

Open Banking

The role of trust when choosing to switch banks

November 2019

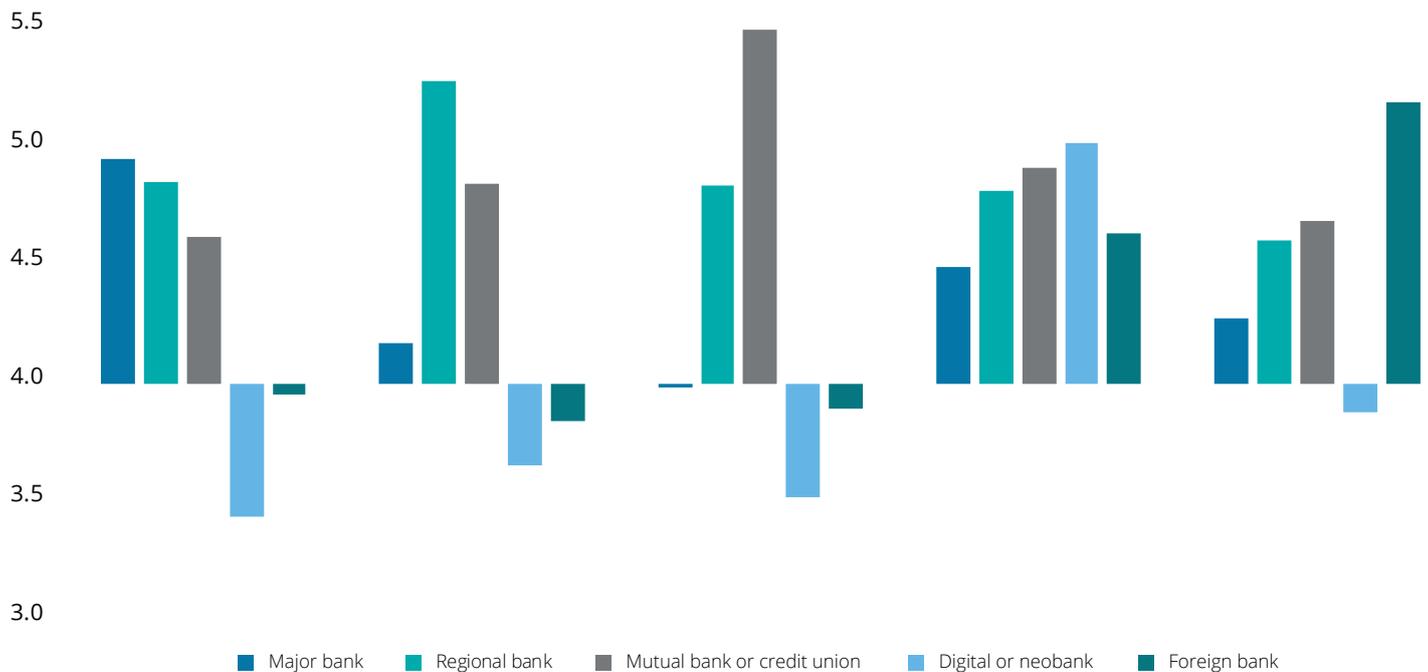
Open banking starts in February 2020. The question many are asking is what impact will this have?

To help organisations understand how customers could react to the introduction of open banking we have undertaken a survey of 2007 bank customers. Deloitte's report, *Open Banking: Switch or Stick? Insights into customer switching behaviour and trust*, explores what influences people's decisions to search for information and change banks.

One clear finding was that it starts with trust. Trust influences who we bank with. It influences our willingness to share information. And it is one of the reasons people change banks.

The results from our survey were clear: people bank with the type of organisation that they trust the most. For each type of bank - irrespective of whether you bank with a major bank, a regional bank, a mutual bank, a digital bank or a foreign bank - customers bank with the type of bank in which they have the highest level of trust.

Figure 1. Prudential trust (by bank customer type)



Source: Deloitte, Open Banking: Switch or Stick? Insights into customer switching behaviour and trust, October 2019

It's true for prudential trust – do I trust that this organisation will keep my money safe?

And, with the exception of digital and neo banks, it's true for information trust – do I trust that this organisation will keep information about me and my transactions secure?

This suggests that what each of these types of organisations offer, appeals to a particular type of customer.

These results show that trust and who we bank with are correlated. Causation is more difficult to discern. Do people bank with the type of bank they trust? Or do they say that they trust them, because they've selected to bank with them? It's probably a little of both.

Our report highlights that most consumers (81%) say they are very or fairly satisfied with their bank.

However people also tend to stick to what they have, even if a better alternative exists (status quo bias), and tend to value products they already possess more than those they don't have (endowment effect). These behavioural biases, together with our desire to believe we have made good choices (confirmation bias), may contribute to people's assessment of how much they trust the organisation they bank with currently.

Either way, it is clear that levels of trust influence what type of organisation people choose to bank with.

Why is trust important for open banking?

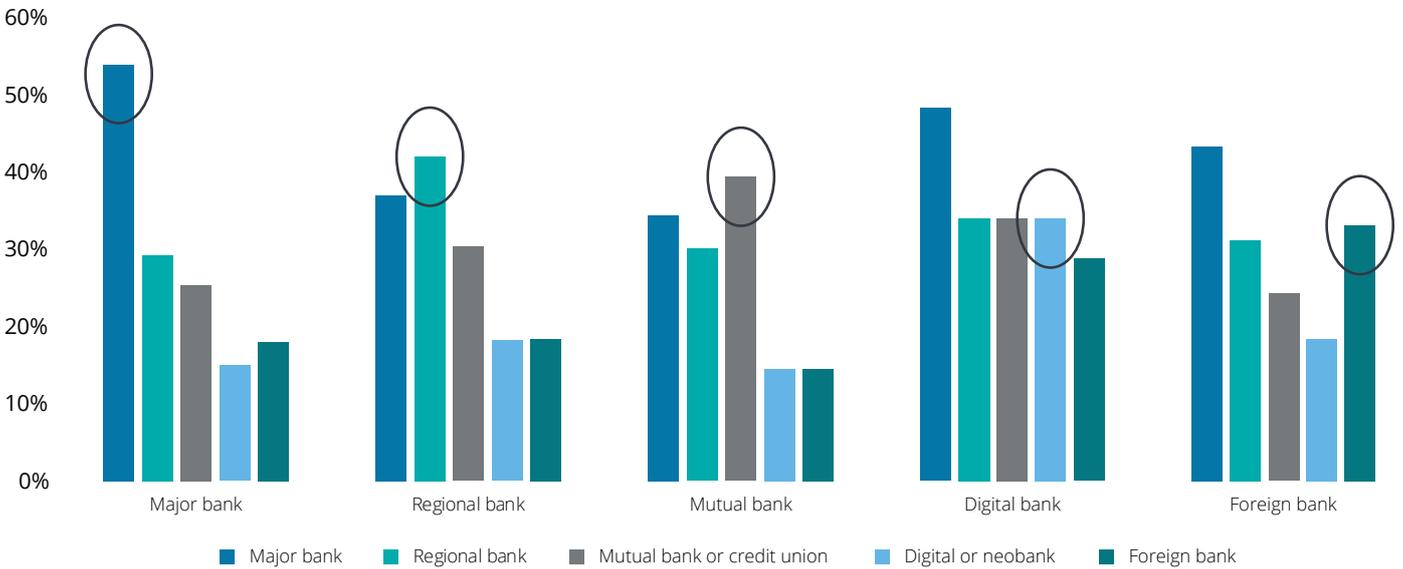
Trust is important as we embark on open banking. Open banking will enable customers to direct their bank to share their account and transaction information with them or with an accredited third party that they nominate. It will give consumers back control over their data.

Trust plays a role here too. People's willingness to share information is influenced by their level of trust.

People's higher levels of trust in the type of organisation with which they bank, influences the type of organisation with which they are willing to share their data.

For customers of major banks, regional banks and mutual banks, each group is more willing to share data with other organisations which are of the same type as the type of organisation with which they already bank. For digital banks and foreign banks, they are more willing to share with major banks and then with the type of organisation with which they already bank.

Figure 2. Willingness to share information (by bank customer type)



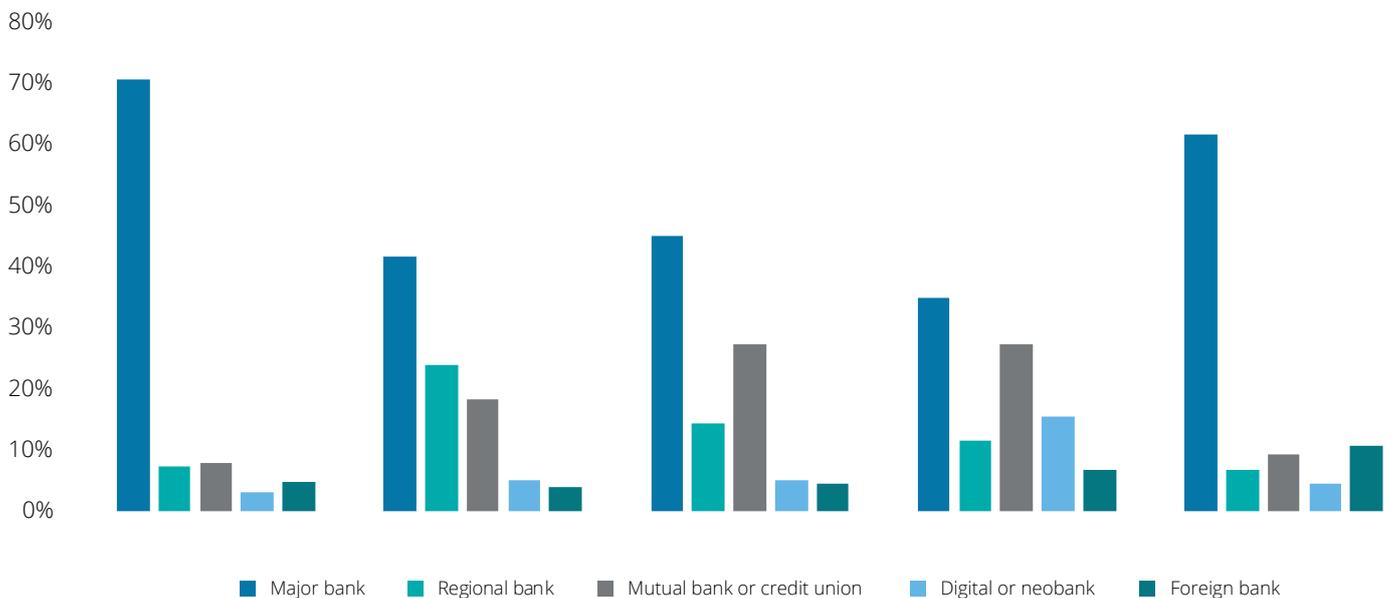
Source: Deloitte, Open Banking: Switch or Stick? Insights into customer switching behaviour and trust, October 2019

When it comes to switching banks, people's higher levels of trust in the type of bank with which they already bank also plays role. We asked people what type of organisation they had banked with before their current bank type.

In Figure 3 the horizontal axis shows the type of organisation customers currently bank with. And the bars show what type of organisation they previously banked with.

The vast majority of people who are currently customers of major banks, were previously also with a major bank before they changed provider.

Figure 3. Where did customers come from?



Source: Deloitte, Open Banking: Switch or Stick? Insights into customer switching behaviour and trust, October 2019

Two-fifths of regional bank customers were formerly with a major bank. But almost a quarter were previously with another regional bank. And almost 20% of regional bank customers were formerly with a mutual bank or credit union.

It's a similar story for mutual banks. A little over two-fifths of mutual bank customers were formerly with a major bank. But over a quarter were previously with another mutual bank.

Digital banks are winning customers from major bank and mutual banks. However digital bank customers are winning a significant number of customers from other digital banks.

Foreign banks are the only exception. While foreign bank customers are the most likely group to move to another foreign bank, over 60% of their customers come from the major banks.

While it's true that the highest source of new customers for non-major banks was from the major banks, that's not surprising – that's where most customers currently bank.

But given people bank with a type of bank for a reason, open banking could also see people switching within the class of bank with which they bank already.

Last word

It starts with trust. Banks seeking to retain or win customers need to be trustworthy. Because trustworthiness impacts who people bank with and how willing they are to share information. And it influences the type of organisation with which they are prepared to bank.

For more on Deloitte's survey, Open Banking: Switch or Stick: Insights into customer switching behaviour and trust, download the report by going to deloitte.com/au/openbanking.

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