

Better connections: **What makes Australians** **stay with or switch providers?**

March 2015



Contents

- p2** Methodology
- p3** Audience segments
- p4** Executive summary
- p6** Which companies do Australians commonly interact with?
- p8** How do Australians want to hear from companies they deal with?
- p10** Switching service providers
- p11** Why do Australians switch?
- p13** Switching back
- p15** How easy is it to switch?
- p16** Customer loyalty: rewards / loyalty programs
- p17** Supermarket and charity loyalty

Methodology


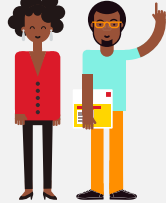
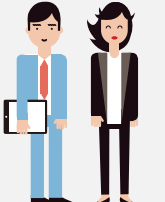
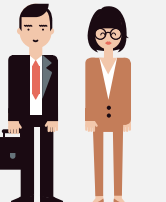



What makes Australians stay with or switch providers? is part of Australia Post's *Better connections* research series.

These reports are developed using data from various sources, including the Australia Post Consumer Survey. This survey, conducted each quarter, measures attitudes and behaviour of Australians towards different communication channels. Australia Post uses Quality Online Research (QOR) to compose a panel of respondents that best represents the Australian population in terms of age, gender and geographic location.

In March 2015, the Australia Post Consumer Survey asked Australians about their dealings with different types of organisations, including the length of time they have dealt with them and what drives the decision to stay with or switch providers. Respondents were also asked about the rewards / loyalty programs they belong to, how they like to hear from the companies they deal with and whether belonging to a loyalty program makes them more likely to deal with a particular business. The survey also took a closer look at Australians' relationships with supermarkets and charities.

Audience segments

Apart from analysing results according to age, gender, location and employment status, the following audience segments were identified within the total sample group:

	Youth	Under 25 years old.	Many university students or part-time workers.		Home duties	Most likely to have young children.	Household income: under \$50,000.
	Younger professionals	No children.	Household income: \$50,000–\$150,000.		Older professionals	Over 40 years old.	Household income: \$150,000+.
	Younger families	Dual-income household, with children under 10 years old.	Household income: \$50,000–\$150,000.		Retirees	Over 65 years old.	Household income: under \$50,000.
	Older families	Dual-income household, with children over 10 years old.	Household income: \$50,000–\$150,000.				

Executive summary

1

Australians regularly use or deal with supermarkets (84%), banks or financial institutions (75%), utility providers (68%) and telecommunications companies (60%).

2

Fewer Australians regularly interact with charities (25%), government organisations (25%), travel and holiday companies (23%) and real estate companies (15%).

3

Personalised direct mail is preferred for government communications (41%), catalogues and flyers for hardware stores (46%) and email for travel and holiday companies (62%).

4

Approximately one in two Australians (51%) has changed provider of at least one service in the past two years.

5

Being presented a better offer was a key reason for switching service provider across all industries, particularly for credit card providers (45%).

6

A price increase was the key reason for switching insurance providers (car – 47%; home and contents – 45%; and private health – 38%).



7

A third of Australians would consider switching back to a previous provider if they received a personalised offer or if a new provider failed to meet expectations.

8

Among Australians who had not switched service providers in the past few years, 60% reported it was because they were happy with their current providers.

9

Around three in five Australians agree that it is easier now to switch service providers, compared with a couple of years ago. This is generally because they feel online websites make it easier to find a better deal (64%) or service providers are making it easier to do business with them (55%).

10

The most important things a service provider can do to keep someone's business are to have the lowest prices (36%) and have quality products or services (24%).



11

78% of Australians are members of a loyalty / rewards program. 84% of these people hold two or more loyalty / reward program memberships.

12

39% of people who didn't belong to any loyalty programs said that the incentives or rewards are generally not worth it.



13

Being a loyalty program member does not necessarily result in people exclusively using an organisation over its competitors. 46% said they only sometimes use an organisation because they are a member of its loyalty program, while a further 30% said it depends on other factors such as price.

14

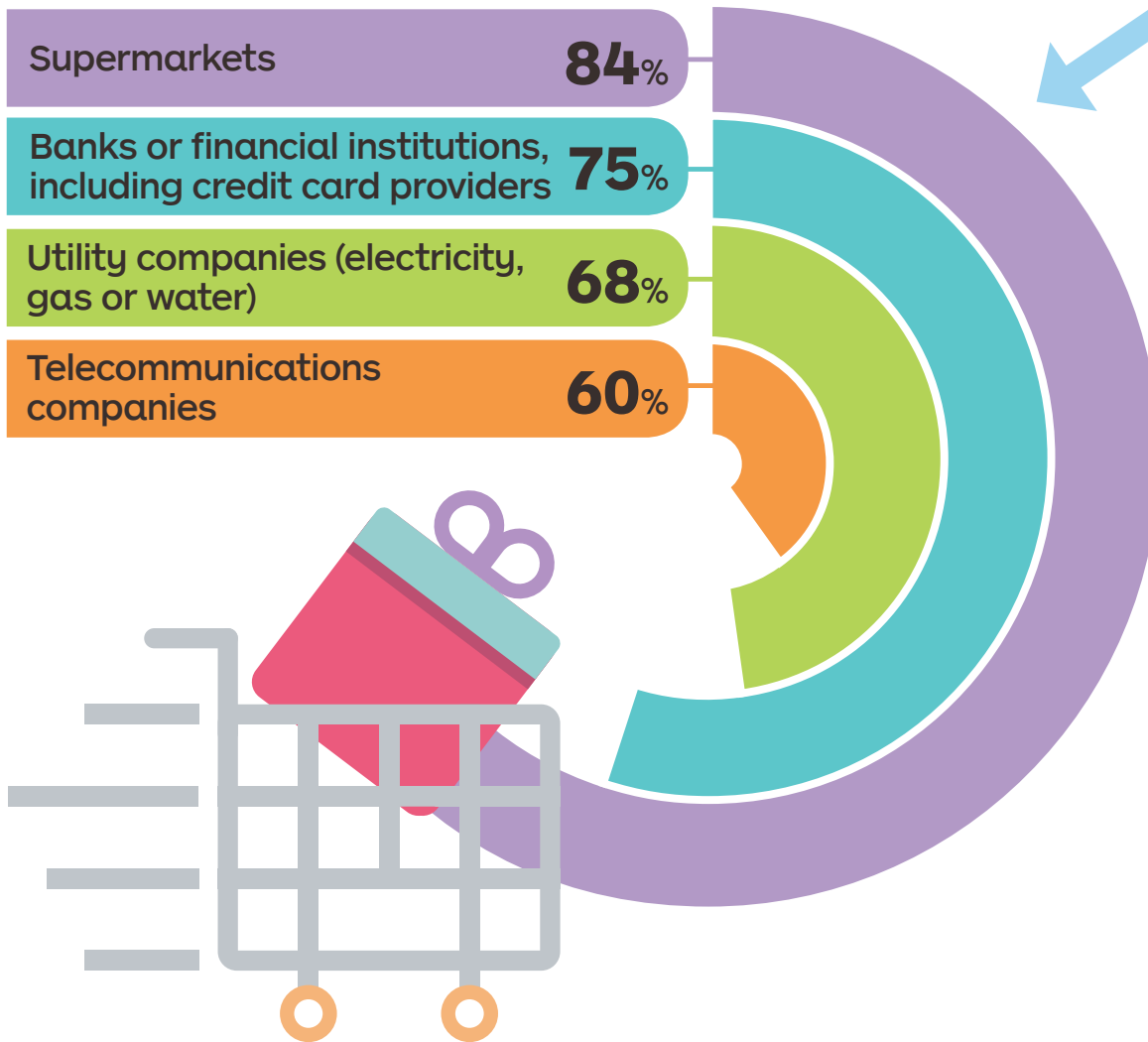
75% of members would like to receive information about loyalty programs via email.



Which companies do Australians commonly interact with?

Most common interactions

The four businesses that Australians most regularly use or have dealings with are:



Interactions and age

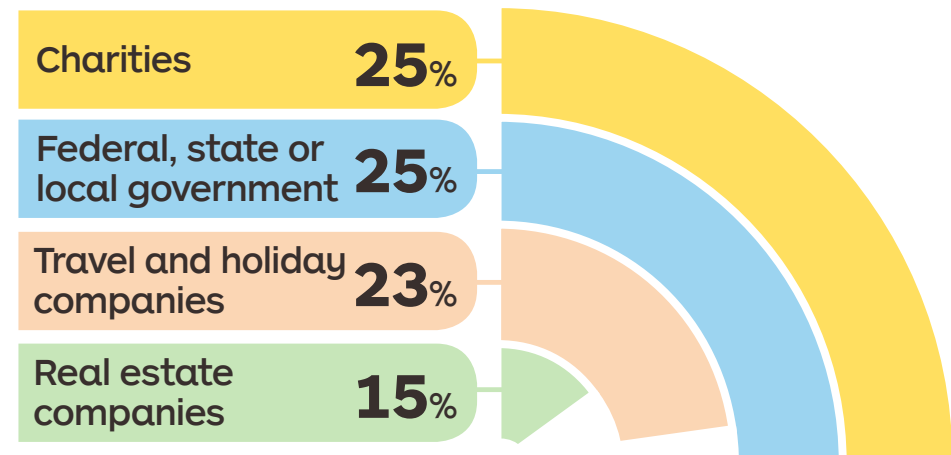
Interactions with these organisations increased with age, with Australians aged over 50, older families and retirees having the most dealings with these companies.

One industry that had a similar number of interactions regardless of age (around 50–60% across all age groups) was local restaurants / takeaways.

While the youth segment was much more likely to interact with fashion stores compared with older age groups (39%, compared with 28% for all Australians), this segment was also less likely to interact with department stores (43%, compared with 50% for all Australians).

Least common interactions

In contrast, substantially fewer Australians regularly interact with:



Companies Australians interact with

Base: All Australians

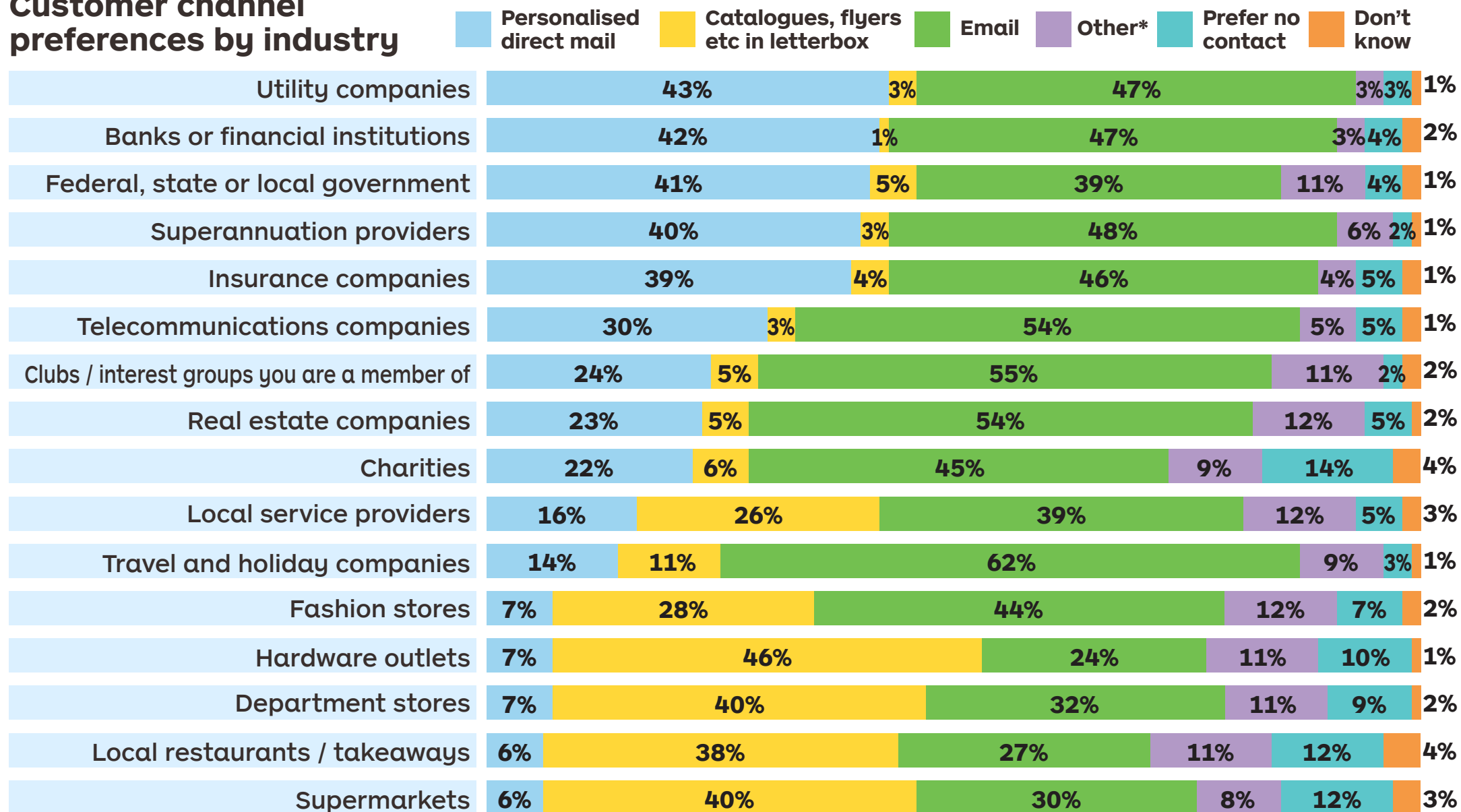
	TOTAL	Youth	Younger professionals	Younger families	Older families	Household duties	Older professionals	Retirees
Supermarkets	84%	68%	78%	78%	89%	83%	89%	92%
Banks or financial institutions, including credit card providers	75%	49%	68%	69%	86%	67%	83%	89%
Utility companies (electricity, gas or water)	68%	32%	55%	64%	78%	64%	71%	85%
Telecommunications companies	60%	33%	51%	55%	67%	56%	69%	72%
Insurance companies (ie. health, car, home and contents providers)	55%	21%	46%	55%	64%	43%	66%	76%
Department stores	50%	43%	48%	53%	53%	47%	57%	51%
Local restaurants / takeaways	53%	50%	55%	57%	57%	47%	63%	45%
Fashion stores	28%	39%	29%	32%	27%	21%	35%	25%
Hardware outlets	42%	18%	25%	41%	50%	35%	45%	62%
Clubs or interest groups you are a member of	30%	15%	17%	25%	34%	22%	39%	44%
Superannuation providers	29%	12%	31%	31%	39%	20%	47%	24%
Local service providers	27%	13%	19%	24%	31%	27%	34%	33%
Charities	25%	14%	22%	16%	32%	20%	29%	31%
Travel and holiday companies	23%	18%	23%	16%	30%	11%	32%	27%
Federal, state or local government	25%	13%	20%	21%	27%	21%	37%	31%
Real estate companies	15%	7%	22%	25%	16%	14%	24%	10%
None of above	4%	9%	6%	7%	1%	5%	2%	1%

Note: Figures in green indicate a significantly higher result compared with the total, and figures in red indicate a significantly lower result compared with the total.

How do Australians want to hear from companies they deal with?

Australians typically prefer to receive communications from companies they deal with via email or personalised direct mail. However, catalogues / flyers in the letterbox are the most popular channel for retail industries such as supermarkets, department or hardware stores.

Customer channel preferences by industry



* Other channels included SMS, social media, TV, press (newspapers and magazines), radio, or other methods.

Top 5 personalised direct mail preferences

Australians said they would prefer to receive personalised direct mail from:

1	Utility companies (electricity, gas or water)	43%
2	Banks or financial institutions	42%
3	Federal, state or local government	41%
4	Superannuation providers	40%
5	Insurance companies	39%

Top 5 email preferences

Australians said they would prefer to receive emails from:



1	Travel and holiday companies	62%
2	Clubs or interest groups you are a member of	55%
3	Telecommunications companies	54%
4	Real estate companies	54%
5	Superannuation providers	48%

Top 5 catalogue / flyer preferences

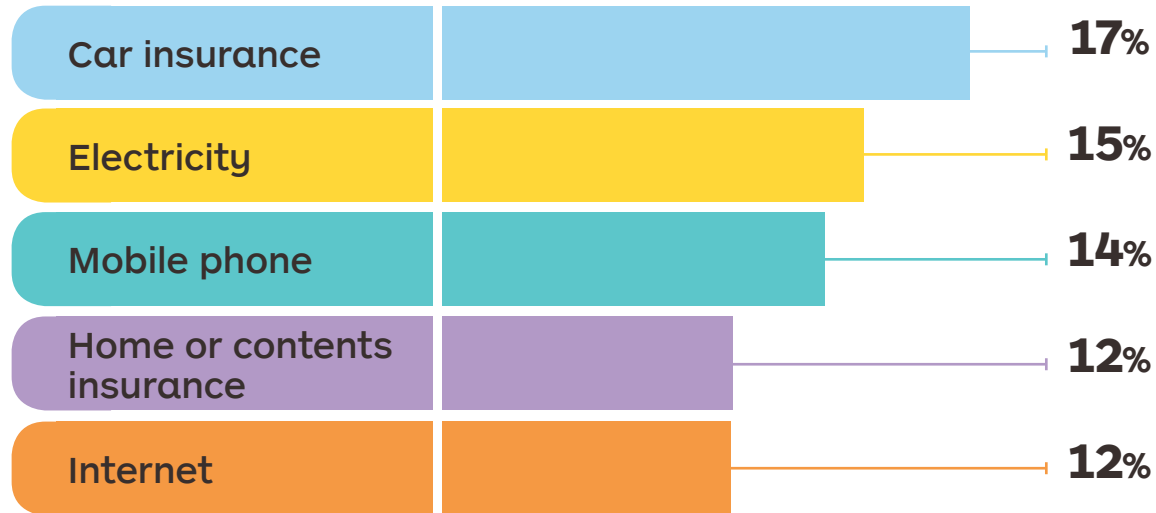
Australians said they would prefer to receive catalogues / flyers in the letterbox from:

1	2	3	4	5
Hardware outlets (46%)	Supermarkets (40%)	Department stores (40%)	Local restaurants / takeaways (38%)	Fashion stores (28%)

Switching service providers

51% of Australians have changed providers in the past two years.

People were most likely to switch:



Australians were least likely to switch:

- Gas (9%)
- Home phone (8%)
- Private health insurance (8%)
- Credit card (7%)
- Superannuation (6%)
- Gym (5%)
- Home loan (4%)

Who's most likely to switch?

People in full-time employment were significantly more likely to have switched at least one provider (58%), compared with those working part time (51%) or those not in the workforce (44%). This may be because people with full-time employment can afford to spend more and use more services.

Younger professionals were more likely to have switched:

- Private health insurance (13%)
- Credit card providers (15%)
- Superannuation providers (10%)
- Internet providers (18%)
- Gym service providers (11%).

Older professionals were more likely to have switched:

- Car insurance providers (24%)
- Gas providers (15%)
- Credit card providers (15%)
- Private health insurance (12%)
- Superannuation providers (12%).

Youth were much more likely to have switched their mobile phone provider (25%), compared with the general population (14%) – perhaps looking for the best deal or attracted by a popular new model.

Younger families were more likely to have switched their car insurance (27%), compared with the general population (17%). This might correspond with this group buying a more family-friendly car as their families grow.

Why do Australians switch?

Switching behaviour tends to be opportunistic or driven by a change of circumstance, rather than the result of prior planning.

Being presented with a better offer was a key reason for switching service provider, across all industries.

Moving house was another reason for switching household service providers such as utilities, internet, home phone and home loan. When moving home, individuals often make contact with their service providers to arrange disconnection and re-connection of household services. Hence, it is not surprising that they use this opportunity to compare rates and switch if they find a better offer. They may also be forced to switch if a provider doesn't service the area they are moving to.

What doesn't make people switch?

Switching behaviour was unlikely to be driven by poor customer service (7%), difficulty doing business with a provider (4%) or a contract being up for renewal (8%).

Main driver for switching: a better offer

Being presented with a better offer by another provider was the main reason for changing:

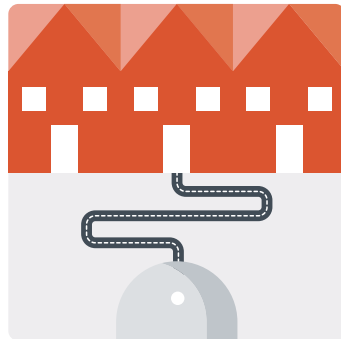
- Credit card (45%)
- Home loan (33%)
- Superannuation (32%)
- Gas (31%)
- Electricity (31%)
- Mobile phone (31%)

Main driver for switching: a price increase

A price increase was the main reason for changing:



Main driver for switching: moving house

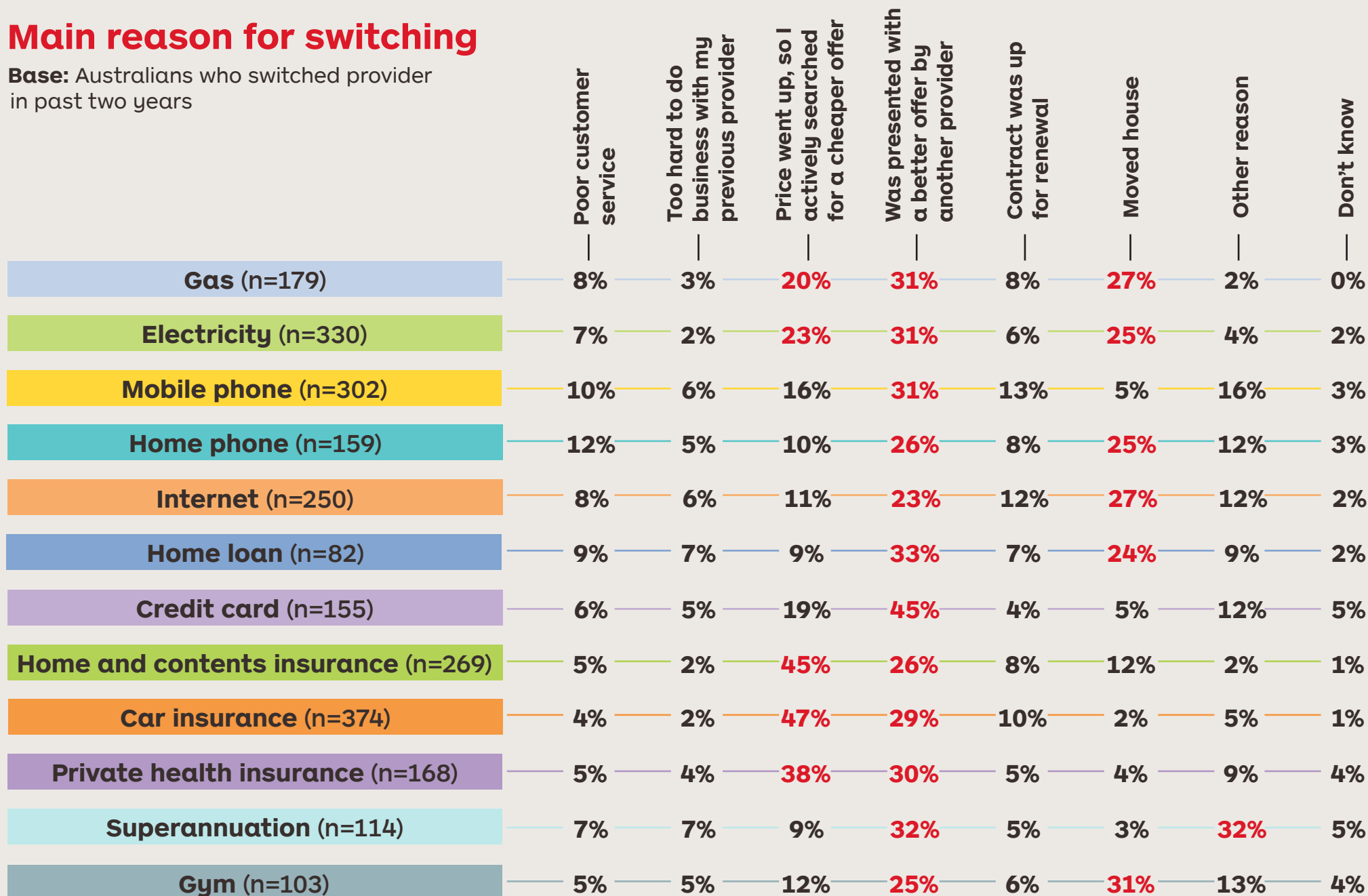


Moving house was the main reason for changing:

- 31% Gym
- 27% Internet

Main reason for switching

Base: Australians who switched provider in past two years



Note: Figures in red indicate results 20% or higher.

Switching back

60% of Australians would consider switching back to their previous provider if they received a personalised offer by either mail or email, or if the new provider failed to meet their expectations.

On average, around 20% of Australians (percentage depends on provider type) would not consider switching back to their previous provider under any circumstances. This was highest for superannuation (32%) and gyms (29%).

Switching super funds

While a personalised offer was the main motivator for considering a switch back in many industries, Australians were unlikely to switch back to a previous superannuation provider because of personalised offers or incentives (11% for mail, 10% for email and 6% for door to door). Instead, 23% said the new super fund would need to fail customer expectations in order for them to consider switching back. This may reflect the additional time, effort or difficulty in switching superannuation service providers.

Something new: a driver to switch back

While receiving personalised offers via mail (21%) or email (24%) would motivate Australians to consider switching back to an old home loan provider, they would also consider switching back if their old provider launched a new product (22%). This may be because small differences in home loan interest rates and structures can have a major impact on repayments and family finances.



Reasons for remaining loyal

Customer loyalty appears to be linked with customer satisfaction. Australians generally choose to stay with their current providers because they are satisfied with the service.

Australians who have not switched service providers in the past few years typically reported it was because they were happy with their current provider (60%). A further 14% indicated it was because better offers had not come along.

Top five reasons to stay loyal

1	Happy with my current providers	60%
2	Better offers haven't come along	14%
3	Can't be bothered actively searching for new providers	9%
4	It seems too hard to change providers	6%
5	Locked into contracts with most of my current providers	5%

Reasons to consider switching back to a previous provider

Base: Australians who switched provider in past two years

Note: Figures in red indicate results 20% or higher.

	A personalised offer* presented by mail * (discount or incentive)	A personalised offer* presented by email * (discount or incentive)	A personalised offer* presented at front door * (discount or incentive)	Sent an unexpected gift or rewards	Old provider launches a new product or service	Old provider introduces a new loyalty program	My new provider failed to meet expectations	Other	I would never switch back to my previous provider	Don't know
Gas (n=179)	30%	32%	9%	16%	9%	16%	29%	7%	20%	9%
Electricity (n=330)	31%	27%	11%	12%	8%	12%	25%	5%	26%	8%
Mobile phone (n=302)	14%	21%	5%	12%	14%	9%	24%	9%	25%	13%
Home phone (n=159)	19%	20%	11%	11%	16%	12%	27%	6%	26%	10%
Internet (n=250)	21%	21%	6%	14%	16%	9%	28%	8%	25%	13%
Home loan (n=82)	21%	24%	10%	12%	22%	11%	15%	2%	24%	18%
Credit card (n=155)	25%	27%	10%	16%	14%	17%	23%	4%	18%	14%
Home and contents insurance (n=269)	29%	28%	5%	9%	11%	11%	27%	5%	20%	9%
Car insurance (n=374)	32%	33%	5%	11%	10%	10%	24%	7%	17%	9%
Private health insurance (n=168)	23%	24%	7%	12%	17%	15%	23%	4%	18%	13%
Superannuation (n=114)	11%	10%	6%	8%	11%	7%	23%	5%	32%	18%
Gym (n=103)	17%	22%	9%	10%	15%	11%	14%	10%	29%	17%

How easy is it to switch?

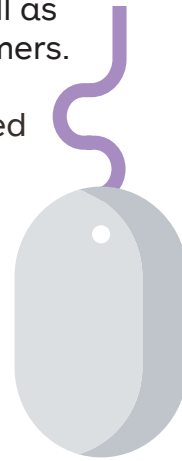
58% of Australians agree that it is easier now to switch service providers compared with a couple of years ago.

They attribute this to how easy it is to access information and offers on the internet, as well as businesses providing more streamlined services. They also believe that having the lowest prices, as well as quality products and services, is paramount to retaining customers.

Full-time workers (65%), men (62%) and older families (62%) agreed most strongly with the statement that it's now easier to switch.

Why is it easier to switch?

- Online websites make it easier to find a better deal (64%)
- Service providers are making it easier to do business with them, ie. fewer forms and quicker sign-up times (55%).



Who is swayed by recommendations?

While only 16% of the general population felt that it was easier to switch as a result of customer recommendations on social media or website blogs, youth were much more likely to cite this as a reason (28%).

36%

felt it was because they were being presented with more offers from service providers.



What makes it tougher to switch?

Of the 16% who thought it's not easier to switch:

- 40% said that's because there are switching costs ie. penalties from an existing supplier or set-up costs with a new supplier
- 43% said it's too hard and time consuming to change, ie. filling in forms
- 34% they are not being presented with better offers.

Customer retention: the most important factors

According to Australians, the two most important things a service provider can do to keep Australians' business are:

- Have the lowest prices (36%)
- Have quality products or services (24%).

Great customer service or making it easier for customers to deal with a business were less likely to have an impact (17% and 12% respectively).

Customer loyalty: rewards / loyalty programs

78% of Australians were members of one or more loyalty / rewards program.

Membership was more common among females (86%), but less common among men (71%) and the youth segment (60%).

Among loyalty program members, 84% were members of two or more programs, with 57% holding three or more memberships.

People with the highest number of memberships (five or more) were more likely to be female (24%), aged 30–39 years (27%), older professionals (27%) and those with household incomes greater than \$100,000 (25% – \$100K to <\$150K; 27% – \$150K+).



Are loyalty program members really loyal?

22% of people with one or more loyalty program memberships indicated that being in the loyalty program results in them using the organisations involved all the time. These individuals were more likely to be male (26%), younger people (29% aged 18–29 years; 30% aged 30–39 years), in full-time employment (29%) and metro residents (25%).

For the majority of Australians, being in a loyalty program does not necessarily result in members choosing that particular organisation over their competitors. 46% said they sometimes use the organisation associated with the loyalty program of which they're a member, and a further 30% said it depends on other factors, such as price.

Price was much more of a deciding factor for people aged over 60 (43%), retirees (47%), people who were unemployed (37%) and regional residents (35%).

Communicating with members

75% of loyalty / rewards program members would like to receive information about their programs via email. Around one in five would prefer to receive personalised direct mail.



Why don't people sign up for loyalty programs?

Non-membership of loyalty / rewards programs was mainly due to the perception that the incentives or rewards are generally not worth it (39%). However, a lack of interest in shopping only with one supplier (26%) and not wanting to be marketed at (26%) also factored into the decision not to sign up.

Supermarket loyalty

74% of Australians shop at the same supermarket chain each week.

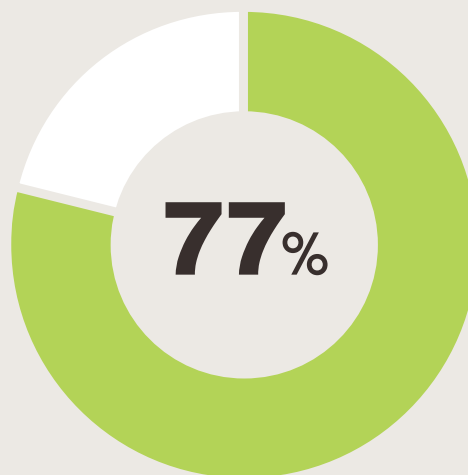
This is generally because a particular outlet is closest to home (55%) and the shopper feels it's easy / they know where everything is (55%). Other factors include the chosen supermarket chain usually being the cheapest (35%) or that there are some products customers can only get at a particular supermarket chain (22%).

Supermarket loyalty programs work

Loyalty programs play an important role for supermarket shoppers; almost half (48%) reported that they shop at the same supermarket chain each week because they belong to a rewards program there. Females and people aged 30 or older were more likely to state this (55% and 51% respectively).



Charity loyalty



77% of Australians donate to charities with varying frequency:

- Whenever I'm approached (6%)
- Monthly (20%)
- Every couple of months (10%)
- Quarterly (6%)
- A couple of times a year (22%)
- Yearly or less (13%).

Dependable donors

Those who donate generally donate to the same charities (59%). This is especially the case among Australians 60 years and over (67%), retirees (68%) and regional residents (63%).

21% of those who donate reported that they constantly change the charities they donate to. These individuals were more often young people (18–29 years – 30%, 30–39 years – 32%) and metro residents (23%).



Reasons people stop donations or switch charities

The number one reason someone would stop donating is if their personal finances tightened (71%). Other key reasons include if the charity started asking to increase the value or frequency of donations (39%) or if a donor felt another charity needed their money more (26%).

What makes Australians stay with or switch providers? is part of Australia Post's *Better connections* series. These reports are released on a quarterly basis and are available to download at: **auspost.com.au/betterconnections**.

The Association for Data-driven Marketing (ADMA) and Australia Post have also conducted additional research on advertising channel preferences in different industries. To find out more about the advertising channels Australians consider most useful, **download your free copies of these industry-specific reports at: auspost.com.au/creatingconnections**.

