

SPEECH NOTES – NICK READE, CHIEF EXECUTIVE, BANKSA COMMITTEE FOR ECONOMIC DEVELOPMENT AUSTRALIA (CEDA)

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THE SCIENCE EXCHANGE, EXCHANGE PLACE, ADELAIDE

SUMMARY OF KEY POINTS:

- BankSA has initiated a **multi-year transformation program** that will create a bank for the future for all South Australians.
- With nine out of 10 transactions taking place outside a branch, BankSA is implementing **market-leading technology** with fingerprint logon for mobile banking; new Online and Mobile account opening; a new iPad and Android app; and real-time local access to specialist business advisors utilising video technology, with more advances in development.
- BankSA is **reshaping the branch network** to match changes in customer behaviour - opening new branches, closing customer's less-favoured branches, and investing in their preferred locations.
- Already \$9 million has been invested in 17 branch refurbishments, with another \$12 million **investment in the branch network** planned to bring the total number of refurbished branches in our network – which will remain the largest in South Australia - to 45.
- BankSA is **employing additional people** – bankers, lenders and leaders - and reviewing how to free-up our people to be more customer-focussed.
- Providing **opportunities for young people to stay** in South Australia is a key focus with BankSA actively involved in youth networks, funding youth opportunities, establishing a traineeship scheme and launching an internship program and graduate recruitment.
- BankSA is building upon our already strong customer engagement via a **dedicated service program** which has been developed with the support of a global customer service leader, the Ritz-Carlton group.
- A **new logo and tagline** - Let's do this - has delivered a fresher, more contemporary look that is an outward symbol of the change and momentum underway in the bank.
- Along with all South Australian businesses, BankSA has a significant **leadership role** to play in growing the economic and social prosperity of this State.

Thank you Kevin for your introduction and good afternoon everyone.

Before I start I'd like to acknowledge that we're meeting on the traditional lands of the Kaurna (GAR-NA) people and pay my respects to elders both past and present.

When I was approached to be Chief Executive of BankSA almost 12 months ago now, I was given a one-sentence job description: make BankSA great again by *transforming the bank*.

As a proud South Australian who grew up dreaming of having such a job, I was pretty excited, as you'd expect.

When I considered the landscape and where I could add value, a few things came to mind:

- *South Australia is a SME state.*
I had previously managed the fastest growing small business team of all the major banks for six years. This is a market segment that I am very familiar with and where I feel that I can add a lot of value.
- *Technology is drastically changing consumer and business behaviour.*
I first became involved in utilising the internet in banking in 1996, when I was at CommSec in Sydney, and it's been a growing part of every role I've held since. I also led the innovation agenda for ANZ's Corporate and Commercial Bank. Integrating the latest technology to make banking more convenient and easy for customers is something I have championed well before it became as 'mainstream' as it is today.
- *Brand is king.*
Observing from the outside, the BankSA brand seemed tired to me and in need of a new lease of life. It would be some time before I learned that BankSA's customers also shared this sentiment. However, as a marketing graduate from UniSA, and having held numerous senior marketing roles across Australia, I thought I could add some value here as well.

BankSA needed one more thing though, and that was money. So I spoke to senior executives in the Westpac group to garner their support for change and the investment needed to transform BankSA. Thankfully, they were onboard.

So, with a tick in all these boxes, I was proud to be appointed by BankSA to lead this transformation journey.

WHAT HAVE I FOUND IN MY FIRST NINE MONTHS?

There is no doubt that BankSA is an iconic brand with a strong connection to South Australia.

For 166 years, we've helped South Australians buy their homes, make more of their savings and grow their businesses. We've learned the art of customer service and serving the State, and we've built a strong brand that South Australians have a deep connection with.

But that deep connection with the people of South Australia is no longer enough. We know this because South Australians aren't choosing to bank with us the way they used to.

We once had around 40 per cent home loan market share and daylight was second in terms of ranking in home lending. We now have around 14 per cent market share and have slipped to third place.

BankSA's growth in customer numbers has not kept pace with growth in the population of South Australia. In fact, up until recently our customer base was going backwards.

How can a brand that our own research tells us is so valued and so respected by South Australians have lost its foothold?

How can one of South Australia's largest employers and this State's local financial institution - complete with local leadership, local credit and local decision-making - have reduced its salience?

Because BankSA hadn't changed... but our customers, and the market, had.

So this is the harsh reality of what we're dealing with today. For too long BankSA has rested on its laurels and has relied on its tenure in South Australia, rather than proactively matching the natural momentum of our customers.

When we started to peel back the layers and really understand what South Australians think of us, we discovered some pretty interesting things.

South Australians were using words like 'innovative', 'accelerating', 'momentum', 'construction' and 'energy' to describe the State. While BankSA was being described as 'old-fashioned', 'comfortable', 'stodgy' and 'staid'.

It was clear to me that BankSA had some work to do – and we've wasted no time in getting started. And we have confidence in our plans because we've asked South Australians what they want from BankSA, and they've told us.

AN INNOVATIVE WAY TO BANK

There's no doubt that traditional banking has been defined by branch networks – over the counter, interpersonal exchanges to deposit cash, open accounts and discuss borrowing amongst other things.

BankSA has always done this really well – for this we get an A+. We've been readily accessible all over the State. In fact, we have the largest number of branches in South Australia of any other bank - by a long shot.

And in the past, this model has served us well and is one of the reasons we score really well on customer satisfaction in retail and business banking.

Today however, the statistics tell us a different story. Nine out of 10 transactions take place outside of a branch and this number is growing.

People are attracted by the convenience and efficiency of modern solutions.

For this reason, we must be looking for smarter, quicker and easier ways for our customers to bank.

We are seeing a large shift in customer behaviour towards digital, mobile and tablet banking and the pace of this shift is accelerating.

I'm pleased to say that BankSA was recently one of the first banks in the world to launch new technology which allows customers to securely logon to mobile banking on their iPhone with the touch of a finger, using the fingerprint sensor known as Touch ID.

Our customers now have access to a recently launched new Online and Mobile account opening forms across the full range of everyday banking products. This initiative significantly reduces the time required to open an account online by more than 50 per cent (and even quicker for existing customers), and will make it easier for new customers to join BankSA.

We also have a new, fully functional iPad and Android tablet app that is considered the best in the market and certainly streets ahead of our competitors. The pilot roll-out/testing of this app received the best feedback we have every received from a pilot and we're sure our customers will love it.

We've introduced Business Connect, enabling customers to get real time access to experienced business advisors via video technology in 20 Adelaide branches.

This is a fantastic tool for small business owners to seek specialist advice from a gun team of King William Street-based subject matter experts.

We're excited to now be at the forefront of innovation, providing quicker, easier and more informed ways for our customers to do their banking.

A MODERN BRANCH NETWORK

Branches will always play a role in our business, but that role is changing.

Only one in 10 transactions now takes place in a branch. People are now largely using online and mobile banking, along with the convenience of ATMs to do the majority of their transactional banking.

The focus for branches these days needs to be on more complex banking interactions, and we welcome that.

That's why we've undertaken to review our branch network.

Let's be clear on what BankSA's branch network looks like. We have around 50 more branches than the next highest bank - or nearly 70 per cent more if you measure it that way.

Demographics have also changed since our branch network was set up. Branches in locations that were once convenient for customers are no longer serving the community the way they used to.

We're finding that more people are going to one-stop shopping centres or hubs now to meet all of their needs, including their banking. So our branches that are in these locations are increasingly busy, while some of our other more isolated branches are less so.

Maintaining a 70 per cent buffer in our lowest customer channel, with too many of our branches in the wrong areas, is simply not sustainable.

Also, our customers have told us that our branches look tired and stodgy.

And customers are no longer coming into a branch to transact; instead they are using branches for more complex interactions and advice which is not served particularly well by a traditional teller-behind-the-glass set up.

So we're investing in those branches that people want to use more; opening new branches in areas where there is now a demand; moving some to better locations; and closing some branches that are increasingly not being used by the vast majority of customers.

Sure, not everyone is happy that we're closing under-utilised branches and we understand that, but it we are doing it without job losses whilst diverting investment into our people and customer facing activity.

Most of these branches have already been operating on reduced opening hours due to the lack of utilisation. And in every situation we are working with the community and our customers to ensure there are many options for continuity of their transactional banking.

This ranges from retaining or installing ATMs in those locations at a minimum, right through to exploring agency options to provide core banking services as part of another local business in the immediate vicinity.

We are also renovating branches in the nearest location to a closed branch which is in almost all cases, just around the corner or a few minutes away.

Like every other business, BankSA must adapt to our customers' changing behaviour to stay relevant and competitive, both now and into the future and this is exactly what we are doing.

In the past financial year, we invested \$9 million improving our retail experience for customers in 17 branch refurbishments. Another \$12 million will be invested in the coming year to bring the total number of refurbished branches in our network to 45.

Even with these adjustments to our network, BankSA will still have significantly more branches than any other bank in South Australia.

A GREAT CUSTOMER EXPERIENCE

One of the great benefits of the branch refurbishment program I spoke of earlier is to be able to open up the layout of our branches. We can reorganise our people to have more at the frontline engaged in meaningful and personalised conversations with customers.

This is good for the customer, but it is great for us, as it gives us endless opportunities to exceed their expectations and really 'wow' them.

We don't just want to provide good, or even great customer service, we want to provide experiences that exceed expectations and actually create memorable moments for them.

We've done our research. We looked at how really good companies around the world deliver memorable customer service. We wanted to learn from the best.

For example, we looked at how Apple delivers their in-store experience, and we found that they in turn had learned from another great service organisation, the Ritz-Carlton Hotel group.

So, we've developed our Service revolution program with the support of Ritz-Carlton and have invested in all our employees undertaking world-class customer service training.

We are empowering our people to connect with customers, understand them, learn about their interests and lives, and contribute positively to that – rather than just transacting. Engaging with the heart, not just the head.

Many times when people come into a bank now, it's for something complex or significant - or both. These times are often really momentous in our customers' lives – buying a house, going on a holiday, starting a business – and we want to make our part in it important.

In short, we want to 'wow' them so that they'll remember us – for all the right reasons – as a part of their journey or milestone.

Since we began we've had some great examples of how our employees have been empowered to put this into action.

One of my favourites is from our Norwood branch where we were helping a couple with a loan to help fund pilot lessons for their son. The team decided to create some magic and through Twitter, got in touch with Matt Hall from the Red Bull racing team – why not contact Australia's best pilot!

With the permission of the parents, Matt Hall sent a message to their son with some encouraging words to inspire him as he set out on his path to becoming a commercial pilot.

As you'd expect, this created a big 'wow' moment for him. It didn't take much effort or cost any money but it did create magic for our customer.

Another example comes from Mt Gambier. A few weeks ago, a customer came in for a review of their banking and had recently suffered from an illness which left him disabled and unable to work.

During their conversation, our banker realised that this customer was paying insurance premiums for an unknown policy. Our banker went about contacting every insurance company in order to get to the bottom of it, and learned that the customer was eligible for a payout of \$270,000, which he had no idea about.

This has changed our customer's life.

I love hearing these stories – and others like it - because it's the stuff that we want to be famous for.

A CUSTOMER-FOCUSSED BUSINESS MODEL

BankSA is a major player in the business banking market in South Australia. From small business to corporate and property lending, we hold a very strong market position.

However, we have not been growing at a rate that I am comfortable with. When I speak to our bankers, one of the overriding reasons I am given for our limited growth is that they are bogged down in administration and paperwork.

We need to create capacity for them, so they can spend more time with customers. Clearly customers would value this as well as we could help more businesses succeed in S.A.

A customer-focused business model also involves re-engineering our internal structure and asking ourselves whether our business model helps or hinders our ability to serve our customers.

Indeed we asked ourselves this question and decided we needed to make some changes.

Before coming here today, I announced to our staff a major transformation of our Corporate and Commercial bank, with a view to centralising administration work and freeing up 20 per cent (or more) of our bankers' valuable time to instead spend face-to-face with customers.

This will create the capacity our bankers need and enable us to appoint more business bankers on the ground, in particular SME bankers to serve small business customers directly.

Our current model doesn't reflect an economy 90 per cent driven by small business and we need to fix that.

Again, this will mean that we can put more people on the frontline to engage with small business customers – by adjusting the mix of people away from administration and towards customer facing activity.

As with all change, this won't be easy and there will be some staff displaced, but it's absolutely necessary if we are going to be competitive in our service delivery and ensure our business is stacked with the right skill set for our market.

Let me assure you though, this is not a downsizing exercise dressed up as transformational change by any means.

In fact, it is quite the opposite – we are spending more money this year than ever and more in our people budget than last year, and BankSA is hiring.

We're going out and hiring SME bankers and home lenders. These are core markets for our business – and this State - and we're serious about growing these areas.

I've also recently announced two additional new members on my leadership team to bring in even more expertise and single-minded focus on our SME support and business performance.

Youth employment is another key issue for South Australia and BankSA is passionate about creating opportunities for young people to stay in this State and supporting their careers here, and we're doing this on a number of fronts.

I am the executive sponsor for The Youth Network South Australia, an employee action group that aims to provide development and create opportunities for our employees under the age of 30.

Earlier this year, the BankSA Foundation provided \$27,000 to fund a Youth Opportunities program in Port Augusta with the aim of improving retention rates of students through to Year 12, enabling disadvantaged and vulnerable young people to improve their future opportunities.

I've also just launched a summer internship program in partnership with Adelaide Uni. This will open up the opportunity for university students in their second-to-last year of an undergraduate or postgraduate degree to spend some time with us.

They'll be set up on a project working with seriously experienced Commercial bankers and will get a fantastic taste of the financial services industry and start making great connections.

For those young South Australians who elect not to, or are unable to afford to attend university, we are preparing to invest in a traineeship program to provide a pathway for young people into our Retail Banking business.

The traineeships will provide real skills in Financial Services and will put these young employees on a career pathway that could take them in any direction. We would envisage this cohort becoming our frontline Retail banking workforce of the future.

These programs have come about because when we ask South Australians in regular surveys what matters to them the most, we hear a lot of concern around future employment opportunities for young people.

What matters to South Australians matters to us at BankSA, and we are really excited to do something positive and provide an opportunity like this to young people.

A NEW IDENTITY

With so much transformation occurring within our business, we couldn't ignore the fact that South Australians had told us that our brand looked old, tired and out of step with the dynamism, momentum and energy of the State.

We had to address this.

Representing perhaps the single largest symbol of change, a few weeks ago BankSA relinquished the twenty-year old Sturt Desert Pea logo in favour of a stylised geographical map of South Australia.

It is a fresher, more contemporary look that will be an outward symbol going forward of the positive change and momentum underway within our business.

We've also added a tagline – Let's do this. This is more than a mantra, it's an attitude, and attitudes come from within. We want to energise people – whether it's our staff, our customers or the people of South Australia – to stop wondering and start doing.

It's fair to say that the launch of our new branding has resulted in a lot of interest and discussion – in the media, the community, and amongst our customers and non-customers alike.

And while at first I was a little taken aback by this unbridled passion, it has galvanised in my mind that we are indeed heading in the right direction.

The very fact that our local and online community conversation was dominated for a good 24 hours or more on our logo change demonstrates exactly why we are doing this.

South Australians – whether they bank with us or not - are passionate, protective and see themselves to some degree as custodians for their State's local bank, and for that reason we owe it to them to not just survive, but we must thrive.

CONTRIBUTING TO A BETTER SOUTH AUSTRALIA

We're very conscious at BankSA that we are a local State-based bank. So what matters to South Australians and what's happening in this State, is important to us.

We can't succeed if South Australia doesn't succeed, and we have a significant role in growing the economic and social prosperity of this State.

This is a responsibility we don't take lightly. Through thought leadership, supporting our communities and of course, continuing to help South Australians realise their dreams of home ownership and business growth, I believe we can make this State a better place for generations to come.

This is why BankSA is a foundation partner in the Shaping SA initiative. We've presented the South Australian government with 10 priorities to better the State, and we're chomping at the bit to get on with them.

We recognise that it's not only incumbent on governments to move this state forward. Businesses like BankSA must create partnerships across government, academia and the community to support South Australia, inform decision-making and do our bit to support our collective future.

Our research has revealed that 75% of households and 67% of SMEs believe big business should play a major role in helping to make SA more competitive.

We know we must lead by example. It is incumbent on all of us here to do this.

I hear people say 'South Australian's don't like change' – that may well be the case, but I'm pretty sure we like stagnation, low growth, high unemployment and shrivelling opportunities a whole lot less.

This pretty much brings me back to where I started.

There is a lot going on at BankSA and we're only just getting started. I hope you'll join us for the ride to make BankSA great again.

Let's do this!

Thank you.