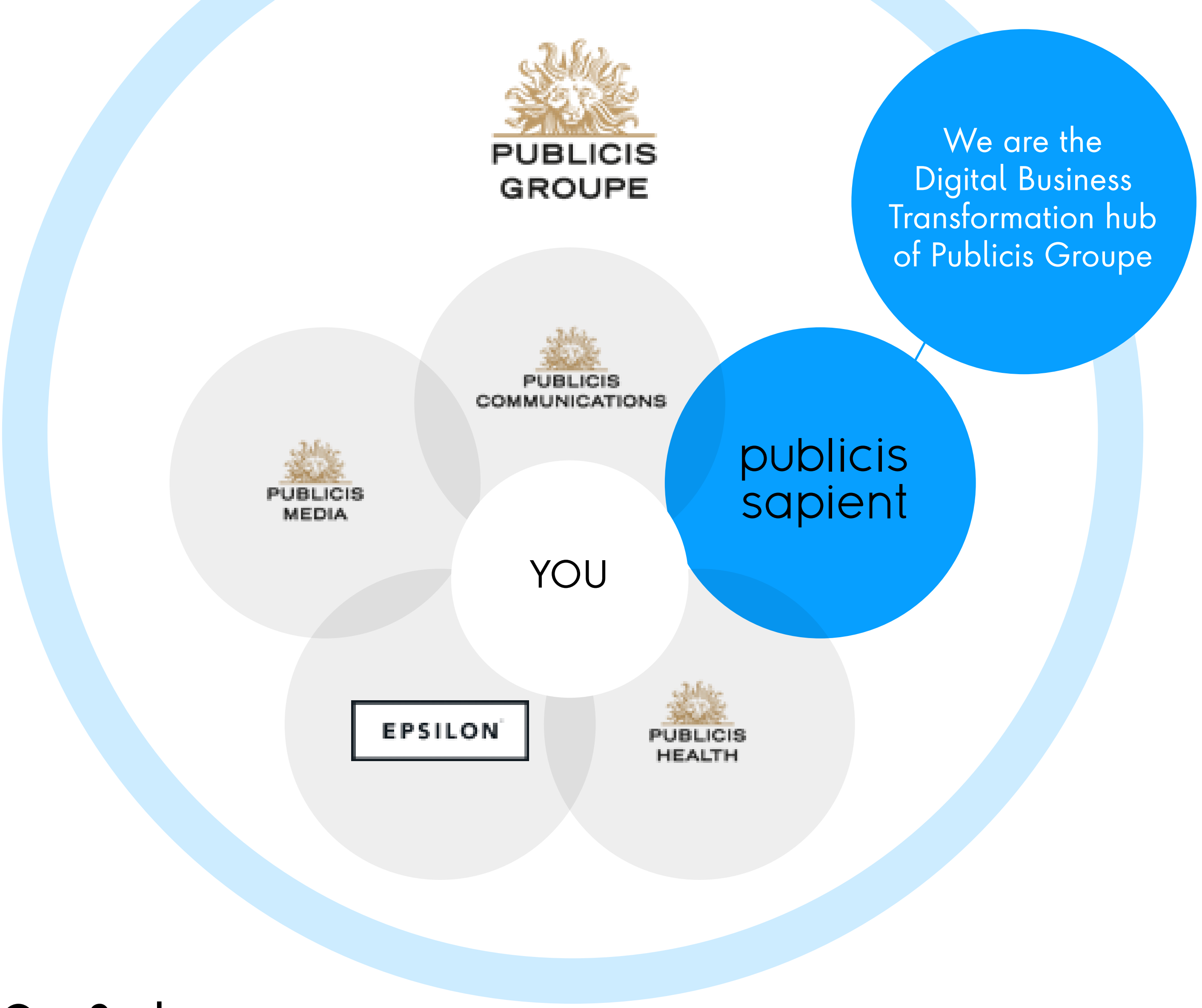
Publicis Sapient at a glance

We are a modern digital transformation partner helping established organisations become digitally enabled to better serve their customers and thrive in the future.

The Power of One



Our Scale

20,000 passionate people

50+ offices globally connected

30+ years of digital pioneering and customer innovation

2,000+ large-scale innovation projects delivered for major multinational and government organisations

How we can help

Engage your customers

Attract new customers—excite existing ones. Create loyalty and drive business growth by understanding your customers and giving them what they want.

Transform your experience

Tailor your experiences to the needs of today's customers and create omnichannel experiences they'll love.

Innovate, fast

Build a new bank in as little as six months. And create new banking products 5x faster with our unique methodology.

Modernise your tech

Accelerate your transformation to unlock your data and increase resilience with technology that scales with your business. Harness the cloud for an innovative, agile future in banking.

Capabilities

S — **STRATEGY**
Developing and testing your hypothesis on priority value pools

P — **PRODUCT**
Helping organisations transform at the intersection of value, viability and execution

E — **EXPERIENCE**
Enabling ongoing value for your customers

E — **ENGINEERING**
Delivering on your promise, at pace and at scale

D — **DATA and AI**
Validating your hypotheses and uncovering insights for constant iteration

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