

Breaking the Oligopoly

In an industry dominated by the Big Four, P&N Bank, with its new brand and under new leadership, is setting itself a five-year plan to provide a real alternative to the sector's heavyweights.

Images courtesy of P&N Bank

With more than 20 years' experience in the mutual banking industry, Andrew Hadley stepped into the role of CEO at P&N Bank in January this year. Chosen for his strategic vision, leadership and skills in change management and business development, Andrew has been charged to lead, energise and unlock further potential within the P&N Bank business.

"Prior to joining P&N I worked for CUA, the largest mutual in Australia, ultimately heading up their retail operations and leading a team of more than 500 staff."

Following that, Andrew shifted across into an operations role, heading up lending, payments and subsidiary companies. His final role was Group General Manager Strategy and Marketing, which was very much focused on positioning the business as a challenger to the major banks.

During this time, Andrew also sat on the board of Abacus, now known as the Customer Owned Banking Association (COBA). After leaving CUA at the end of 2012, he spent a few months consulting before joining CGU, a subsidiary of IAG, as their national business manager.

The P&N Board's decision to bring in someone with Andrew's strong mutual background clearly supports its mandate that the bank has no intention of demutualising any time soon. Andrew was drawn to P&N because of its position as Western Australia's largest locally owned and managed bank. "It was an opportunity too good to pass up. I've returned to an industry that I know particularly well and am very much looking forward to influencing the future of such a strong and well-known Western Australian brand."

Another aspect that attracted Andrew to P&N is the very strong

and consistent customer-service culture of the P&N Bank team. The most recent annual customer satisfaction score of 97 per cent reflects the organisation's long-held focus on putting the member first.

"Having dedicated most of my working career to working in the mutual industry, being back in this space is something I'm very passionate about. I genuinely believe there needs to be an alternative for consumers in a financial services market dominated by the Big Four players."

Andrew has joined the P&N team during a transitional period. In March 2013, P&N Bank underwent a full rebrand from Police and Nurses Credit Society. "Legislation in 2010 paved the way for credit unions and building societies to apply for banking licences to become mutual banks. I think the word 'bank' is very well understood by the public and is associated with safety and security. >



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“The research P&N Bank had previously undertaken showed two barriers to growth. Firstly, the term ‘credit society’ was not well understood in the west compared to the eastern states. Secondly, there was a misconception that P&N members had to be either a police officer or a nurse. Becoming a bank allowed us to not only change the name, but also to rebrand ourselves as a banking alternative for a much broader customer base, both demographically and vocationally.

“Until that point, we’d continued to see the average age of our membership increase and the rebrand allowed us to change the look, feel, and language to appeal to a broader audience.

“We’re also now committing a larger proportion of our investment into online advertising and social media with a goal to continue enhancing our digital offering and improving online banking services while keeping up with the

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technology needs of a diverse consumer base.”

While only new to the role, there are a few challenges that Andrew already anticipates, particularly relating to the overt oligopoly of the Australian banking industry. “I think the challenges for P&N Bank are not dissimilar to those faced by other mutuals, and I believe competition will come from two distinct areas. There’s undoubtedly a competitive disadvantage caused by the proposition that the Big Four banks are ‘too big to fail’, and all that mutuals are asking for is a level playing field. Equally, future competition is likely to also come from non-traditional sources.

“I believe keeping up with the fast pace of technological change is also a challenge since emerging banking trends are heavily reliant on technology. While we need to maintain the same proportionate investment as our larger competitors, it’s important that we

remain nimble and agile. As I see it, the increasing dependence on digital presents the mutual industry with some potential advantages. I believe we need to partner and collaborate within our industry to create efficiencies and make the most of this collective opportunity. As it stands, smaller institutions face the same regulation as the larger institutions, so we need to get a little smarter in terms of our operating model and how we conduct our business.”

While P&N Bank doesn’t have the scale of the Big Four, partnerships are already in play, particularly in the area of technology. P&N operates on a core banking platform that is owned by the industry where a number of mutuals have come together to collectively access that system, providing input into changes and evolutions. Andrew believes that procurement is another area that could deliver economies of scale for mutuals in the future.



P&N also collaborate in the wealth-management space, having a joint venture with IOOF to provide financial planning and wealth-management solutions to their members.

A key competitive differentiator is P&N’s customer-owned model. Unlike the major banks, P&N has no external shareholders looking for profits. “It’s important that our organisation continues to make profits, but those profits are reinvested in the shape of lower fees and better interest rates for the benefit of our members.

“Another major differentiator is the fact that we’re Western Australia’s largest locally owned bank. We know that many of our members just enjoy dealing with a well-established and genuine Western Australian brand. It’s worth making the point that the previous largest Western Australian bank is now owned by one of the Big Four. Not everyone is aware of that so I think there’s further opportunity for us to continue to educate West Australians.”

In March this year the federal government received a flood of

submissions for David Murray’s Financial System Inquiry. It was an opportunity for financial institutions to air their concerns regarding the industry and a chance for P&N Bank to make its voice heard. “We felt it was particularly important for us to not only support COBA’s submission, but to also make a submission on behalf of our members and the many millions of Australians that rely on customer-owned banks and mutuals.

“The overarching theme in our submission points to the stark reality that the Australian mutual sector currently has to operate in an environment that is heavily weighted in favour of the large banks.

“Our submission outlined recommendations on four key issues that we believe underpin the imbalance. I’ve already alluded to the general ‘too big to fail’ benefit that the majors receive, and there are other specific benefits such as the preferential treatment larger banks are given in terms of capital requirements and risk-weighted assets. In addition, there’s the implicit guarantee that

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the DSIBs [domestic systemically important banks] enjoy and we’re questioning if the proposed one-per-cent levy is sufficient. Our third recommendation calls for more overt ownership transparency and speaks to the notion that there are many sub-brands operating in the financial services market that are just divisions of one of the Big Four. We don’t believe that’s appropriate; we think they should be far more transparent in their disclosures to consumers as to who is actually behind the brand. And the fourth recommendation outlines that as a mutual that doesn’t pay dividends, we accumulate an enormous amount of franking credits, so we are looking at opportunities to unlock those franking credits and potentially derive some tax benefits for our members.”

While there are still a number of things P&N Bank can do better, Andrew believes he has a solid platform to build on for the future. “There are three strategic themes that P&N Bank will be focused on over the next five years. The first key theme is based on enhancing member value. The second will be improving organisational effectiveness, which has to be achieved to deliver on the first theme. And the third is very much around partnering for growth. Our current size and scale means we’re not in a position to build and develop everything ourselves; therefore, we need to be far more open to the notion of partnering and collaboration. I’m very positive about where the organisation is positioned and am particularly looking forward to rolling out our new five-year strategic plan in the second half of 2014.”

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