

INTERNET BANKING

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**Market
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Internet Banking in New Zealand lags Australian development by 18 Months however new evidence shows New Zealand's 2 million Internet users may already perform 66% more transactions.

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Internet Banking in New Zealand lags Australian development by 18 Months but new evidence shows New Zealand’s 2 million Internet users may already perform 66% more transactions.

The Australian benchmark results emanate from the 2003/2004 bank-sponsored, MISC (Market Intelligence Strategy Centre) Internet Banking Data Pooling Facility. The data collected and pooled is submitted by most of Australia’s leading Internet Banks including pool members like NAB, Commonwealth, ANZ, Suncorp, Westpac, BankWest and Bendigo with special assistance from Citibank, and Bank of Queensland.

Although the New Zealand Internet Banking environment has developed more recently than in Australia, the technology savvy New Zealand market already boasts advanced developments in Internet Banking and related areas, says MISC (Market Intelligence Strategy Centre) - the Australian research group who pools figures on behalf of Australian banks. Internet Banking first emerged in New Zealand in 1996/97 when ASB provided customers with online retail banking. By 2000 most of the other New Zealand banks had introduced retail banking via the Internet. Now some 11 banks in New Zealand offer Internet banking transaction capabilities with an ever increasing number providing the opportunity to purchase financial products online.

ONLINE APPLICATION OFFERING

	Home Loans	Personal Loans	Credit Cards	Term Deposits	Transaction Accounts	Insurance (House & Contents)
ANZ	✓	✓	✓	✓	✓	✗
ASB	✓	✓	✓	✓	✓	✗
RN7	✓	✓	✓	✓	✓	✗
HSBC	✓	✗	✗	✓	✓	✗
Kiwibank	✓	✗	✓	✗	✗	✗
Rabobank	✗	✗	✗	✗	✗	✗
NBNZ	✓	✓	✓	✗	✓	✗
Westpac	✓	✓	✓	✗	✓	✗
TSB	✓	✗	✗	✗	✓	✗
Superbank	✗	✗	✗	✓	✓	✗
Bank Direct	✓	✓	✓	✗	✗	✓

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New Zealand's more than 2.1 million users almost match the user penetration levels of Australia (i.e. 54% of the New Zealand population against Australia's 56%) and when they internet bank, their 160 million transaction activity, on a pro rata basis, exceeds Australian levels by 66%. By the 2003-year end, New Zealand Internet bankers made nearly 160 million transactions (data derived from the New Zealand Bankers Association). For the same period, Australia's 11 million Internet users (7.9 million of which are Internet Bank users) made just three times that.

On a comparable pro rata basis, New Zealand's 75 transactions per Internet user (not Internet banker) compares well with Australia's 45 transactions per customer. MISC is quick to point out that a comparison on a pro rata Internet Banker basis is not yet possible between the two countries as there is no comparable industry measure to see precisely how many Internet Bankers exist in New Zealand. In the absence of accurate Internet banking data, which can be consistently compared, MISC says that New Zealand Internet bankers are by all standards very active.

New Zealand Cyber Banking Physical Banking Indicators		
Selected Australia and New Zealand Measures (000s)		
	Australian December 2003	New Zealand December 2003
Internet Users including Internet Bankers and Potential (000)	11300	2110
<i>Pro rate User per head of Population</i>	0.56	0.54
Registered Internet Bankers Official Pool measure	7905	No Comparable measure
Internet Banking Transactions	505610	159249
<i>Pro rata Trans per head of Internet User Population (incl IB bankers and Non)</i>	44.7	75.5
<i>Pro rata Trans per head of Registered IB bankers</i>	64.0	No Comparable measure
Physical Banking Indicators		
Bank Branches	4858	1103
Branches per 10,000 pop	2.42	2.85
Cheques issued#	556981	206018
Cheques per capita	27.7	53
Growth rate 2003/2001	-24	-8.8
Source: MISC (Market Intelligence Strategy Centre) Electronic Channel Database 2003		
# Customer Personal Cheques issued by cheque account holders including cash cheques		
Pre May 2002 Aust APCA Monthly Average Post May 2002 Reserve Bank Monthly series/New Zealand Banker Ass. 2004 reporting		
MISC (Market Intelligence Strategy Centre) Internet Banking Data Pooling Facility		
June Qtr 2001/2003		
IB - Internet Banking		



Physical Banking Sets Another New Zealand Difference:

In Australia the development of Internet banking has increased at the expense of many physical banking options. Significantly, as Internet banking transactions have grown by more than 150%, cheques written have lost favour with Australian consumers as they have sought to substitute cheque writing with other electronic options. A similar pattern has been seen with branch closures as the ratio of branches to population has fallen to 2.4 per 10,000 people. In New Zealand, despite a 9% decline in cheque usage, twice as many cheques are written (per capita) as in Australia and its 1100 bank branches provide greater population coverage. The ratio of branches to population for New Zealand stands at 2.8 per 10,000 consumers.

Further Background Notes to MISC Facility Service Development & Methodology

These are findings from the MISC Internet Banking Data Pooling Facility collection for the 2003/ 2004 quarters. The latest report is the sixteenth so far produced by MISC on this dynamic sector of the Electronic Banking market and is based upon banks supplying quarterly detailed Internet banking transaction data adhering to a standard format and consistent definitions designed by MISC. The report is compiled exclusively for the use of the members of the facility, a unique collaborative service, developed by MISC together with Australia's leading Internet banking financial institutions.

These institutions regularly pool detailed statistics on their Internet banking service activity. This latest September 2004, reporting is augmented with extended analysis of on-line applications across a wide and increasing range of bank products including Home Loans, Personal Loans, Credit Cards and Insurance. Additional Pool members have commenced contribution to this extra database including more recently Suncorp. Extended online analysis is scheduled for the September quarter 2004 providing enhanced procurement measures to members.

Development of the facility by MISC was in response to the market's need to address the issue of widely conflicting market measures and the search for a definitive and regular measurement of Internet banking uptake. To date there has been much discussion regarding terms used to describe those who have been attributed as having 'experienced' an Internet banking service. The MISC Facility specifically classifies 'user' definitions to ensure consistent measurement. This has resulted in the more valuable measure of 'Active' users i.e. actually transacting in the previous quarter.

Essentially the exciting 'data Pooling' initiative determines the true uptake of Internet banking activity and importantly ensures that an independent facilitator acts as a conduit for the data collection, analysis and interpretation. The MISC-run facility determines not only the true size of the market but also delivers, for each participant, their individual confidential relative positions. To track the market's development, MISC coordinates 90-day data pooling measures to which all participants now confidentially contribute. The subsequent quarterly reports delivered by MISC provide the various pool participants with the opportunity to position and monitor performance. Critically, the research provides the data required to underpin accurate Internet banking site development i.e. access features and the level of service customer's desire.

For further information on this unique service please contact MISC Marketing.

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