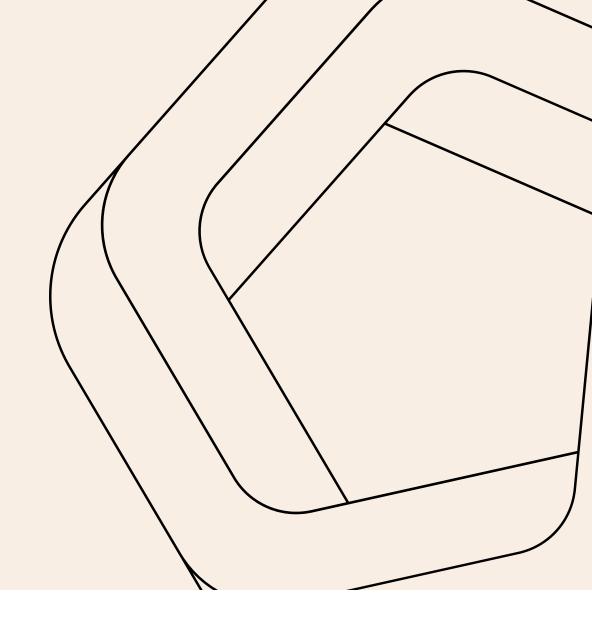
# Personal banking services market study

Research report

February 2024







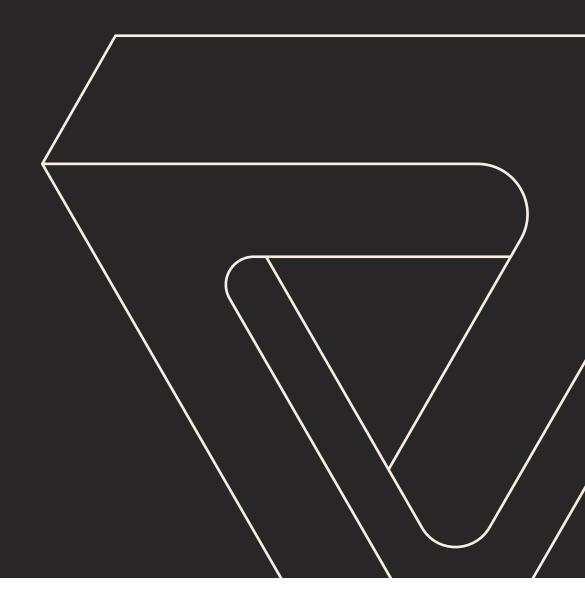
## Introducing Verian

Verian is the new name for Kantar Public (formerly Colmar Brunton).

Following our divestment from our former parent company, we are now an independent research and evaluation agency, providing evidence and advisory services to government and the public realm, across Aotearoa New Zealand and around the world.

Get in touch if you would like to know more.

Michael Winder & Kathryn Robinson





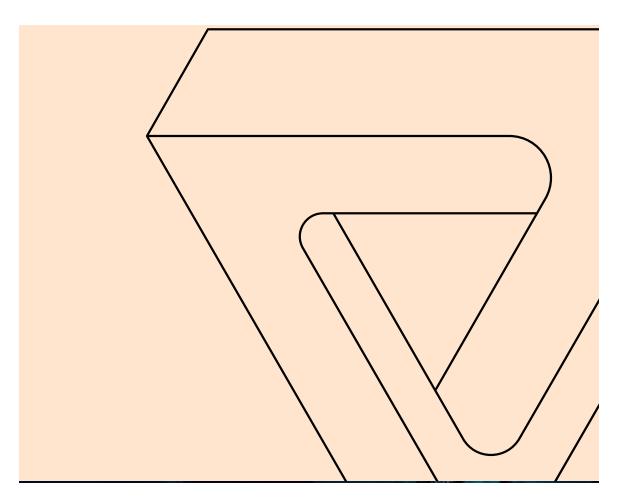
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01 Background Personal banking services market study

## Objectives

The Commerce Commission is carrying out a competition study into any factors that may affect competition for the supply or acquisition of personal banking services.



As part of this wider study, Verian (formerly known as Kantar Public and Colmar Brunton) was commissioned to undertake consumer research regarding personal banking services to better understand consumers' current situation, behaviour and interaction with personal banking services and providers.

The survey provides key information on key factors relating to consumer decision making, including:

- Choice of banking services and providers
- Rates of switching behaviour (from one provider to another)
- Motivations for switching behaviour
- Barriers to switching behaviour

The results of this study form an input into the Commission's assessment of whether competition in the market is working effectively, and whether it could be improved to promote long-term benefits for consumers of personal banking services.

Yerian Personal banking services market study

## Approach

#### Quantitative

A nationwide survey was conducted with 2,140 New Zealanders aged 18 or over who use key banking services, including transaction or savings accounts, term deposits and home loans.

A mixed-method approach was used to ensure a mix of participants, including:

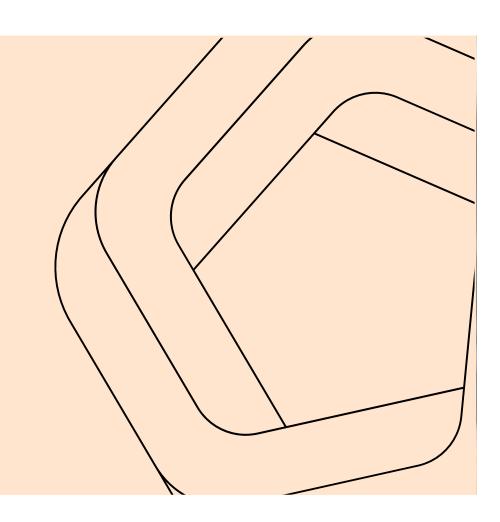
- 1,039 online via Kantar's online panel
- 1,001 by phone using random-digit-dialling
- 100 face-to-face, intercepted on the roadside in higher deprivation areas.

The survey was conducted in October 2023. On average, the survey was 10 minutes online and 15 minutes by phone.

Data were weighted by age within gender, ethnicity, region and education to match Census population characteristics of New Zealanders.

The maximum margin of error on the total sample is +/- 2.9% at the 95% confidence level.

Prior to the survey, cognitive interviews were conducted with 10 New Zealanders to understand how people think and talk about their financial products and providers. This informed the language and structure of the questionnaire.



## Approach

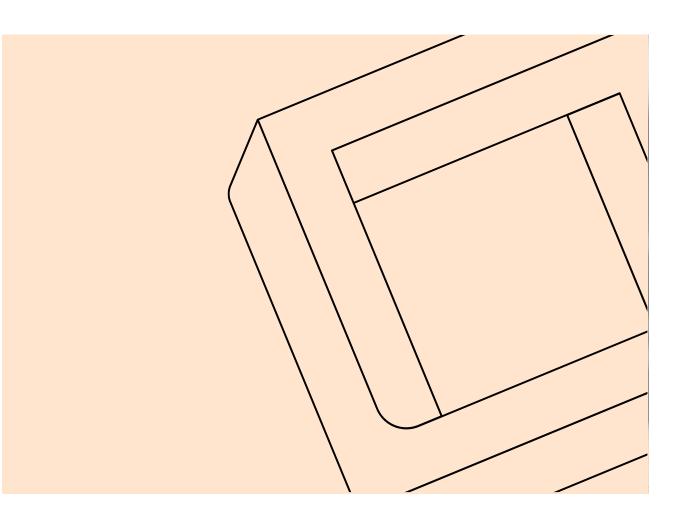
#### Qualitative

As a supplement to the quantiative survey findings, 16 qualitative interviews were conducted to create maps of consumers' switching experience across a range of different scenarios.

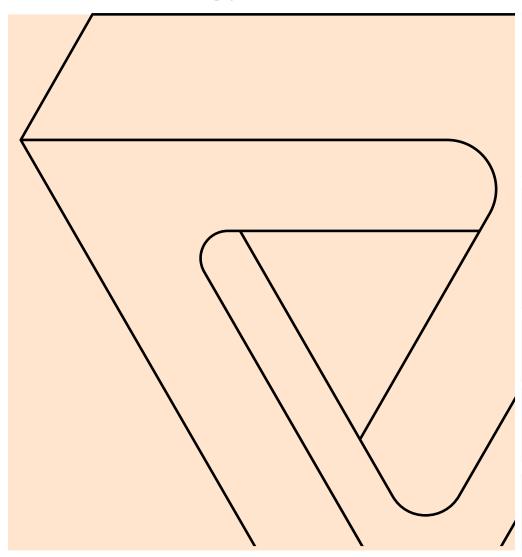
Online Interviews were held with main or joint decision makers. Inclusion criteria included:

- All had switched provider or got part way through switching providers for at least one of these products in the last year: Every-day transaction account / Savings account / Term deposit / Home loan.
- Across the sample, participants had a range of reasons why they switched their transaction account and/or home loan.
- Inclusion of respondents who do not have their transaction account with the 5 largest banks.
- Inclusion of respondents who do not have a home loan.
- Range of household income and ages across the sample.

Interviews took place during November 2023, and lasted up to one hour each.



## Terminology and definitions



The survey mostly focused on four key products:

Transaction accounts Every-day transaction accounts

On-call accounts which earn interest Savings accounts but aren't for every-day transactions

Interest-bearing deposits with a **Term deposits** specific maturity date or term

Home loans lending products secured by residential mortgages

Throughout the report, providers are grouped into three categories:

**5 largest banks** ANZ, ASB, Westpac, BNZ and Kiwibank

**Smaller banks** e.g. TSB, SBS, Heartland, Co-operative, Rabobank etc. Other

providers Non-banks e.g. building societies, credit unions etc.

The survey used randomisation to ensure a good mix of products/providers were covered. Participants were asked to talk about one randomly selected product/provider when asked questions about their recent switching/non-switching behaviour.

Throughout, 'switching' is defined as those who have moved from one provider to another, including hard switching (e.g. moving an account/product from one provider to another while closing the old account/product) and soft switching (e.g. opening a new account/ product with a new provider without closing the old account/product with an old provider).

Statistical testing between subgroups (e.g. demographic/behavioural groups) has been conducted at the 95% confidence level. Where applicable, subgroup results that are statistically significantly higher than the average are shown in boxes throughout the report e.g.:

Māori 78% Aged 18-39 59%



#### Key findings

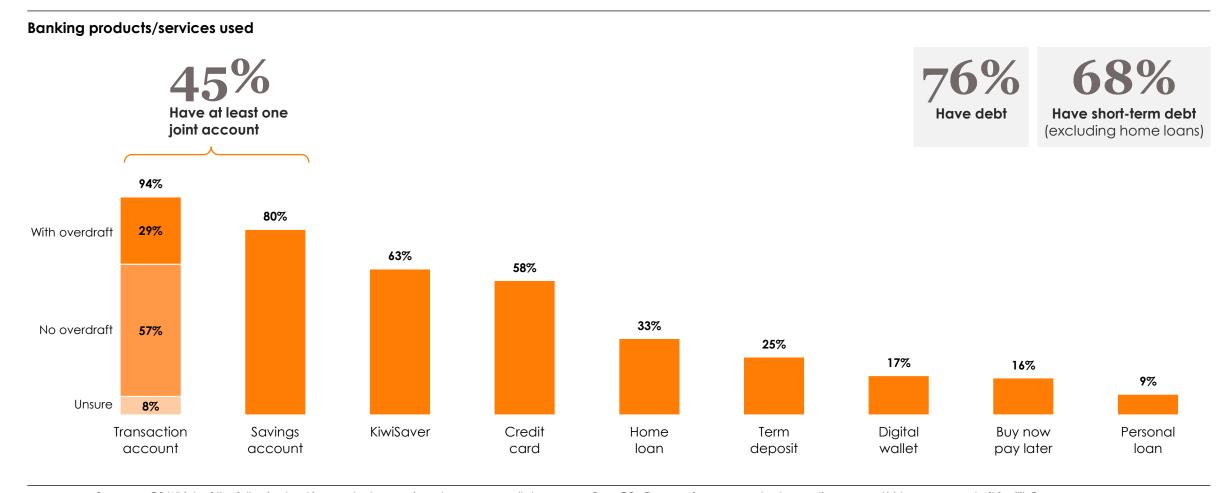
- 1. New Zealanders often have diverse sets of products, but not providers.
- 2. Usage of small and non-bank providers is rare. Only 4% exclusively bank with smaller or non-banks. Smaller providers are most commonly used for one-off or short-term products like personal loans or term deposits and are treated as supplementary to the five largest banks rather than a primary option.
- 3. 15% of New Zealanders have switched in the last 3 years. Another 2% are effective switchers, having stayed with their existing provider but negotiated a better deal.
- 4. Just over half of New Zealanders have never switched their main bank, the majority of whom also do not plan to switch going forward.
- 5. Home loans are the most common product to be switched (12% with a home loan switched it in the last 3 years). Home loans are also often the main product people want to switch and can drive switching of other products.
- 7. A third with home loans have thought about switching but haven't followed through. Most often, they abandon this at the early stages of considering switching rather than fully weighing up their options before giving up. Often this is because the process is too difficult, requires too much effort, or it is too hard to find a better deal.

- 7. Term deposits are switched with about the same frequency as home loans, but often in isolation of other products. Finding a better rate is key.
- 8. Switching is most often motivated by the potential to get a better deal, although some switching is motivated by changes in circumstances or dissatisfaction with providers. There remain few major pushes to encourage seeking behaviour.
- Those who did or didn't follow through with switching share similar motivations. However, those motivated by changes to their circumstances are more likely to actually follow through, whereas those motivated by finding a better deal are less likely to follow through. The inability to find a better deal and the effort required are commonly-cited as barriers to switching providers.
- 10. Switching is hindered by a general sense of apathy many simply are happy where they are, just haven't considered switching, or circumstances haven't prompted the need to do so. Switching can be perceived as a hassle, but those who have switched found the process easier than those that just considered it.



#### Almost all New Zealanders have a transaction or savings account.

Of the four key products, transaction accounts are unsurprisingly the most common, followed by savings accounts. A third also have home loans and a quarter have term deposits.



**Source:** Q1 Which of the following banking products or services do you personally have or use? Q2b Are any of your every-day transaction account(s) or savings accounts joint accounts?

Q2a Do any of your every-day transaction account(s) have an overdraft facility?

All New Zealanders (n=2,140)

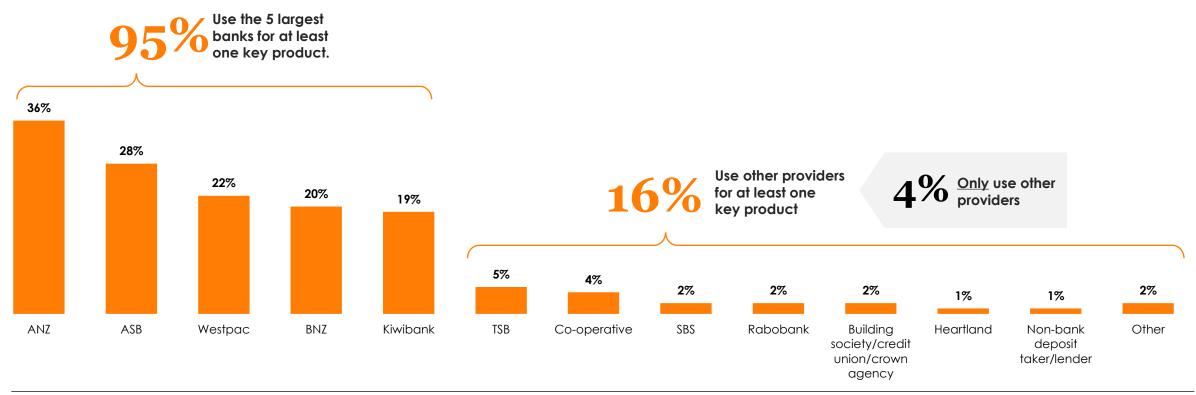
Base: Verian

Multiple responses allowed, so totals may not add to 100%. Not showing 1% with 'other' products, which includes investments, managed funds, insurance etc.

### Almost all use one of the five largest banks for at least one product.

16% use other small/non-banks, however, this is often supplementary to the five largest providers, with just 4% only using other providers.

#### All providers used for the four key products\*



**Source:** Q3 Which providers do you have the following products with?

Base: All New Zealanders (n=2,140)

Verian

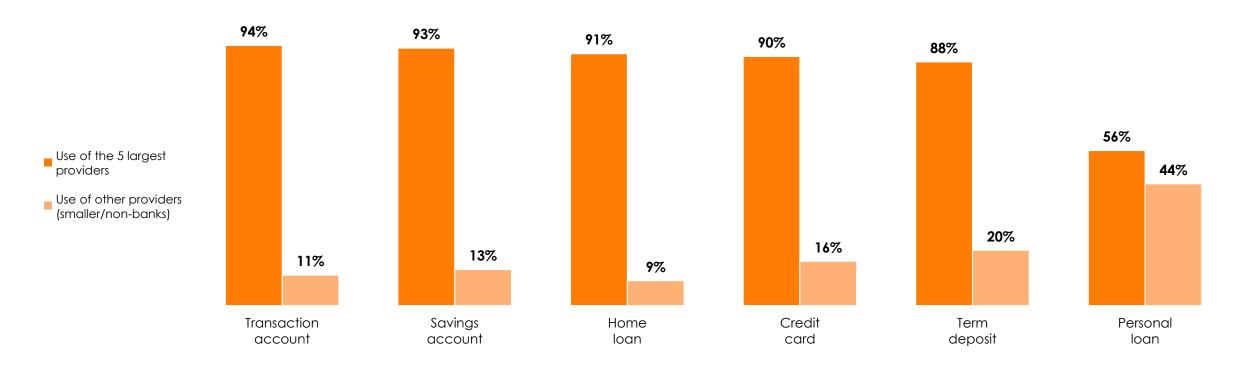
Multiple responses allowed, so totals may not add to 100%. Only showing responses with more than 1% who use a provider for at least one product.

\*Transaction accounts, savings accounts, term deposits or home loans

### Small/non-bank use is more common for debt and term deposits.

This suggests that New Zealanders seek out alternatives to the five largest banks predominantly for fixed-term products, particularly personal loans. Use of banks outside the largest five is still secondary, having not yet fully translated to core products like transaction and savings accounts, or home loans.

#### Banking products\* and provider types used



Source

Verian

Q3 Which providers do you have the following products with?

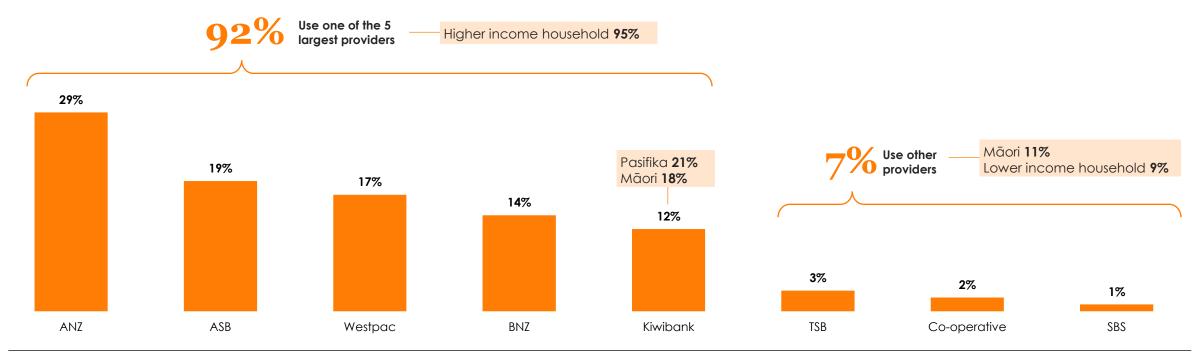
Base: New Ze

New Zealanders who have each product (Transaction account n=2027, Savings account n=1748, Home loan n=688, Credit card n=689, Term deposit n=599, Personal loan n=117) Multiple responses allowed, so totals may not add to 100%.

#### The majority consider the 5 largest providers to be their main bank.

This varies by income, with higher income households more likely to use larger providers and lower income households more likely to use other providers. Māori and Pasifika are also more likely to use other providers or medium-large banks like Kiwibank.

Statistically significantly higher for... Main provider used\*



Q4a Which is your main bank? This is the provider you get your income/benefit paid into, or use for most of your day-to-day transactions

Base: All New Zealanders (n=2,140)

Totals may not add to 100% due to rounding Verian

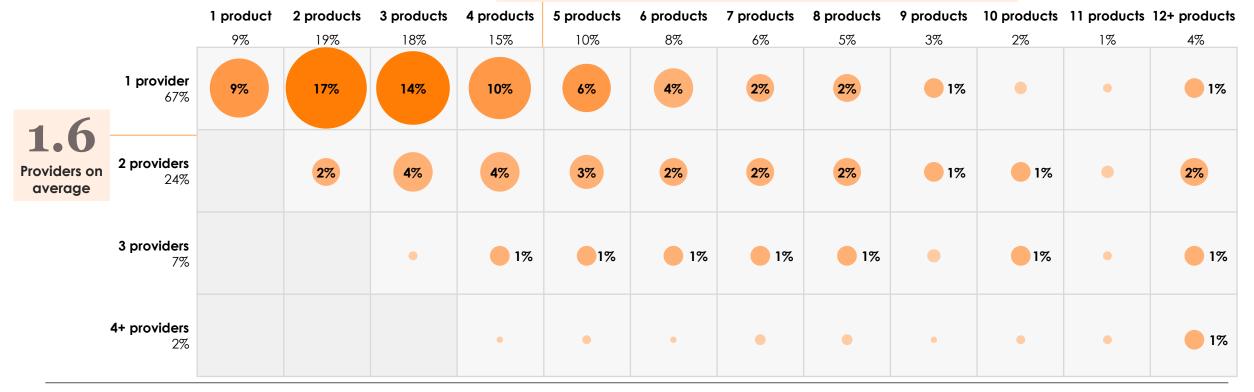
#### Two thirds only have a relationship with one provider.

90% overall have more than one key product\*, with 4.5 products per person on average. This shows a diversity of products, but less diversity of providers, as most products are concentrated with one or two providers.

#### Number of providers and products used

(for the four key products)

**Key products on average** (transaction/savings accounts, home loans or term deposits)



Source: Q1 Which of the following banking products or services do you personally have or use? Q3 Which providers do you have the following products with? Q7a How many (x product with x provider) do you have?

Base: All New Zealanders (n=2,140). \*Showing just the number of products/providers used across the four key products.

Verian Note: Multiple responses allowed, so totals may not add to 100%. Showing the total number of products a person has, not the total number of product types (e.g., a person could have 3 transaction accounts, 2 savings accounts etc.)



#### Switching behaviour is uncommon.

15% have changed providers for at least one product (transaction or savings account, term deposit or home loan) in the last three years. This means the majority (85%) didn't switch these products in the last three years, including three in five New Zealanders who didn't consider switching at all.

In the last three years, New Zealanders...



85%

Haven't switched providers in the last 3 years

Source

Q10a In the last three years, which of the following best describes your newest/most recent (products/providers)... Q10b In the last three years, have you changed providers for any of

your (products/providers)... Q10e In the last three years, have you considered changing providers (again) for any of the following (products/providers)?

Base: All New Zealanders (n=2,140)

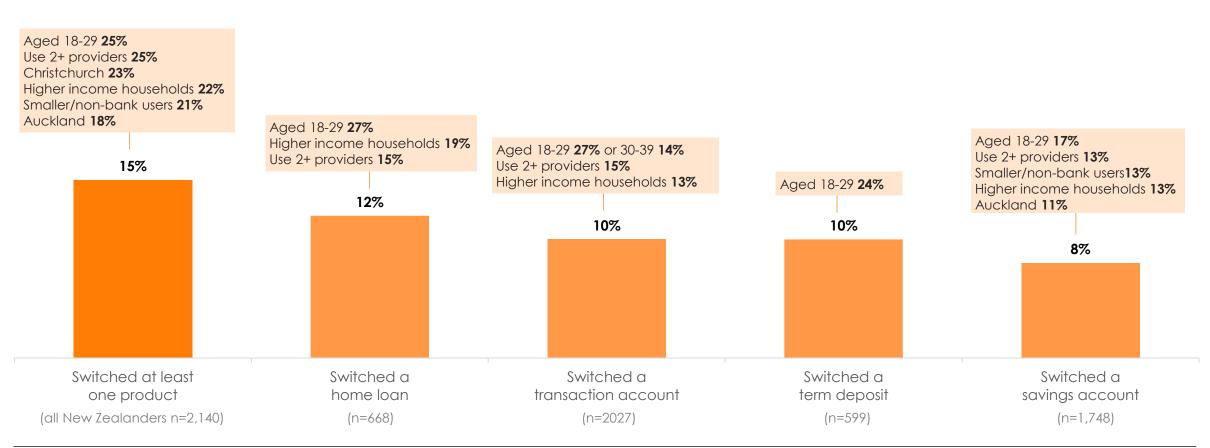
**Note:** Totals may not add to 100% due to rounding.

#### Home loans are the most commonly-switched product.

Switchers tend to be younger or have higher incomes, meaning lower-income households may be less likely to receive the benefits that can come from shopping around. Users of small/non-banks or those who multi-bank are also more likely to have switched recently.



Statistically significantly higher for...



Q10a In the last three years, which of the following best describes your newest/most recent (products/providers)... Source your (products/providers)?

Q10b In the last three years, have you changed providers for any of

Verian

Base:

Note:

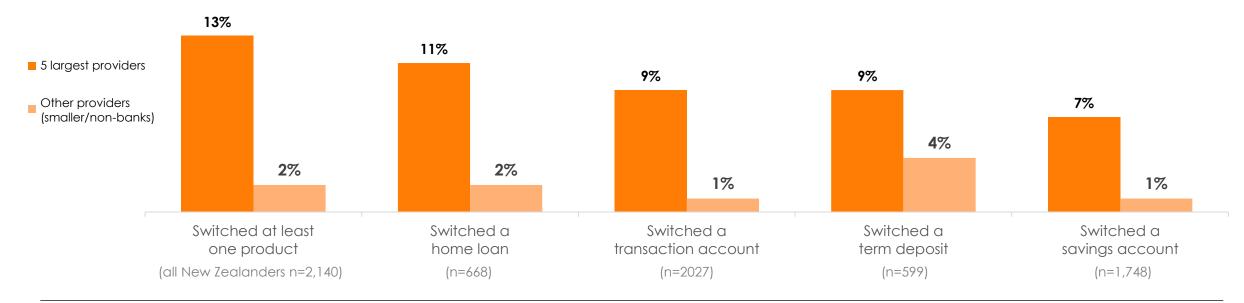
Those who have each product – Bases shown on the chart above

Showing the percentage who have each product that have switched (e.g. the share of those who have a transaction account and have switched it). Multiple responses are allowed (i.e. switching multiple products), meaning totals may not add to 100%

#### It is uncommon to switch to a small/non-bank.

Those who use small/non-banks for at least one product (i.e. regardless of switching) also tend to be more likely to switch one of the key products. This suggests that while they may not necessarily switch to a small/non-bank, use of small/non-banks outside of their switching behaviour can be a gateway to exploring switching.

Provider type switched to...



Source Base:

Note:

Q10a In the last three years, which of the following best describes your newest/most recent (products/providers)... Q10b In the last three years, have you changed providers for any of

your (products/providers)?

Verian

Those who have each product – Bases shown on the chart above

Showing the percentage who have each product that have switched (e.g. the share of those who have a transaction account and have switched it). Multiple responses are allowed (i.e. switching multiple products), meaning totals may not add to 100%

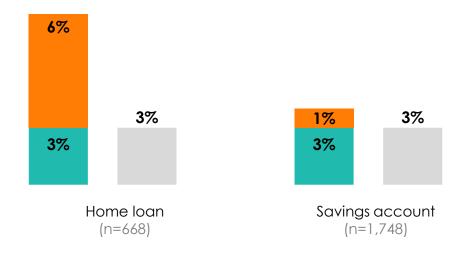
#### Home loans are often the priority when switching.

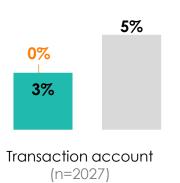
Home loan switchers tend to bring other products with them, whereas other products like term deposits tend to be switched more independently.

#### Priority when switching



- Prioritised this when switching 2+ products to the same bank
- Secondary when switching 2+ products to the same bank
- Only switched this product







Source

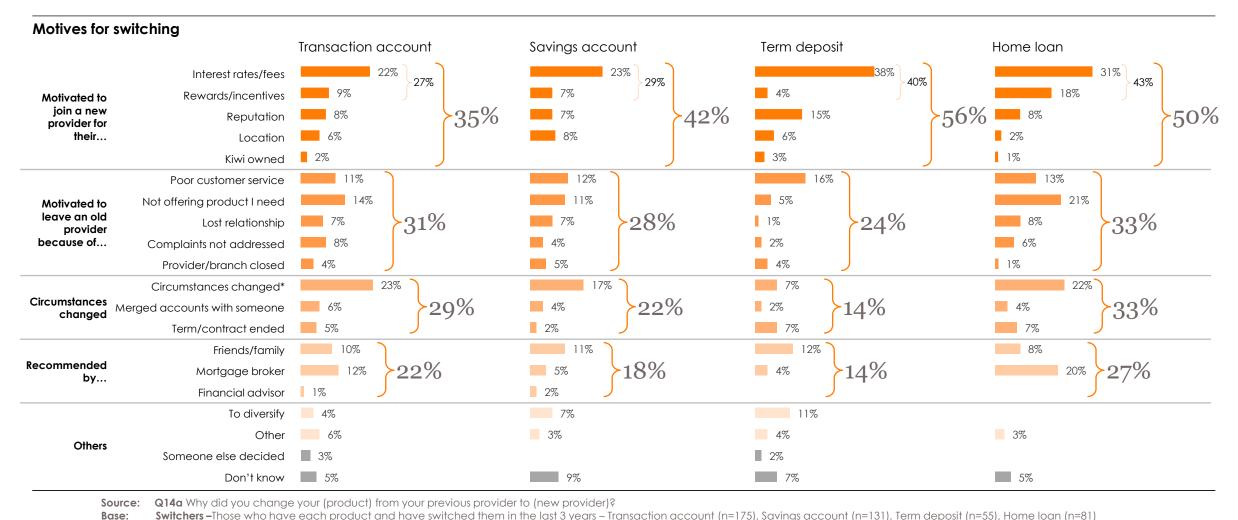
Q10a In the last three years, which of the following best describes your newest/most recent (products/providers)... Q10b In the last three years, have you changed providers for any of

your (products/providers)? Q10f You said that you have changed providers recently. Was there a main product or service you wanted to change?

Base: Verian Note: Those who have each product – Bases shown on the chart above

#### Joining a new provider is a stronger motive than leaving an old one.

Interest rates are the primary motive for those who switched a home loan or term deposit, and other rewards are key for home loan switchers. Home loan switchers also leave providers who cannot offer what they want/need and mortgage brokers play a key role. Changes to circumstances are another key push to switch across the product types.



22

Multiple responses allowed, so totals may not add to 100%. \*e.g. moved to a new area/bought a new house

Note:

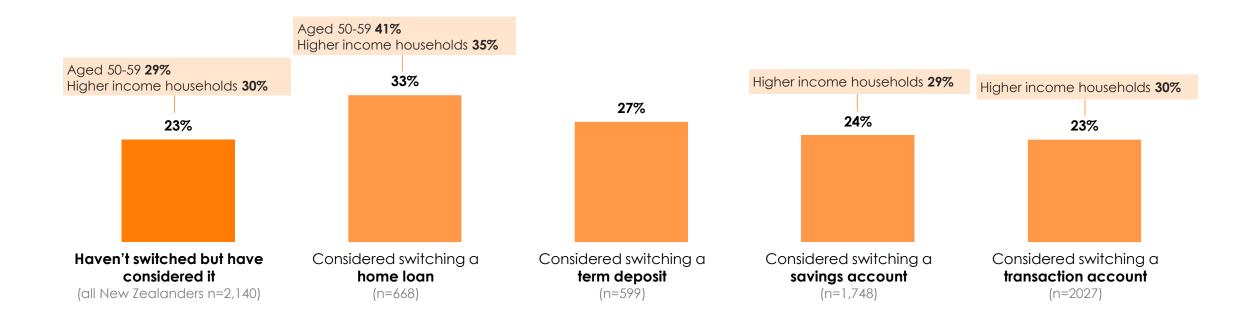
05 Considering switching in the last 3 years Personal banking services market study

#### A third with home loans thought about switching but didn't.

A quarter of New Zealanders thought about switching at least one product in the last three years. Those who only considered switching tend to have higher incomes and those who looked at switching term deposits are more likely to be in their 50s.

Product type considered switching (but didn't actually switch) in the last 3 years

Statistically significantly higher for...



**Source** Q10e In the last three years, have you considered changing providers for any of the following?

**Base:** Those who have each product – Bases shown on the chart above

Note:

Verian

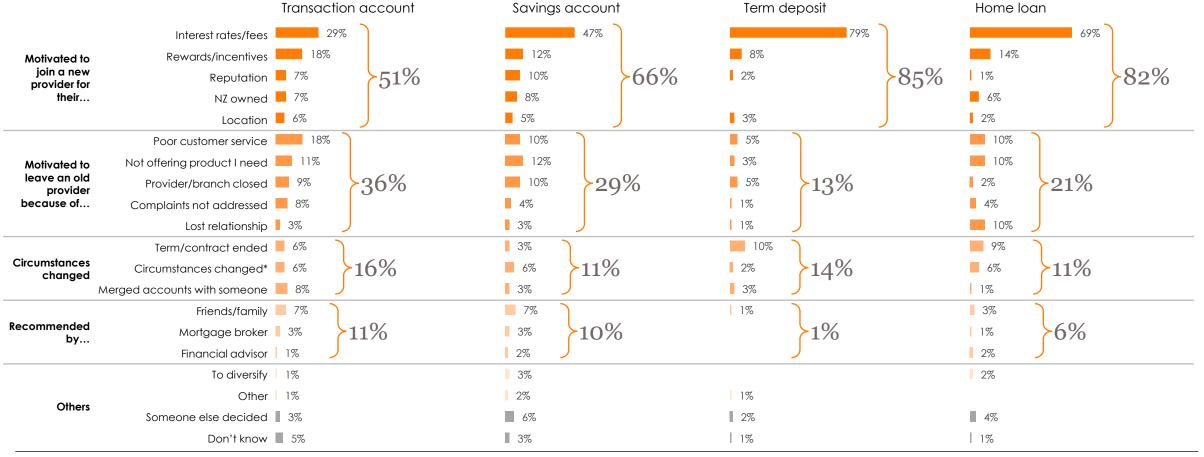
Showing the percentage who have each product that have considered switching (e.g. the share of those who have a transaction account and have considered switching it). Excludes those who have switched in the last three years and considered switching again

Multiple responses are allowed (i.e. switching multiple products), meaning totals may not add to 100%

### Interest rates and fees are the key driver for considering switching.

Those who considered switching home loans or term deposits (but didn't) tend to be more single-minded, focusing primarily on the financial benefits. Those who looked at switching accounts are also motivated by rates and fees, although to a lesser extent. They are also more likely to have considered switching if they have had a problem with an existing provider.

#### Motives for considering switching providers (but not following through)



Q15a Why did you consider/are you considering changing your (product/provider) to another provider? Base:

Considered switching but didn't follow through- All New Zealanders who have considered switching providers in the last 3 years: Everyday transaction account (n=198), Savings account

(n=131). Term deposit (n=72). Home loan (n=105)Verian Note:

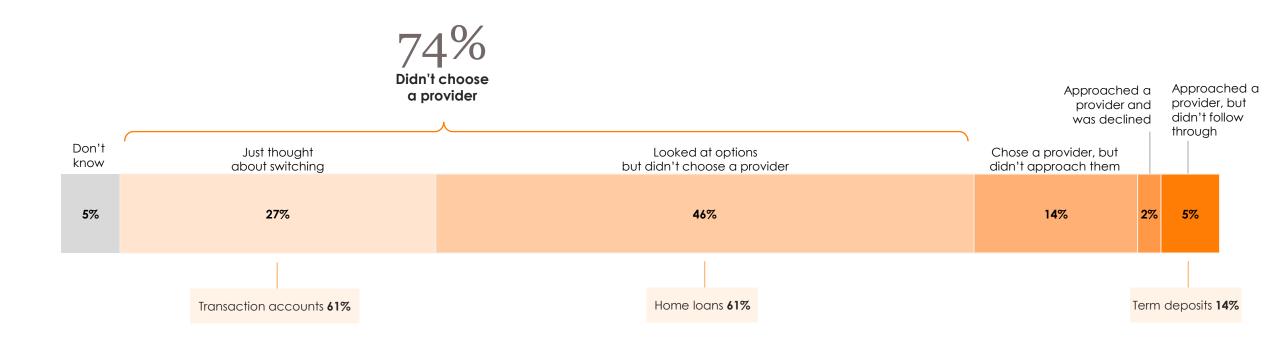
Multiple responses allowed, so totals may not add to 100%. \*e.g. moved to a new area/bought a new house

#### Three quarters who considered changing didn't choose a provider.

Those who considered changing home loans tend to not get as far along the journey towards switching, with three in five looking at their options but not selecting a provider. Those looking at switching term deposits are more likely to approach a provider but fall short of switching, often because they couldn't find a better deal or their provider matched another provider.

Journey towards switching

Statistically significantly higher for those looking to switch a...



Source Q16 When you considered changing your (provider/product) to another provider, how far did you get before deciding not to change?

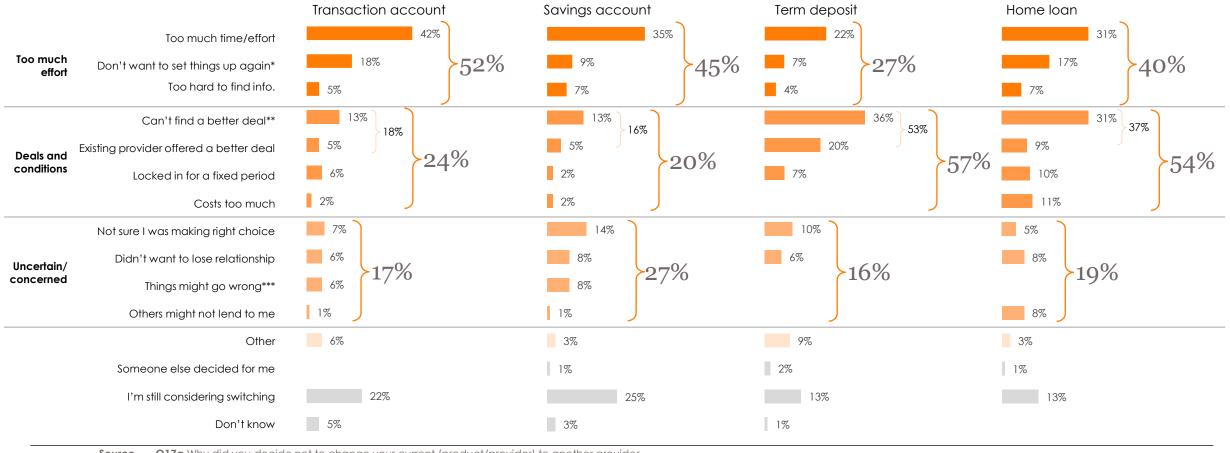
Considered switching – All New Zealanders who have considered switching providers in the last 3 years but haven't followed through (n=506)

#### Key switching barriers are around effort and ability to find deals.

There is a perceived effort required among those who considered switching but didn't follow through, especially for accounts or home loans. There is also a sense that the benefits may be insufficient, with a feeling they won't be able to find a better deal or that they are satisfied where they are. There is also a level of uncertainty, especially for those looking at switching savings accounts.

#### Reasons for not following through with switching

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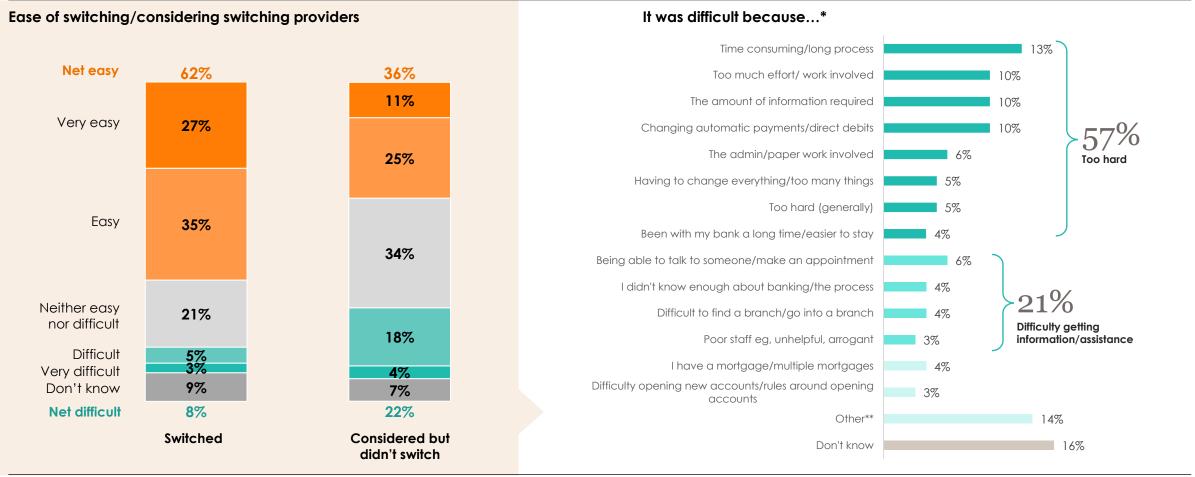
Source Q17a Why did you decide not to change your current (product/provider) to another provider Base: Considered switching – All New Zealanders who have considered switching providers in the las

Considered switching – All New Zealanders who have considered switching providers in the last 3 years but haven't followed through: Everyday transaction account (n=198), Savings account (n=131), Term deposit (n=72), Home loan (n=105)

Notes: \*(e.a. auto-payments) \*\*Includina some who are satisfied with their co\*\*e.a. concerns about missina payments/somethina aoina wrona

## Switchers found the process easier than those who just considered it.

This suggests the process may be easier than expected. Interestingly, a third who considered switching found it easy, but still did not follow through, with barriers for them being around uncertainty or the availability of better offers. Of those who found it difficult, three in five felt the process took too much time, effort or admin, and one in five had difficulty accessing information or help.



Q20 Overall, how easy or difficult did you find considering changing/changing your (product/provider) to another provider? Q21 What was difficult when changing/considering changing providers? All New Zealanders who have switched or considered switching at least one product/provider in the last three years - Switched (n=299), Considered (n=506)

\*Those who said it was difficult/very difficult (n=140). Note, this is a combined total for those who have switched and considered switching in the last 3 years (and found it difficult).

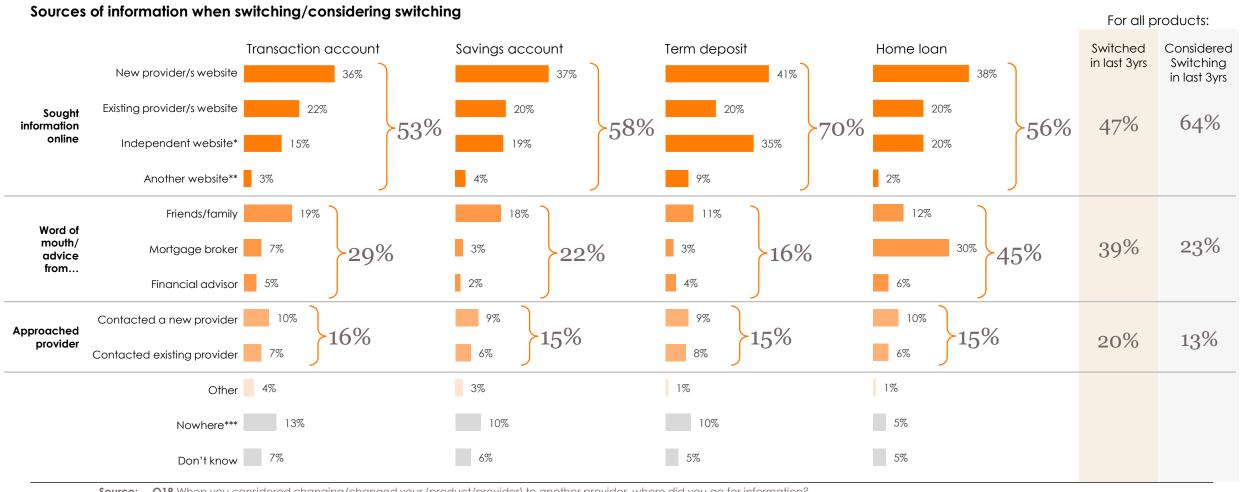
Verian

Note:

\*Multiple responses allowed, so totals may not add to 100%. Only showing responses with more than 2%. \*\*Others include the person's age, having to involve lawyers, specific product requirements etc.

### New Zealanders mostly seek switching information online.

While some seek independent advice or comparisons, it is also common to use providers' channels, meaning people may limit their search to providers they are aware of. This could contribute to low rates of small/other bank use. Word of mouth is also common and is more influential for those who followed through with switching.



Q18 When you considered changing/changed your (product/provider) to another provider, where did you go for information?

Base:

Note:

Verian

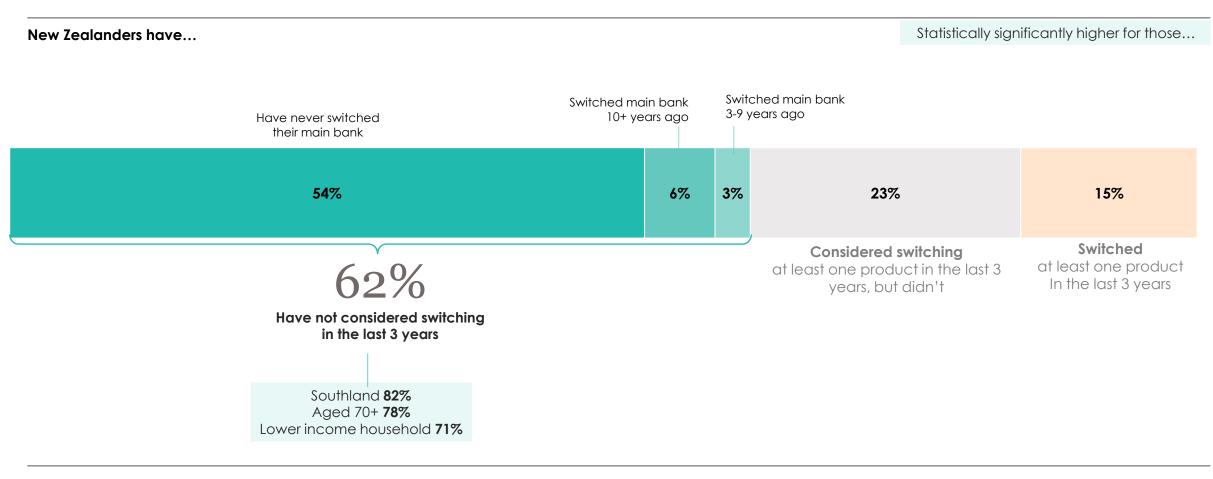
All New Zealanders who have switched or considered switching at least one product/provider in the last three years: Everyday transaction account (n=318), Savings account (n=211), Term deposit (n=113), Home loan (n=163), Switched (n=299), Considered (n=506).

Multiple responses allowed, so totals may not add to 100% \*e.g., price comparison/independent advice/Google etc. \*\*Other websites mentioned include MoneyHub. \*\*\*e.a. thought about changing but didn't seek out information. Not showing results with less than 2%



### Around half of New Zealanders have never changed their main bank.

One in ten switched their main bank more than three years ago, including 6% who did this over 10 years ago. This is more common for older New Zealanders who tend to have been with their provider for longer.



Source Q10a In the last three years, which of the following best describes your newest/most recent (products/providers)... Q10b In the last three years, have you changed providers for any of your (products/providers)... Q10c Has (main bank) always been your main bank? Q10e In the last three years, have you considered changing providers (again) for any of the

following (products/providers)?

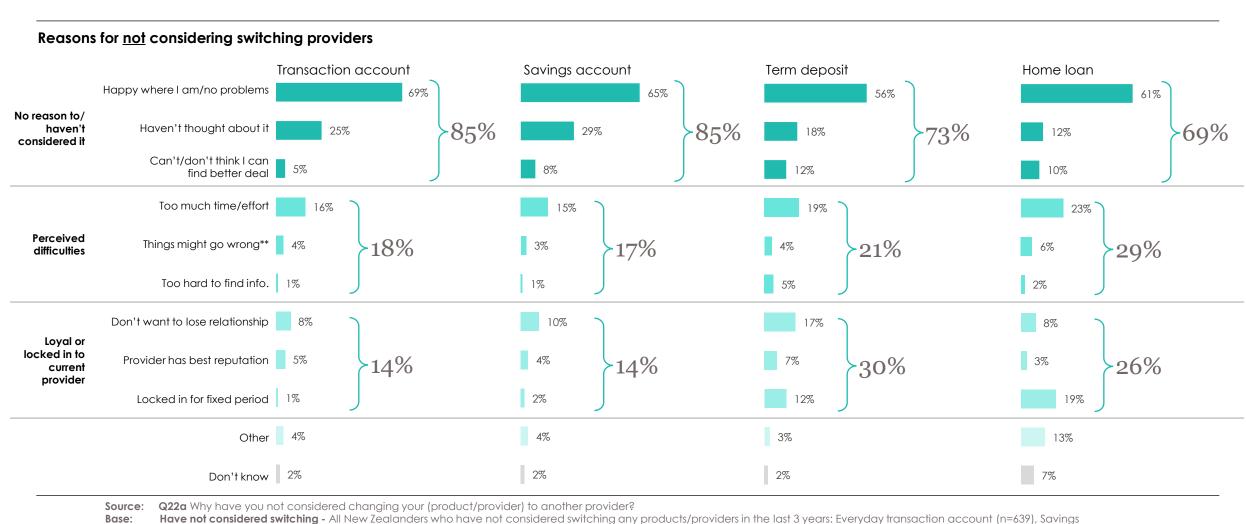
Base: All New Zealanders (n=2,140)

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Note: Totals may not add to 100% due to rounding.

#### Those who haven't considered switching don't tend to see a reason to.

The majority are happy with their current provider or the status quo, having not been prompted to think about switching. When thinking about switching term deposits or home loans, some are also deterred by perceived difficulties, primarily the time and effort involved.



Only showing responses with 2% or more. Other reasons include preferring NZ owned banks, someone else deciding, concerns about cost or concerns that other providers may not lend

account (n=483), Term deposit (n=95), Home loan (n=105)

to them \*\*e.g. concerns about missing payments/something going wrong

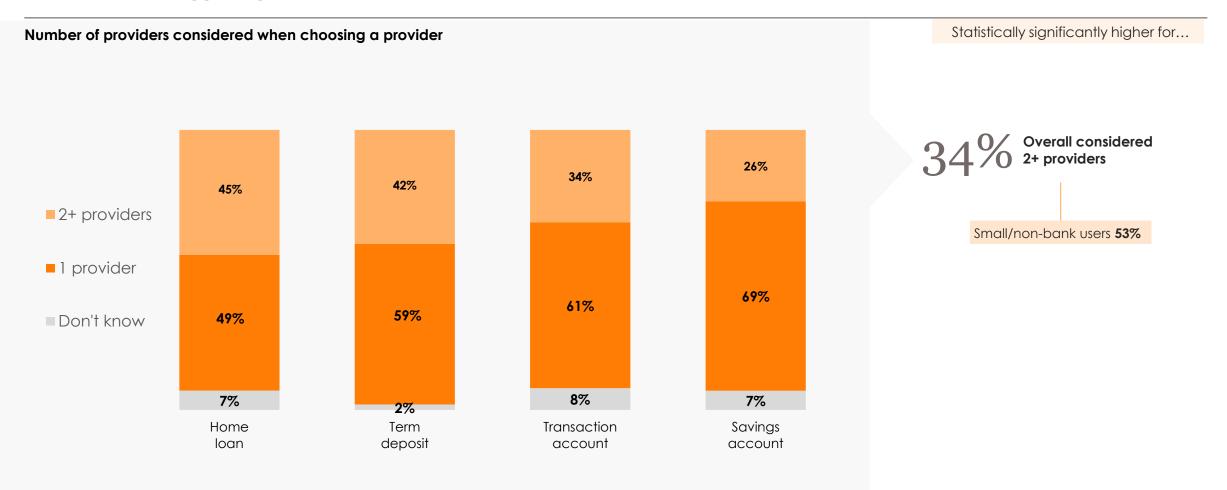
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Note:



## Two thirds only considered one provider when first choosing providers.

People weigh up more providers when first choosing home loans, however, half still only looked at one provider for this. Those who have switched or considered switching recently, as well as those who use smaller banks are more likely to have looked at two or more providers, suggesting they are more active in decisions around their products.



Source: Q8a - How many providers did you consider when you first chose your (newest/most recent) bank/product? / How many providers did your mortgage broker mention to you as providers to consider approaching on your behalf?

Those who have had each product type for 3 years or less: Everyday transaction (n=371), Savings account (n=380), Term Deposit (n=325), Home loan (n=278).

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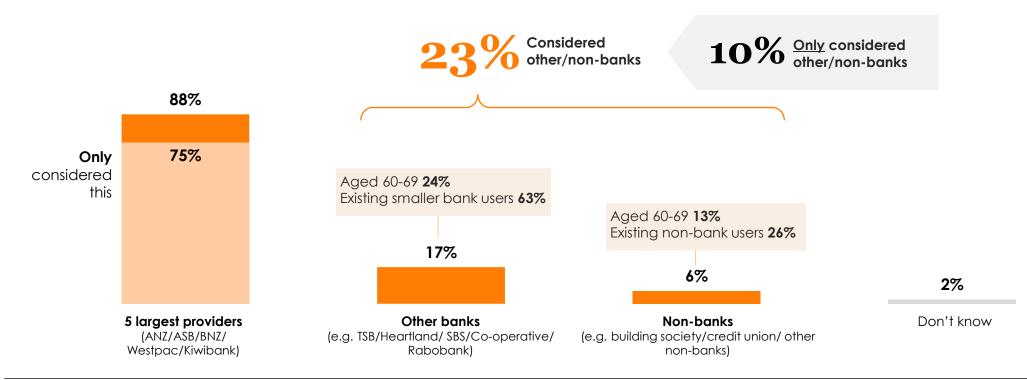
Base:

#### The majority only considered the 5 largest providers.

Just one in ten did not consider one of the five largest providers. Consideration of other/non banks is more common among those who already use these types of providers.



Statistically significantly higher for...



Q9 What type of providers did you or your mortgage broker consider? combined with Q4a Who is your main bank? For those who only considered the bank they chose.

Base: Those who have had each product type for 3 years or less (n=97) Note:

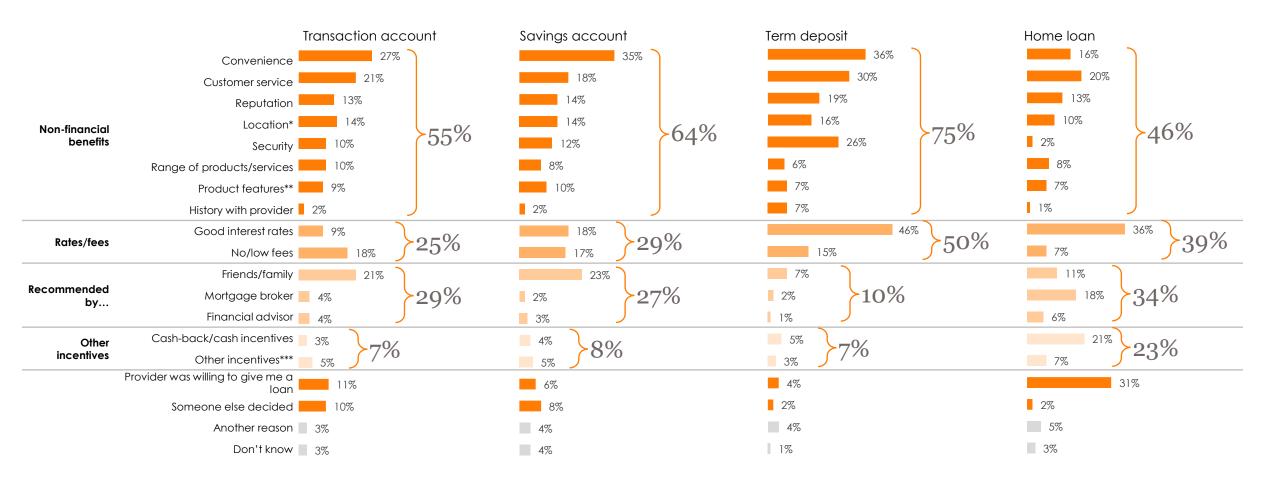
Verian

Source:

\*Multiple responses allowed, so totals may not add to 100%.

### Non-financial benefits are a key driver when first choosing a provider.

When first choosing a provider for a home loan or term deposit, rates and fees are a common motive. However, non-financial incentives are common across all product types, particularly convenience and customer experience.



Source Base: Note:

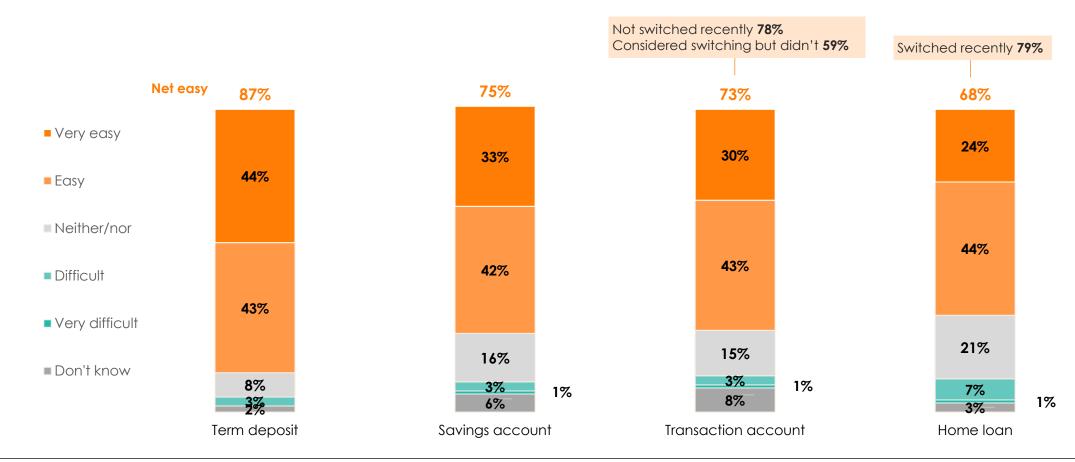
Verian

### Term deposit providers are the easiest to choose first time around.

Those who have recently gone through a home loan switch are more likely to say it was easy, meaning the process may be easier than expected. On the other hand those who looked into switching a transaction account recently (but didn't follow through) have not found this process as easy, suggesting the opposite may be true for transaction accounts.

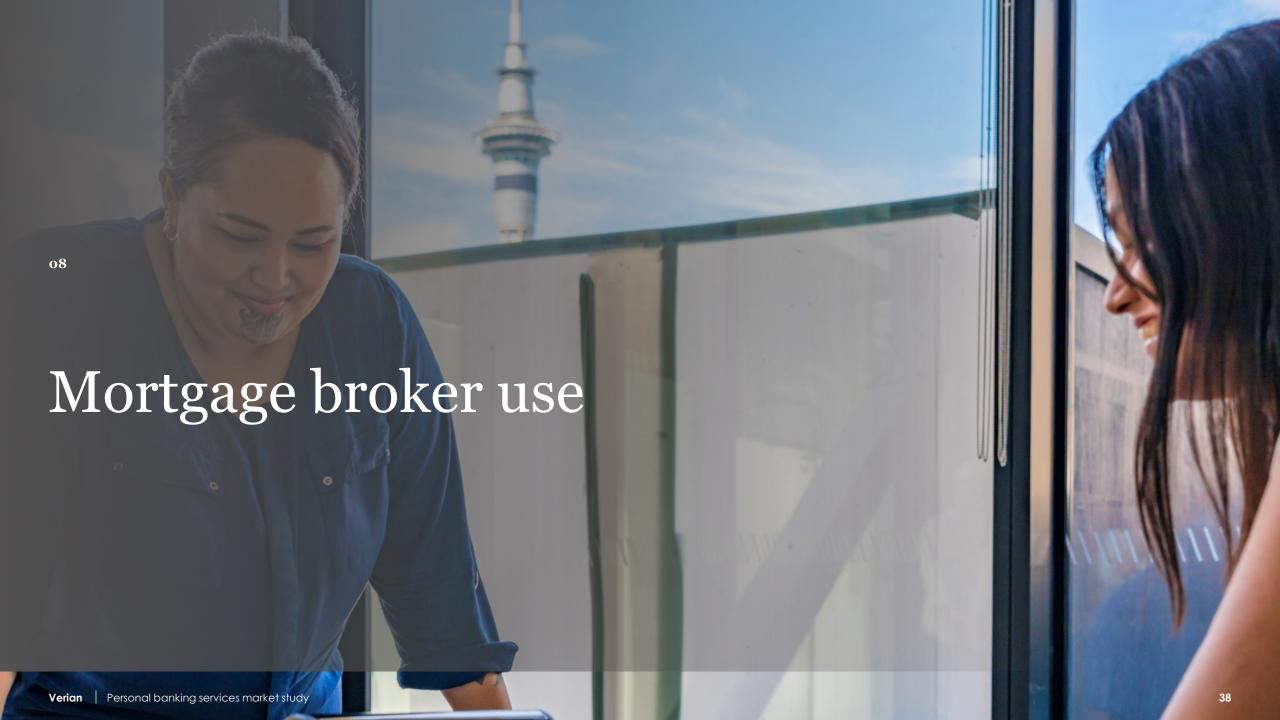
Ease of choosing a product/provider

Statistically significantly higher for those who have...



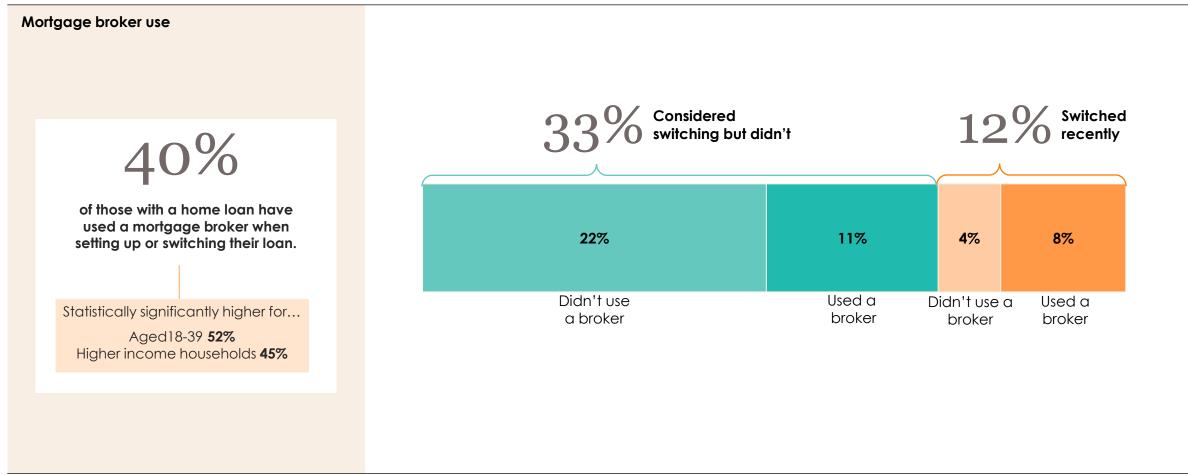
Source: Q12 When you first chose your (randomly selected product/provider), how easy or difficult was it to find all the information you needed to make an informed decision (e.g. information about different deals, rates, fees, providers, products etc.)?

All New Zealanders, excluding those who said 'someone else made the decision' at Q11. Those who were asked about each product type: Everyday transaction (n=931), Savings account (n=675), Term Deposit (n=208), Home loan (n=267)



### Home loan switchers are more likely than not to have used a broker.

Two thirds who switched a home loan recently used a mortgage broker, whereas two thirds of those who <u>didn't</u> follow through with switching <u>didn't</u> use a broker. Mortgage broker use is also common overall, with two in five of those with a home loan having used a mortgage broker at some point.



Source: Q6a Did you use a mortgage broker for your current home loan(s)? Q10a/b Switching behaviour

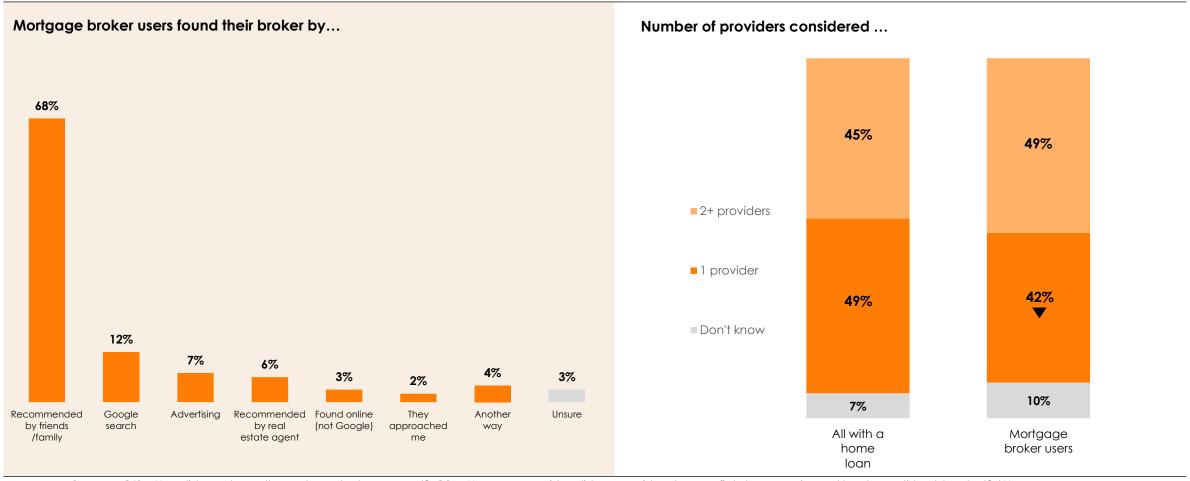
Base: Those who have a home loan (n=688)

Note: \*Multiple responses allowed, so totals

\*Multiple responses allowed, so totals may not add to 100%. 'Another way' includes knowing them personally etc. Only showing responses with 1% or more

### Mortgage brokers are mostly found through friends/family.

Mortgage brokers consider more providers than home loan holders who look at their options on their own.



Q6b - How did you choose the mortgage broker you used? Q8a - How many providers did you consider when you first chose your (newest/most recent) bank/product? / How many providers did your mortgage broker mention to you as providers to consider approaching on your behalf?

Those who used a mortgage broker (n=273),

Base:

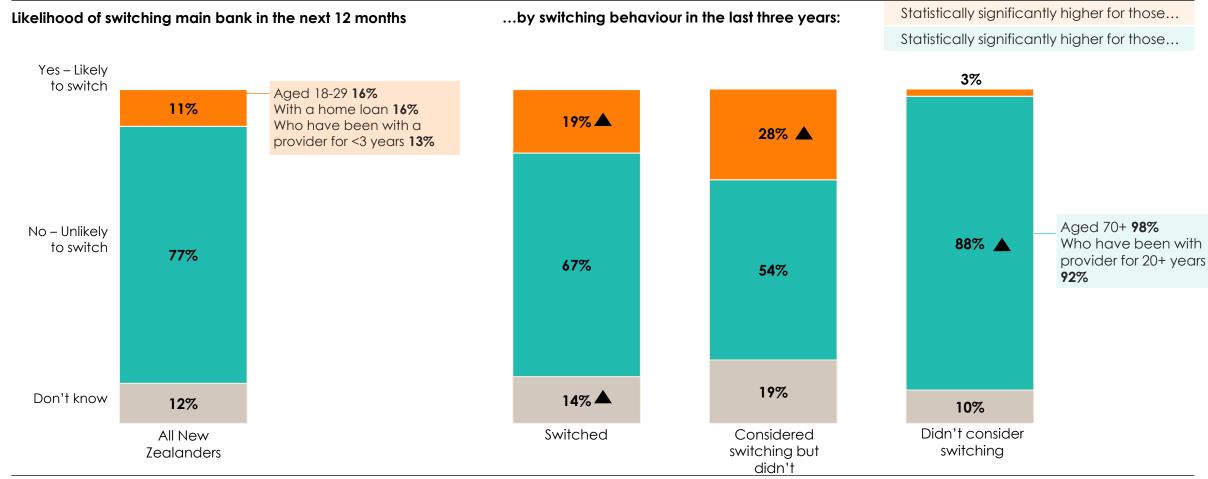
Verian

<sup>\*</sup>Multiple responses allowed, so totals may not add to 100%. 'Another way' includes knowing them personally etc. Only showing responses with 1% or more



### One in ten think they might switch their main bank in the next year.

Two in ten who switched recently think they may switch again and three in ten who considered switching recently (but didn't) think they may switch in the near future, in part because they are yet to finish their switching journey. The majority who have not switched recently are also unlikely to switch going forward, with older New Zealanders especially entrenched with their current provider(s).

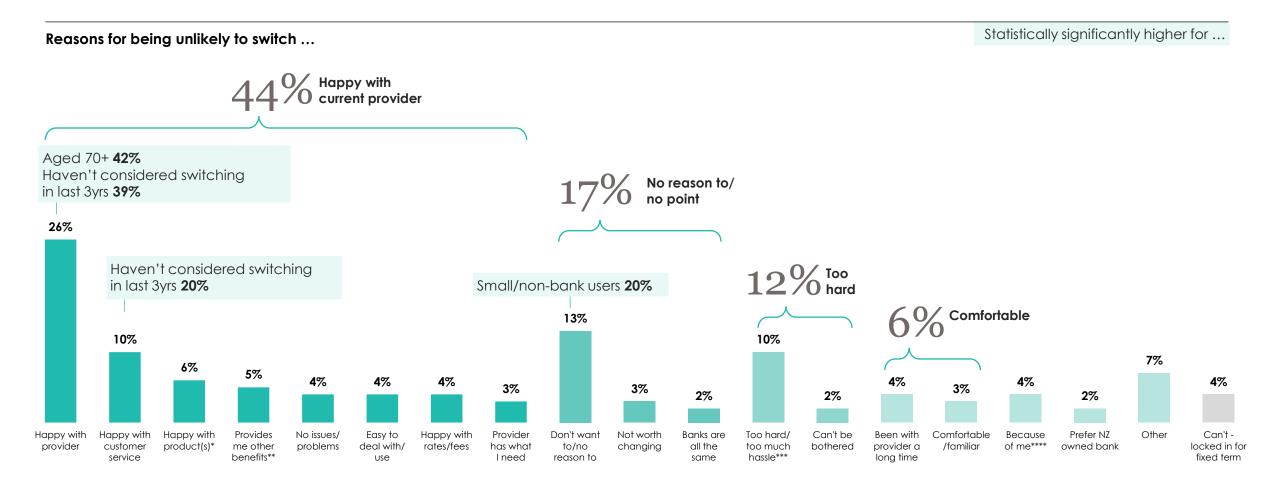


**Source: Q23b** In the next 12 months, are you likely to consider switching your main bank to another provider? **Base:** All New Zealanders (n=2,140)

▲ = Statistically significantly higher than the total

### The most common reason to not switch in the future is being content.

Those unlikely to switch are generally happy and haven't experienced the push necessary to encourage them to switch. One in ten also feel there may be difficulties, assuming it will be too hard, or take too much effort or time.



**Source: Q23c** Why are you unlikely to change providers in the next 12 months?

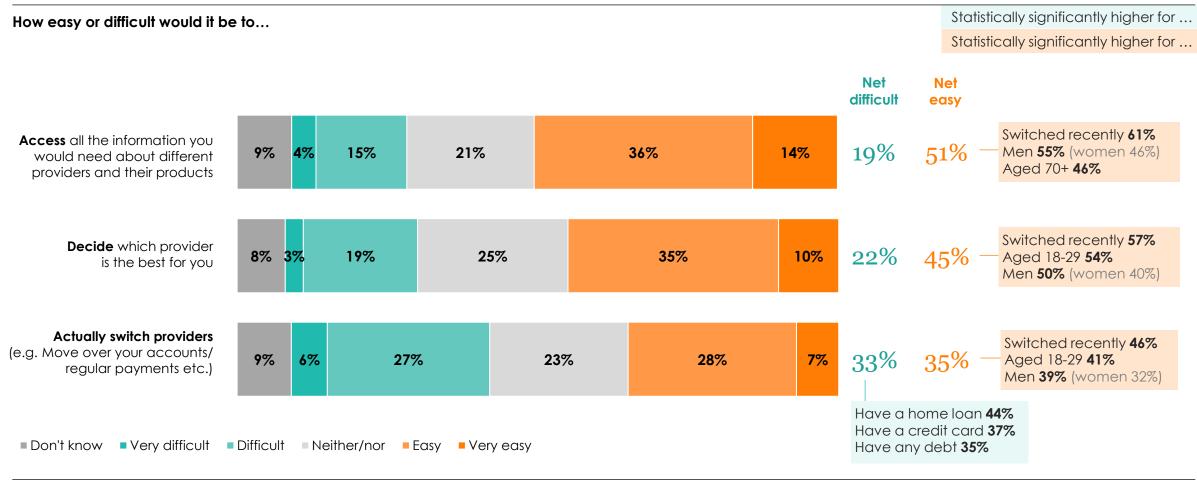
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**Base:** Those who say it is unlikely they will switch in the next 12 months (n=1,671)

\*\*\*e.g. too much effort/takes too much time \*\*\*\*e.g. I'm too old/I'm too loyal etc

### Around half think they could find information and choose a provider.

Confidence is higher for those who have been through the switching process recently, again showing the process may be easier than expected. However, there is a perceived difficulty when it comes to actually making the switch, with a third saying the process would be difficult, which is especially an issue for those who have debt.



Source: Q23a If you wanted to change providers in the next 12 months, how easy or difficult do you think it would be to...

Base: All New Zealanders (n=2,140)

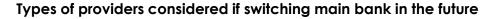
Totals may not add to 100% due to rounding

Verian

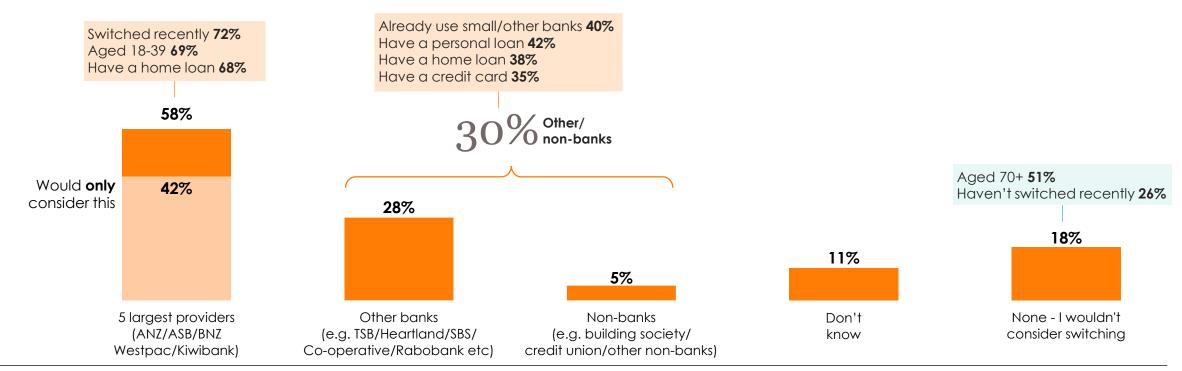
Note:

## Two in five would <u>only</u> consider the 5 largest banks if switching in future.

Three in ten would consider other/smaller providers, which is most common for those who have debt, as well as those who already have at least one product with this type of bank. There is also further evidence of the entrenched non-switchers, with one in five saying they wouldn't consider switching, which is higher for those who also haven't switched recently.



Statistically significantly higher for ...
Statistically significantly higher for ...



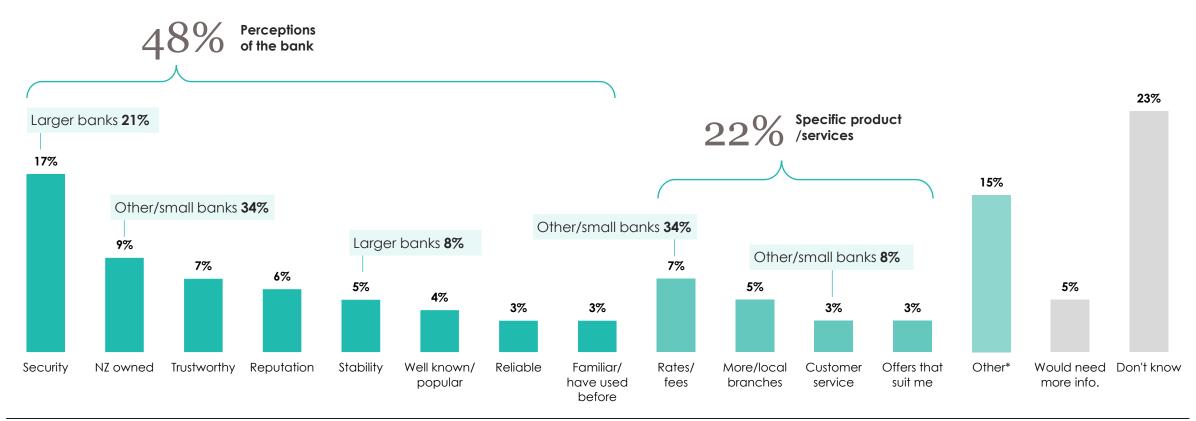
Source Base: Note: **Q23d** If you wanted to change your main bank in the future, which of the following would you consider? All New Zealanders – Asked online only, regardless of whether they currently plan to switch in the future (n=1,139) Multiple responses allowed, so totals may not add to 100%

# Security, trust and image of banks are a priority when picking a provider.

Those who would consider going with the five largest banks in future often focus on the image of the bank, especially around security and stability, whereas those who would consider smaller/other banks focus partly on the image (i.e. being NZ owned), but are also more likely to consider the rates or services on offer.



Statistically significantly higher for those who would consider...



Source Base: Note:

Q23e Why would you consider (insert types of banks considered) and not (insert types of banks not considered)?

Those who wouldn't consider all types of banks (n=786). Asked online only.

Those who wouldn't consider all types of banks (n=786). Asked online only

Multiple responses allowed, so totals may not add to 100%. Only showing responses with more than 2%. \*Others include accessibility, apps/online banking, personal touch etc.



# Introduction to journey maps

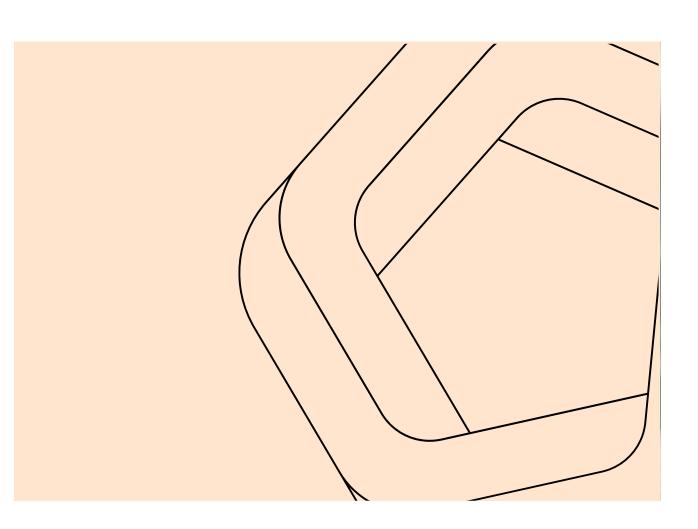
As a supplement to the quantiative survey findings, these journey maps have been produced to illustrate the experience of switching financial products from a customer's perspective.

They were drawn from in-depth interviews with sixteen main or joint household finance decision makers, and illustrate common experiences when going through the process of switching financial products.

They depict six different scenarios, including three home loan scenarios and three deposit account scenarios:

- switching a home loan for a better deal
- looking to switch a home loan, but staying put
- looking for support for a new home loan
- switching a term deposit
- switching to maximise rewards from banking activity
- switching for control over savings and spending

It is worth noting that these experiences are illustrative by nature, and will not exhaustively account for the whole range of switching scenarios and experiences that exist.



### Overall observations from journey maps

Across the interviews, a few key themes emerged:

- 1. Customers often consider banks to be largely the same, with little to differentiate them, particularly the large banks.
- 2. Pain points tend to cluster around the process of switching itself.

  Account opening, particularly if something goes wrong, can be a hassle, as well as verification requirements.
- 3. Rates are often found to be very similar. When looking, customers say they find little differentiation in rates, and maybe not enough to justify the effort of switching in itself.
- 4. Some products are easier to compare than others (eg term deposits), from which the customer can make their choice. The switching process is seen to be straightforward.
- 5. Switching providers for home loans is more tricky as eligibility can be a factor. In some cases, it is seen as the provider that holds the cards. Brokers can often play a role to 'help navigate the system'.

- 6. People **routinely keep open legacy accounts**. The efforts of establishing a banking relationship (especially verification requirements) discourage people from closing down accounts, in case they might want to go back to that provider in the future.
- 7. Lead products act as a bridge to other products. Once relationship is established with a provider (e.g. a credit card), other types of accounts may well be added.
- 8. For home loans, opening a transaction account is an expected requirement.
- 9. Familarity plays a role. Some people prefer to stick to what they know, particularly if they have no strong financial incentives to change.
- 10. Customer **service** is an important factor. When switching, face to face experience (in branch) can be influential.

### Experience map: switching home loan for a better deal

This map illustrates the experience of customers switching for a better deal. Often prompted by a renewal notice, they may shop around (by themselves, or with the help of a broker) to find a competitive alternative, concentrating mostly on the major banks. Cash backs, as much as rates, can seal the deal.

### Scenario: Switching home loan **PHASES** SEEING IT THROUGH VERIFYING ASSESS OPTIONS providers to access better deal. Set up additional accounts (if required by · Renewal of current mortgage rates · Assess options. Either direct or broker call Confirmation from old provider to verify Goals: **TYPICAL** coming up. Letter / email received that 'major' banks to explore their offerings. switch to new provider. new provider mortgage policies). · May reach out to existing provider first to · Provide documentation to broker / · May close account with old provider. loan is up for renewal. **ACTIONS** Access to better see if they will offer better deal. · Review current loan agreement. provider of choice. interest rates on home · Assess current situation - 'does this fit · May engage directly with rep from [new] · Incentives i.e cashback are likely to loan. within my current capacity'. May be a chosen provider to discuss switch. encourage switch but they may miss that these come with lock in periods. Expectation: package deal, incentives. · May restructure loan · May touch base with previous advisors Some reservations · May seek advice from family/friends about lenath of It was quite easy to close before going further. process. Assumption off and get it transferred, And the interest rates we didn't have to deal with that a broker would were all on par but [previous provider] very Not only did we get a better alleviate any He said you kind of have your there was a cashback much. interest rate, but the loan difficulties. We got the renewal from pick, [banks] they're all the with [provider], so that's We felt like we were was structured so we were [current provider] and extremely similar, but what swayed it. betraying a little paying off more in a shorter Reality: went 'whoa this is a lot'. [provider] had the cash back. because we had a very period of time. personal connection Quite straightforward. with X at [provider]. We told them we were thouah thinking of switching and Just sounded like a no verification/application they basically said we brainer at that point. can't compete. processes can be arduous. **FEELINGS** Positive vibes TIME POOR, ARDOUS, STRESED ENGAGED, INCLUDED TRATION, RELIEF **GROWTH, SATISFACTION** Neutral vibes Negative vibes Context from survey data When you get cashback, you have to But for [provider], the Just being able to see stay with them in this case for three standards, it was insane it took The process was apples to apples, here's the Of all account types, not smooth, it years, but it's not very clear, even the about four phone calls, there different terms laid out in people are most likely to mortgage broker should be more were bits of information wrong. was absurd. PAIN front of you would save me upfront about stuff like that. there was lot of back and forth. switch home loans - 12% hours of googling. **POINTS** in the last 3 years [pg 20]. 2/3 switch another **ARDUOUS**

**EASY COMPARISON** 

THE SMALL PRINT

VERIFICATION

product as well [pg 21].

Better interest rates are a key motivator [pg 22].

## Experience map: looking to switch home loan – but staying put

This map illustrates the experience of customers who shop around for a better home loan deal – but find a lack of worthwhile alternatives to their current provider. This can underline the perception that home loan providers are all the same.

### Scenario: Looked to switch home **PHASES** RESETTLE ASSESS OPTIONS CIRCLE BACK loan providers to access a better deal, but never actually · Renewal of current mortgage rates · Assess options. Either direct or broker · Circle back to existing provider - explore Renew loan agreement with existing switched. **TYPICAL** coming up. Letter / email received that contact 'major' banks to explore their options under current agreement. loan is up for renewal. · May receive a deal from current provider. offerings. **ACTIONS** Goals: · Review current loan agreement. · May reach out to existing provider first to · Consider it inconvenient to switch all · Assess current situation - 'does this fit see if they will offer better deal. products for un-competitive rate. Access to better within my current capacity'. May be a · May engage directly with rep from [new] · Decide to stay with existing provider as interest rates on home loan. chosen provider to discuss switch, already accessing satisfactory deal · May touch base with previous advisors package deal, incentives. Expectation: We thought it would be · May seek advice from family/friends · May restructure loan. with another bank, but it before going further. My broker did Shopping around ended up actually being the whole lot. If they're all offering the should get a better with my own bank. same benefits, the same deal. I contacted a broker I I realized I'm going to have to rates, I would stick with used previously, he do some shopping around the bank I had. No one else was offering Reality: because I couldn't afford suggested I start anything in the form of shopping for a better [interest rates]. cashback, legal fee coverage or Could not find a deal deal. It is a nightmare to switch, so I anything to swap and my own that made it worth their didn't want to go ahead, unless it bank already had the lowest was worth it. while (and hassle) to interest rate. They gave me a special rate The big banks switch, particularly because I'm an existing customer It's like going for a job interview operate and offer and also by stretching out the when existing provider when you've already got a job the same rates. term a little bit you've got nothing to lose. is prepared to come to the table. FEELINGS Positive vibes TIME POOR, ARDOUS, STREET ENGAGED, INCLUDED AT EASE, RELIEF CONTENT Neutral vibes Context from survey data Negative vibes More people (33%) Just being able to see consider switching than If I was offered apples to apples, here's the They're all much of a muchness I thought I could different terms laid out in lower rates, then actually switch (12%) [pg really, seems to be that if one get better off than PAIN front of you would save me I would've 19]. Better rates are the moves, they all move. I was. hours of googling. switched over. **POINTS** key driver [pg 25], but many people are not

**EASY COMPARISON** 

A REASON TO SWITCH

finding a better deal

(31%) to make it worth the effort [pg 27]

### Experience map: looking for support for a new home

It felt like we had been

working hard for nothing.

We've never done that before, so that was all new to us and

now we understand a little bit more about what they're

looking for when you go and ask those kind of questions

and all that kind of stuff that we were a bit naive to.

BUSY, STRETCHED JADED

LACK OF HELPI

PREPARATION

These are customers looking to purchase a new property (or increase the existing loan on their current property) and encountering difficulties along the way. Often confident at the outset, they experience difficulties in being accepted for finance, and scramble to find support. Emerging somewhat bruised from the process, they seek greater knowledge and support the next time around.

We thought that we were two full time

income earners, no kids.

We thought that would be a pretty

straightforward process.

ings that we'd love

o see you to help us assist

your query".

SHOCKED, BETRAYED, OVERWHELMED,

**PANICKY** 

LACK OF OPTIONS

### Scenario: Havina to switch main PHASES **SOLUTION SCRAMBLE** SETTLING THE DEAL TREADING WATER FINANCING DIFFICULTIES banking to access finance for a new property purchase · Sticking with legacy provider for · Follow through with required paperwork · Find suitable property - may be land. Seek advice from friends, family. (may be first home. **TYPICAL** (quite arduous and can feel judgmental). loyalty/simplicity. · Approach their main bank as first choice. colleagues, employers, brokers for help extension to current · May have limited negotiations with · Busy with property viewings - missing out. · Shocked to discover that bank will not · Look at provider websites to try to work **ACTIONS** loan or land purchase). Waiting for 'right' property. support them. Want to discuss but may out options. supportive provider e.g cashback for legal · Saving hard and planning ahead. feel they are 'ghosted'. · Exclude suppliers who they believe Goals: · May work with, or bring on board, a unlikely to be supportive - can be very Open transaction account (and often Realisina property broker. limited list. Broker can take lead role. more) with new provider. aspirations - often the · Find provider who is open to them. May long held desire for a be perplexed as to why one provider suitable home. accepted them when lead provider did Looking for a not. supportive home loan To be honest, it was a lot Shocked - it wasn't so much A bank's a bank. harder than I thought it was provider. [thev] said no, it was that they I remember looking at websites just wouldn't have a discussion. comparing interest rates more than **Expectation:** anything, because until we have a conversation, you don't know who's

That providers would come to the table to find a way to help make it happen.

### Reality:

Much more difficult and emotional process than anticipated.

### Context from survey data

biggest reason to switch

### DESPARATE, PERPLEXED, JUDGED

Banks are scary.

I think we'd definitely use a broker next time - they know the ins and outs of the industry.

LACK OF SYMPATHETIC

### **NEW NORMAL**

It felt like we were in it

together, they were like good

for you'.

vulnerable.

- · Strong appreciation for supportive provider - may speak positively of them to
- · Resolve to learn from process be better prepared next time.

You don't have to be loyal to

your old bank, it counts for

nothing.

making a hell of a lot of money off us.

### CONTENTMENT, LINGERING RESENTMENT It is really hard to ask We feel like we're constantly asking for a for help from a bank. favour, like "excuse me, Sir, can I have some You feel very more?" When actually, it's like you guys are

gonna be.

Change of circumstances (22%) is the second home loans [pg 22].

going to lend you what.

**NAVIGATING THE SYSTEM** 

PAIN

**POINTS** 

**FEELINGS** 

Positive vibes

Neutral vibes

Negative vibes

### Experience map: switching a term deposit

This map illustrates the experience of switching a term deposit to access a better interest rate. Often quite financially experienced, these customers typically experience a simple process with a low degree of difficulty. They have few, if any, pain points and seem quite adept at weighing up term deposit alternatives.

### Scenario: Switching term PHASES **GET FINANCIAL WINGS** DO THEIR HOMEWORK **WEIGH UP OPTIONS FACT CHECK AND FINALISE** ENJOY deposit provider to access better · History of financial decision making (and · Visit finance site(s) to clue up on factors · Compare interest rates and duration of Settle on preferred choice. · Enjoy the satisfaction of their decision interest rates. **TYPICAL** confidence with it). that may influence interest rates and term of major banks and smaller banks. · Engage with new provider to set up · Decide that a term deposit is worth future trends. · Narrow down options (rate, term) account (if no existing relationship) and **ACTIONS** · Compare provider specs - reliability, close old account. exploring/renewing. · Utilize websites like interest.co.nz to get a · May engage with their main provider. feel of what is on offer. security, bank history, trajectory, service, · Transfer funds. Goals: loyalties. To gain greater return on their Going through the whole investment. "I just googled it". mortgage process that kind of toughened my I clicked on term skin, so this is kind of a Once I narrowed it deposit and then breeze. down, I compared the **Expectation:** compared all the banks in terms of I have to go through all My goal basically is banks; ANZ, ASB, TSB A relatively simple reliability, confidence the admin so that the and so forth. Then to maximize the In terms of research, mostly done process with low and that they were new bank has compared lock in way I make my online, mostly through interest.co.nz satisfactory to world degree of difficulty. A mortgage advisor opened me up everything so 90% periods and interest money work for because that gives you the comparative standards, I guess. to different options. After that excitement, 10% yawn. terms, balance, interest rates across rates. me. experience, you understand you're various accounts. not tied down to one bank. Reality: **FEELINGS** Meets expectations. Positive vibes icipation, confident, curious In control, engaged Satisfied, 'What next', In charge Neutral vibes Negative vibes "The only feedback I could I googled current really muster up would be to OCR and that Context from survey data PAIN work on improving [switching] gives you a graph Only 10% of people have processes to be more online of the trends. **POINTS** driven". switched a term deposit in the last 3 years [page 201. The main reason for INTEREST TRENDS doing so is better rates **ONLINE PROCESSES** VISIBILITY [pg 22].

# Experience map: switching to maximise rewards from banking activity

This map illustrates customers who, after a period of disillusionment with the current supplier, discover an enticing alternative. This can take the form of benefits or incentives ('feel good factors') that make the product stand out (savings account, credit card) and offer a compelling reason (more than rates/fees) to make the switch. Other products may then follow.

### Scenario: Looking to switch PHASES **STATUS QUO** DISRPUPTION AND DOUBT REVELATION **FOLLOW THROUGH ENHANCED STATUS OUO** savinas/transaction accounts/credit cards in order to access · Normal banking activities, little Issue with current provider - disappointing (Chance) discovery of a compelling · Open up target account. Settle into new set up. benefits/incentives. TYPICAL questioning of set up. customer service or product. alternative - an ad or hearing about · May well open up other accounts · May keep previous account open for subsequent to target account. · General sense that most providers are on Often exacerbated by perceived something new prompts interest/intrigue. future convenience **ACTIONS** Goals: a par with one another. inadequacy of response. · Rewards and incentives (eg monthly draw Account opening experience can be · Passively start to look for alternative. saving saccounts, credit card cashback variable but is expected to be Maximise rewards from bankina activities straightforward. Experience is judged on and Airpoints) stand out. particularly via how easy it is. · Check out the offer and legitimacy via products with 'extra' bank website. Is this how it is going benefits or incentives. · Decide to open up target account. to be with a small problem? All banks are Expectation: In the process of opening that the same. Made me feel bank account with [provider] I haven't looked It was like a billboard Quick and easy, hopeful, thinking elsewhere in the last few they obviously introduced their advertisement. The that I might win a car customer centric other products. months. We're almost cash back was really or 100 grand. It's not much point in service. back to the acceptance good. shopping around I think they deleted some phase until a better when everything is the benefits to the credit card I thought wow this is Reality: product comes out. so so easy and got my then it was like, there's no card the next day. point anymore. There are some Wow, that's kind of too good to compelling alternatives, but they What's the catch here? might easily be missed if you're not looking out FEELINGS for them Positive vibes POSITIVE/NEGATIVE DEPENDING ON FINE ANNOYED, FRUSTRATED **EXCITED. REFRESHING** Neutral vibes CUMPUKTABLE, ACCEPTING Negative vibes Context from survey data Switching I think customer service is key to a lot of things savings/transaction it doesn't actually really matter The typical is "this amount of percentage" I've noticed that why am like even if a bank may offer better savings, but if PAIN whether it is 3% or 4% because it only and for me that was nothing really special accounts is not common I not getting so many they don't have good customer service. I would makes a difference if I had like because all banks pretty much have the [8-10%) [pg 20]. POINTS \$1,000,000 in there rather just not be with them. same same interest rate Rewards/incentives can play a role, along with poor customer service SMOOTHNESS OF WITHDRAWL OF RATES AREN'T REASON [pg22]. SERVICE BENEFITS ENOUGH

## Experience map: switching for control over savings and spending

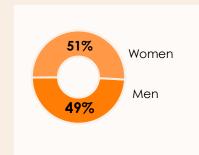
This map illustrates the experience of customers opening savings accounts with other providers in order to help them with their money management. Their key needs are control and familiarity, and hence they may rely heavily on providers and products known to them or those around them. They may not proactively look for alternatives.

### Scenario: **PHASES** Openina up savinas **SEEKING SOLUTIONS** SETTLE IN account to diversify and control spending. · Likely to have finances with single · Share issue with limited number of · Follow through with chosen supplier - Get used to new set up. TYPICAL Goals: provider - transaction account, some people, may be trusted family/friends who often one they have previous exposure, · If it works for them in terms of money are considered good with money. or has been recommended by someone. management, don't seem to question it savings. **ACTIONS** Money management · Struggle to manage cash flow. Can · Resolve to open separate account to put · Don't seem to consider alternatives. (rather than overspend, leading to becoming distance between spending and saving. · Ease, familiarity and customer service maximization), with (ability to talk to someone) important overdrawn and unwelcome fees. Seek/receive recommendations for desire to manage · May be receiving/giving money to and solution (specific product and provider). money flows, making from different sources (eg family · Consider fees but not interest rates. receiving money easier members) which is a headache to If something works for me and overspending I ain't going to make any manage. harder. changes Expectation: My mum reminded me I find their [provider] about [product] with I'm not strong enough web pages Straightforward [provider] I didn't do any research into to keep my savings in overwhelming process, with an my savings account. other options emphasis on ease and I didn't want to be able to familiarity touch my savings It was a no brainer. I trusted them Reality: Mostly straightforward, but may rely heavily **FEELINGS** upon familiarity and so may not maximise their Positive vibes options, **UNHAPPY, WORRIED** SECURE. PROGRESSING **NERVOUS. RELIEVED** FINE Context from survey data Neutral vibes Only 8% of people have switched a savings Negative vibes They kind of like sell their products to be easily accessible, to be account in the last 3 I'd like a webpage that I'm now coaching my partner to put More variety of forms able to transfer without any cost too. And I feel like sometimes it's years [pg 20]. Motivations summarizes everything. Or money away. he's now learned the art of ID, like my nan only better that I enjoy a \$5 cost from [provider] to move it out of my like a poster of "here's your include poor customer PAIN has a Gold Card of putting money away before you savings, because then it makes me think twice about taking it. options" service and not having even get to see your paycheck. **POINTS** the right product [pg 22]. When people diversify MONEY MANAGEME LACK OF AWARENESS SUITABLITY OF SIGN UP PROCESSES accounts, they often stick **SKILLS OF OPTIONS PRODUCTS** with providers they know.

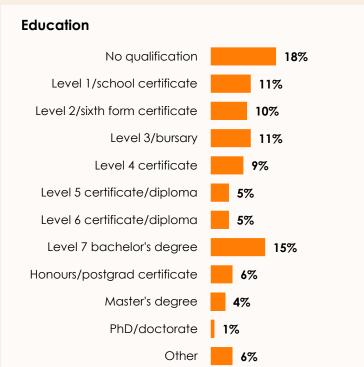
[pg 16]

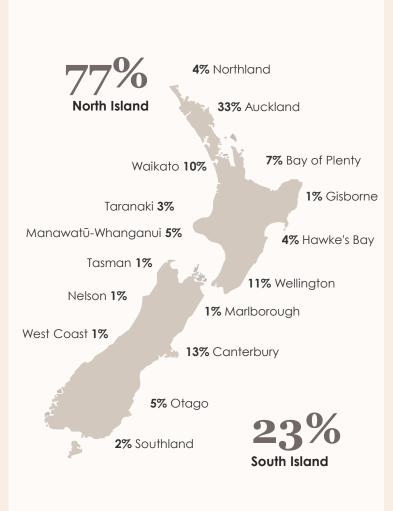


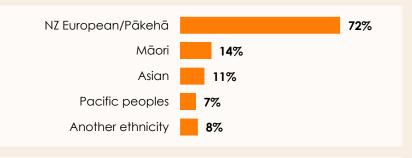
# Who took part?



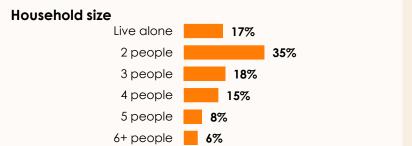












Source Verian

Base:

Source: \$1 Where do you live? \$2 What is your age? \$3 Are you...? (Male/Female/Another gender) \$4 Which of these ethnic groups best describe(s) you? \$5 What is your highest qualification?

**Q24** Which of the following best describes your household income? **Q25** Including yourself, how many people usually live in your household? All New Zealanders (n=2,140)