



## Root and branch

Banks are reviving old-school practices to win back the hearts – and savings – of customers.

Finance Editor Susanna Stuart reports

**AFTER DEREGULATION** in 1985, many banks focused on cost cutting. Computers enabled them to have fewer staff in each branch, and several banks – notably the ANZ who bought Postbank – went about closing smaller branches. Old favourites such as school banking, Christmas club accounts and other services were axed and this was the period when electronic banking services expanded – so for many customers it seemed like things had improved. But now banks are being forced to look at new ways of doing things. After the 2008 economic slowdown mortgage business shrank, but even during the hyperactivity of the housing market, the sheer volume of business disguised the fact mortgage brokers had eaten away a large slice of the banks' once iron-clad margins. And

since the introduction of KiwiSaver, other non-banking fund managers have scooped up savings that once might have been invested with banks. In September 2009 the Good Returns financial website reported that of the 471,313 KiwiSaver investors, just 35.5% had put their savings into bank schemes. In short, the banks have had to lift their game and some are turning back the clock to re-introduce services they once discarded. Here's what we are seeing:

● **ASB Bank.** Its recently introduced GetWise programme offers free financial literacy courses for primary schools – harking back to the old Kashin school banking service.

● **Kiwibank.** While ASB and National still dominate the student banking market, they don't have a dedicated website for

young adults quite so thorough as Kiwibank's [www.kiwiconnector.co.nz](http://www.kiwiconnector.co.nz). Kiwibank describes it as “the new place for you to bring your friends together and be rewarded with amazing experiences”. Music, competitions, surfing... who said banking had to be dull?

● **National Bank.** From December 1, 2009, the bank removed a wide range of bank fees in response to customers' resistance to using its services. Gone are the fees for setting up automatic payments and alterations (they used to cost \$2 a pop online) as well as various mobile phone banking fees. And the unpopular unarranged overdraft fee has been halved, from \$20 to \$10 a month.

● **BNZ.** The Total Money package lets you pool accounts and accrue interest from the combined balances. You can also name your own accounts. So if you're saving for a home deposit you can siphon funds from your pay into an account called, say, 'first home fund'. This service can only be managed online.

● **Westpac.** The bank is going back to its roots by opening 10 smaller community branches, reversing the centralisation trend which Westpac has stated was, in hindsight, a mistake. “The recession has shown us the need to work more closely with customers,” said CEO George Frazis in a media release last year.

These offerings are excellent and are a return to focusing on the core business of banking. I think the BNZ's package moves in the best direction, enabling customers to effectively design their own system and become better money managers. Ultimately, banks will be differentiated by their staff and how they relate to customers. A great local bank manager can make a world of difference if they can customise your banking arrangements to your situation. Don't forget that as a customer you are king. If your bank puts up obstacles, move to one that better suits your needs. ☐ For details of the changes go to [www.asb.co.nz](http://www.asb.co.nz); [www.kiwibank.co.nz](http://www.kiwibank.co.nz); [www.nationalbank.co.nz](http://www.nationalbank.co.nz); [www.bnz.co.nz](http://www.bnz.co.nz); and [www.westpac.co.nz](http://www.westpac.co.nz). If you have problems with your bank you can contact the Banking Ombudsman – [www.bankomb.org.nz](http://www.bankomb.org.nz).