

Consumer Views of Financial Providers' Conduct

September 2018

Contents

3	Background	
4	Summary	
6	Findings	→ 6 Context: investments, number of providers, and communication
		12 Ratings for providers' conduct
		21 Overall perceptions of financial providers and drivers of a good experience
		27 Trust in providers
		29 Appendix
		38 Demographic profiles

Background

The FMA commissioned Buzz Channel to conduct research among New Zealanders to understand their experience with financial services providers.

This is the second time the FMA has carried out consumer experience research (the previous wave being in March 2017), but the first time Buzz Channel have been involved.

Throughout this report the 2018 results have been compared against 2017 (where relevant) and significant differences noted.

The aim of the research is to help the FMA understand consumer experience of the conduct of (and communications) from financial service providers.

An online survey was undertaken using Buzz Channel's research panel, buzzthepeople.

A total of n=2011 New Zealanders aged 18 years and over took part in the research, between 24 August and 6 September 2018. Of these 1628 had an investment/financial product or service of some kind (81%).

The margin of error on the total sample of n=2011 is +/- 2.2%. And for those with an investment n=1628 is +/- 2.4% (at the 95% confidence level).

The data has been weighted by gender, age, ethnicity, and region to ensure the sample is representative of the New Zealand population aged 18 years and over.

Summary

Investments:

Eight in ten New Zealanders aged 18 years and over have at least one investment type, KiwiSaver being the most common (66%), followed by Life Insurance (34%). People aged 70 years and over were the least likely to have an investment.

Among those who have an investment, half have only one investment type - this is consistent with 2017 results.

The younger age group 18 to 24 years are the most likely to have only one investment type, while those aged 30-59 years are the most likely to have multiple investment types.

Two thirds of those who have more than one investment type, have multiple providers for their investments (65%) and 29% have only one financial provider for their investments. Conversely the majority of investors with only one investment type also have only one financial provider (75%).

Interactions and communication with financial providers:

Three quarters of those with an investment indicated they have had an interaction or communication with their financial provider about either the performance of their investment product or to review their investments, in the last twelve months – particularly investors who have an investment portfolio (93%) and/or unit trust or managed fund (78%). Mention of this type of communication has increased among investors with KiwiSaver and life insurance (compared with 2017 results).

Investors rated the interactions with their financial provider highly at an overall level and also on the individual aspects of communication. Perceptions have improved since 2017 results on all aspects of the interaction measured except the information provided being easy to understand (which has remained static at 68% agreement). The increase in perceptions of the quality of interaction with financial providers appears to be driven mostly by KiwiSaver investors.

Summary

This year additional questions were asked of investors who indicated they have had an unsatisfactory interaction with their financial provider, to explore in more depth why. The reasons investors rated their interactions as poor included:

- Lack of proactive communication from the financial provider;
- Service/advice not personalised;
- Financial provider had insufficient knowledge;
- Insufficient information provided;
- Insufficient explanation provided;
- Either no fees information provided or insufficient detailed breakdown of the fees;
- Financial terms being difficult to understand;
- Issues left unresolved;
- Too much information to read through.

Trust:

An additional question was asked this year to gauge the level of trust investors have in their financial provider. 68% of investors overall indicated they trust their financial provider to meet their needs. Those with an investment portfolio managed by an adviser indicated significantly higher trust in their financial provider (86%).

Investors with multiple investment types were more likely to trust their financial provider (71%) than those with only one investment type (64%).

Context – investments, number of financial providers and communication

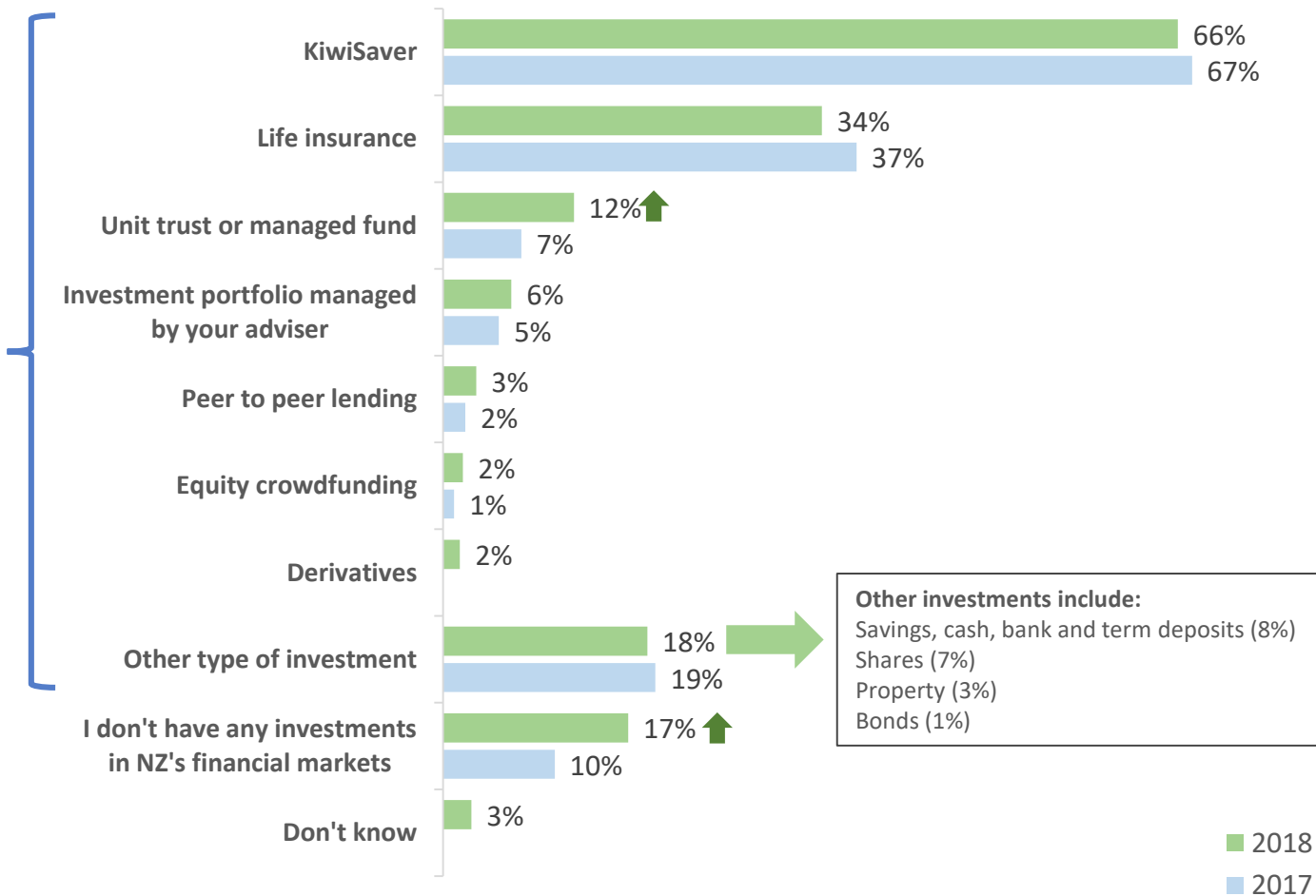


Type of investment held

81%
of people have
an investment

48%
of investors have
one investment

52%
of investors have
more than one
investment



81% of New Zealanders aged 18 years and over indicated they have at least one type of investment. KiwiSaver being the most common, followed by Life Insurance.

Among those who have an investment, just under half have one investment type only, and half have more than one investment type. This is consistent with 2017 results.

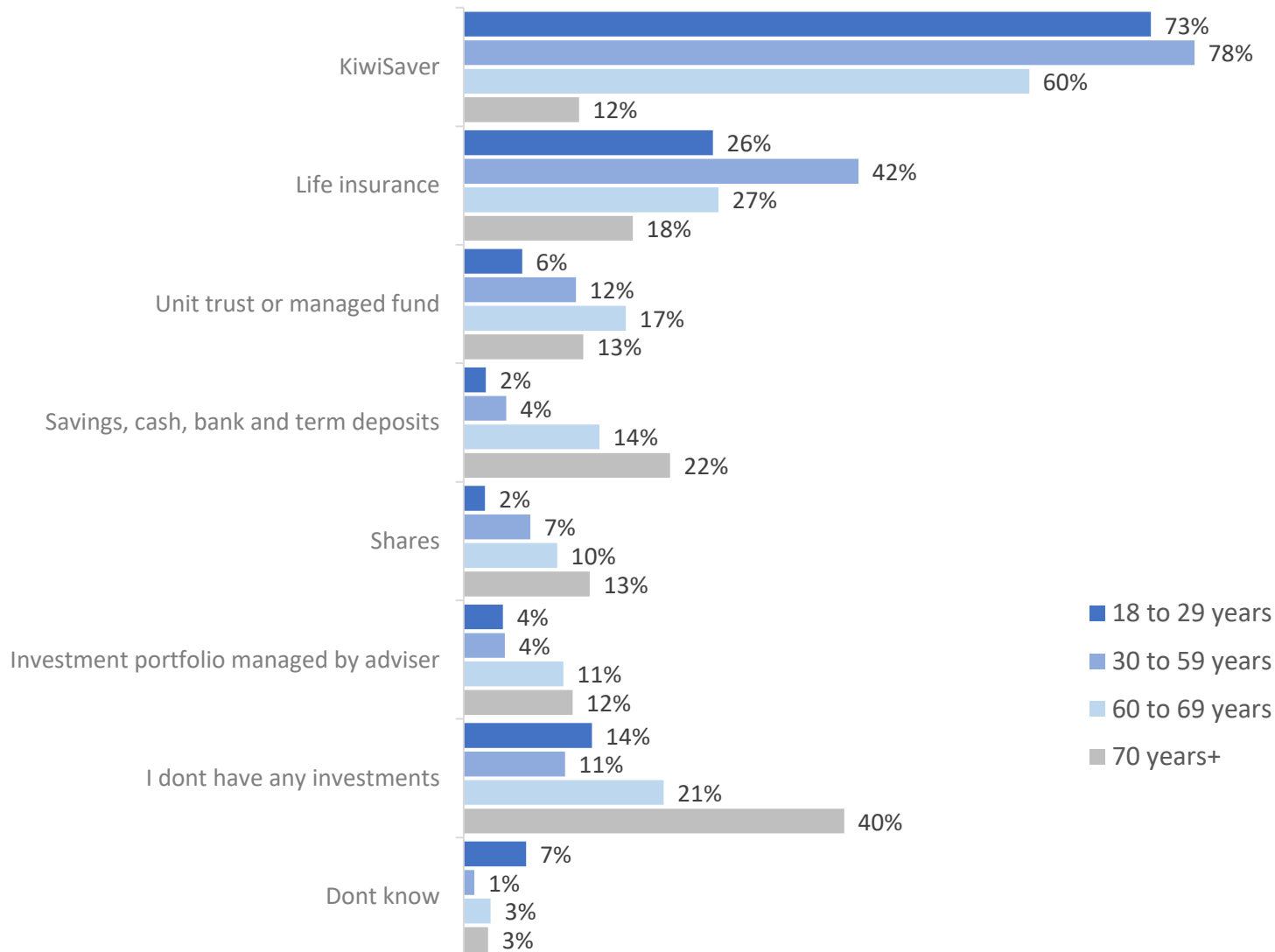
Those without an investment are more likely to be retirees, unemployed, or students, while those with an investment are significantly more likely to be in paid employment.

Those with a personal income of \$100,000 or more are more likely to have a unit trust or managed fund than those earning less than \$100,000 per annum.

Note: In 2017 90% of respondents indicated they had at least one investment type, compared to 81% in 2018. This change may possibly be attributed to removal of the option 'Other superannuation scheme' from the list of investment types respondents were shown to select from in 2018.

↑ Significant increase from the 2017 results. ↓ Significant decrease from the 2017 results.

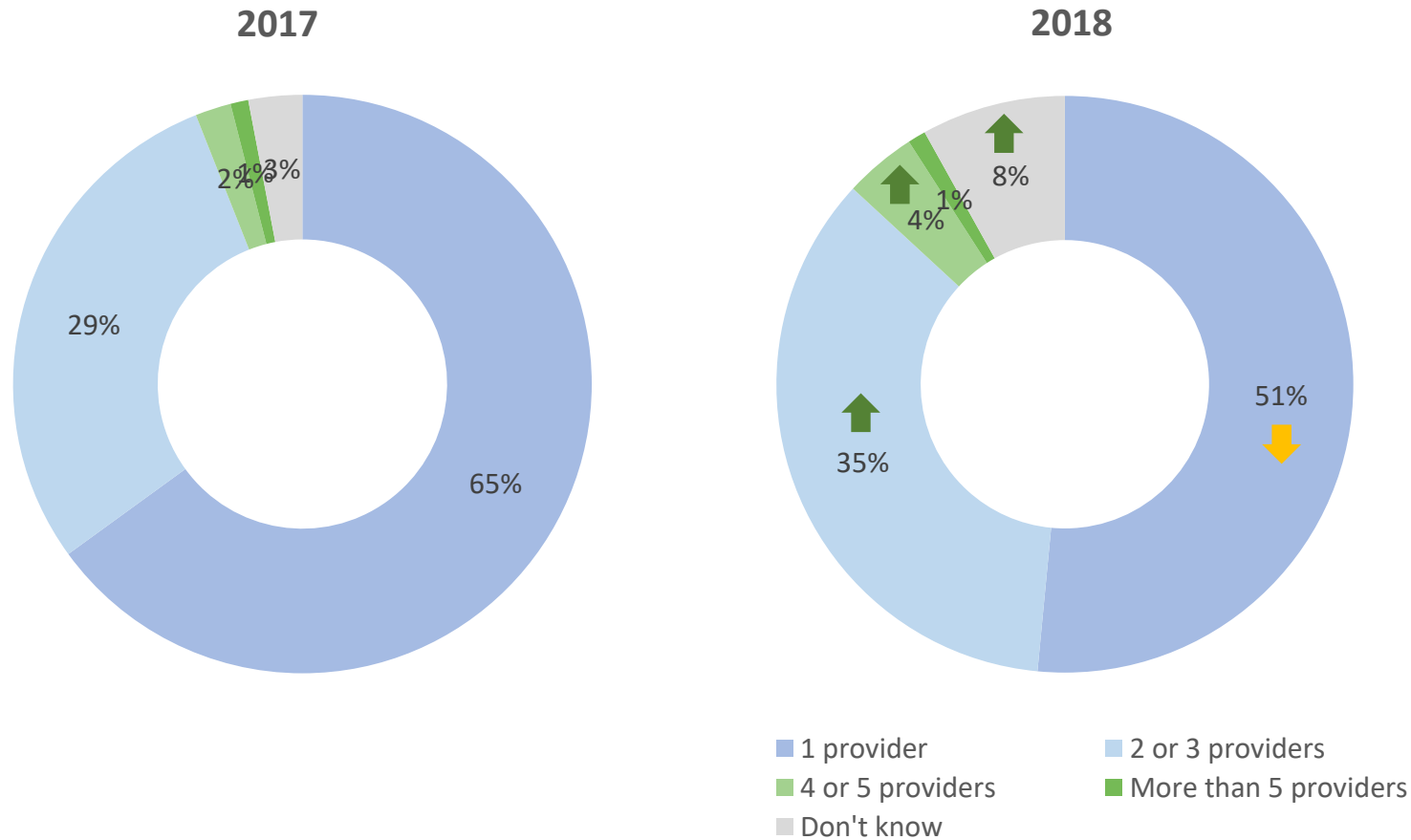
Type of investment held - by age



Type of investment held varies by age/lifestage:

- Those aged 18 to 59 years are the most likely to have a KiwiSaver investment;
- 30 to 39 years olds are the most likely to have life insurance;
- The older age group 70 years and over are the least likely to have an investment, and are also more likely than other age groups to have savings/bank deposits and/or shares.

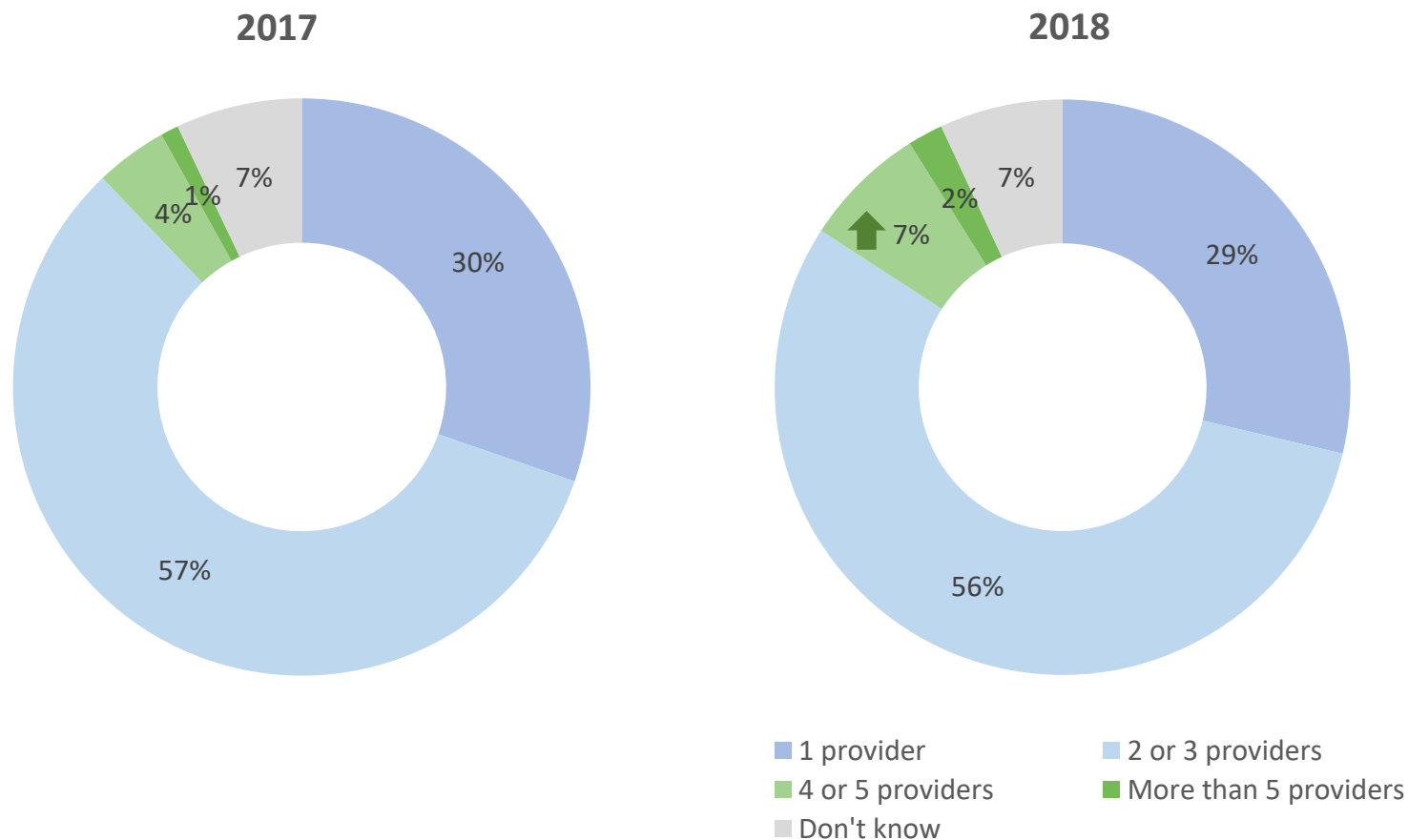
Number of financial providers among all investors



Around half of investors indicated they have only one financial provider. This is a decrease from 2017 when around two thirds of investors had only one financial provider.

↑ Significant increase from the 2017 results. ↓ Significant decrease from the 2017 results.

Number of financial providers among those with more than one investment

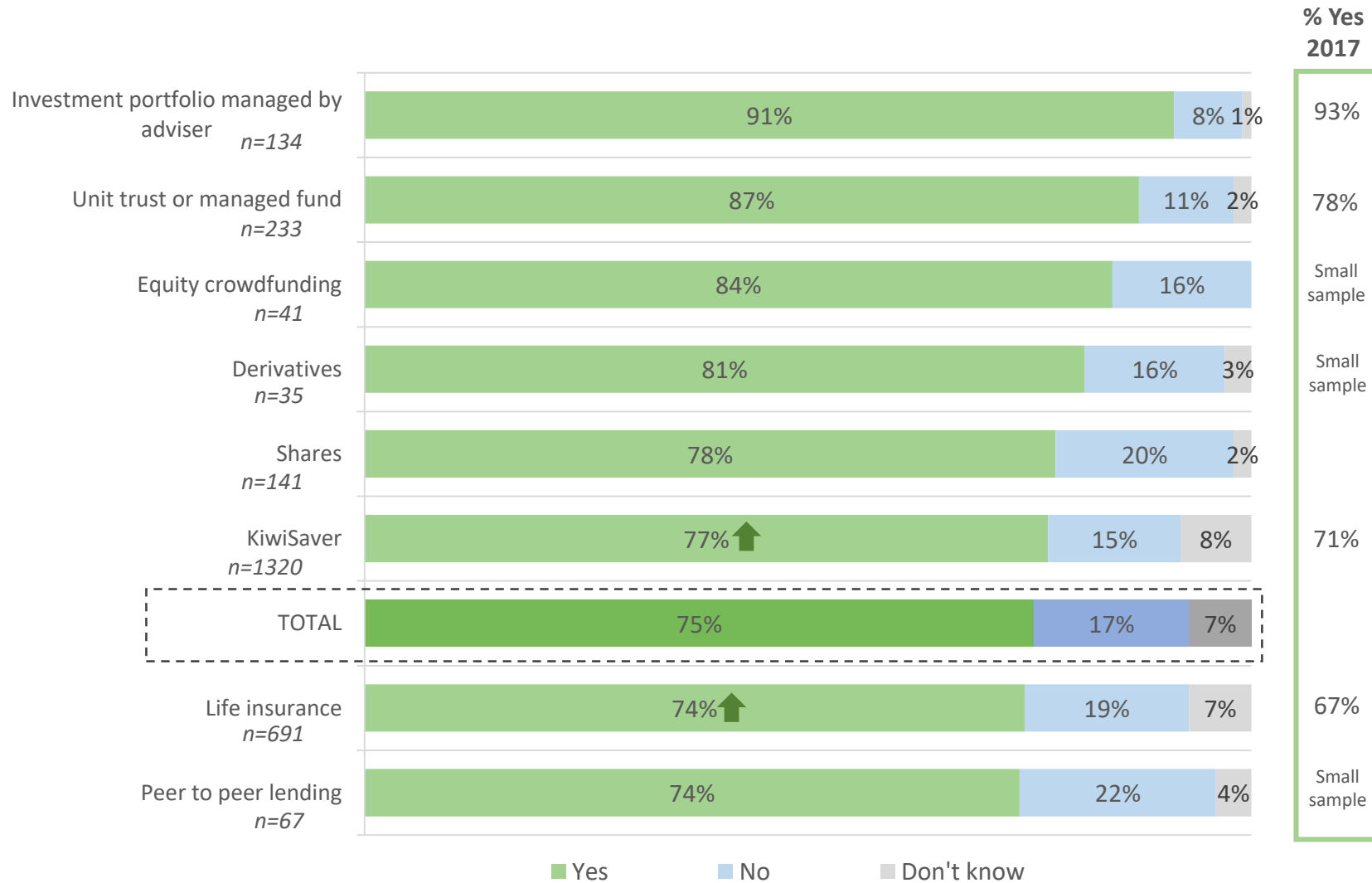


The number of financial providers among investors with multiple investments has remained stable with 2017 results (56%).

Those with only one investment type are more likely to have KiwiSaver compared to all other types of investments, and are also more likely to be younger (18 to 24 years) and have a personal income of less than \$50,000 per annum, for example: students, full time caregivers.

↑ Significant increase from the 2017 results.
 ↓ Significant decrease from the 2017 results.

Communication from financial provider



In total, three quarters (75%) of investors have been communicated with by their financial provider in the last 12 months about the performance of their product or to review their investments.

Those with an investment portfolio, unit trust or managed fund and those aged 50-69 years are more likely to say they have been communicated with about the performance of their product in the last 12 months when compared with all investors.

Mention of having been communicated with is significantly higher in 2018 among those with a KiwiSaver investment (77% vs 71% in 2017) and those with life insurance (74% vs 67% in 2017) in comparison to the 2017 results.

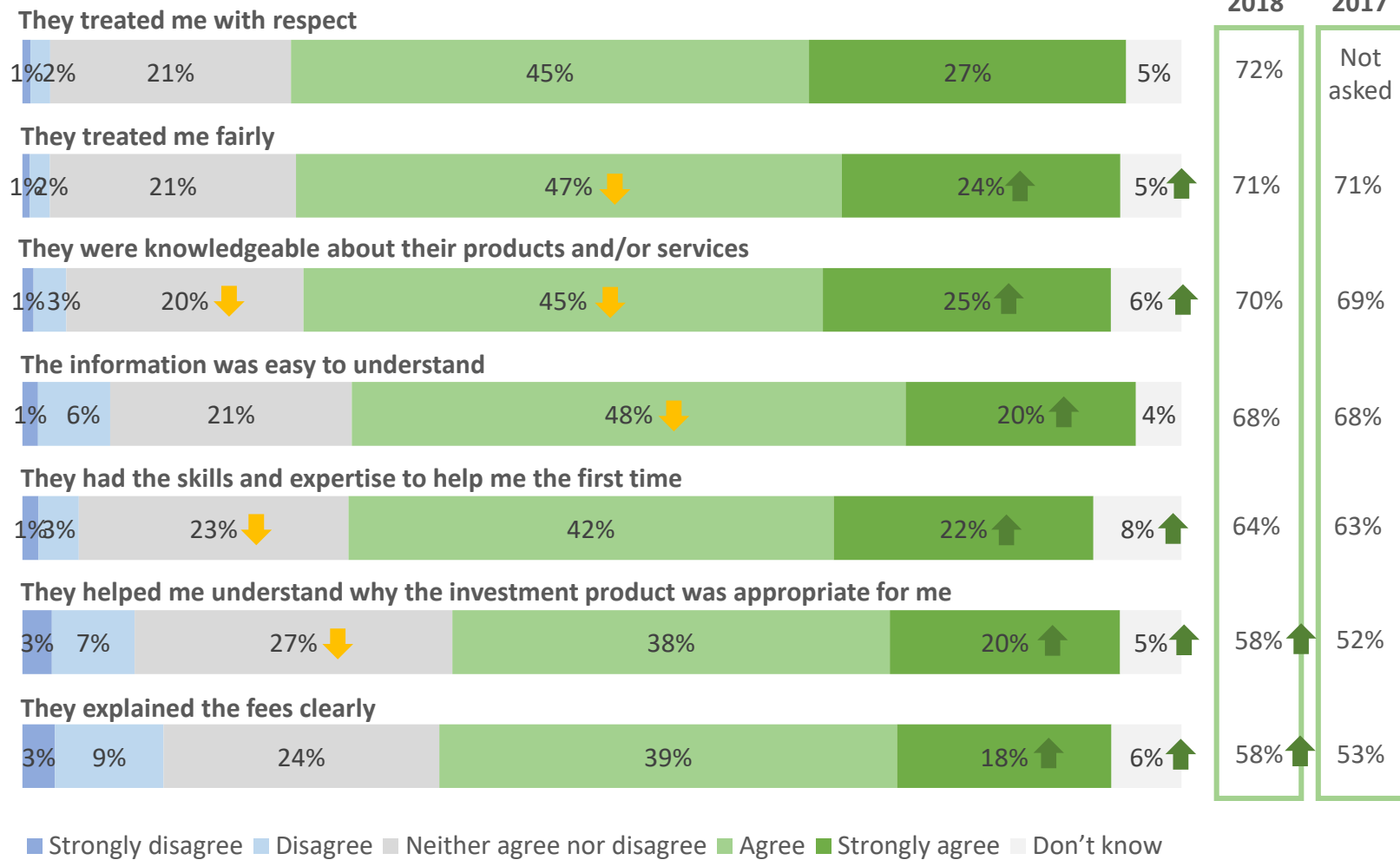
↑ Significant increase from the 2017 results.

Ratings for providers' conduct



Ratings for providers' conduct

Based on interactions over the last 12 months:



Based on interactions with their providers over the last 12 months, around seven in ten investors agreed their financial provider treated them fairly and with respect, were knowledgeable, and the information was easy to understand.

The aspects 'helped understand why the product was appropriate' and 'explained the fees clearly' are rated slightly lower with six in ten investors agreeing their financial provider delivered on these. However this is an increase compared to 2017 when around five in ten agreed. This is encouraging given that these aspects are identified as being high impact areas in the key drivers analysis (page 26).

Investors with more than one investment type are more likely to agree or strongly agree with each of these statements regarding their financial providers' conduct compared to those who have one investment type. Those with an investment portfolio are also more likely to agree or strongly agree with all statements.

This year additional questions were asked of investors who disagreed on any of the aspects relating to their financial provider to explore in more depth why. Findings are summarised on the following pages.

↑ Significant increase from the 2017 results. ↓ Significant decrease from the 2017 results.

Reasons disagreed (treated with respect)

"Little to no communication to ensure I was still happy with the cover, etc. during the past 20+ years that I have had the policy."

"I am only a number, unfortunately. The days of being treated as a human are well and truly over."

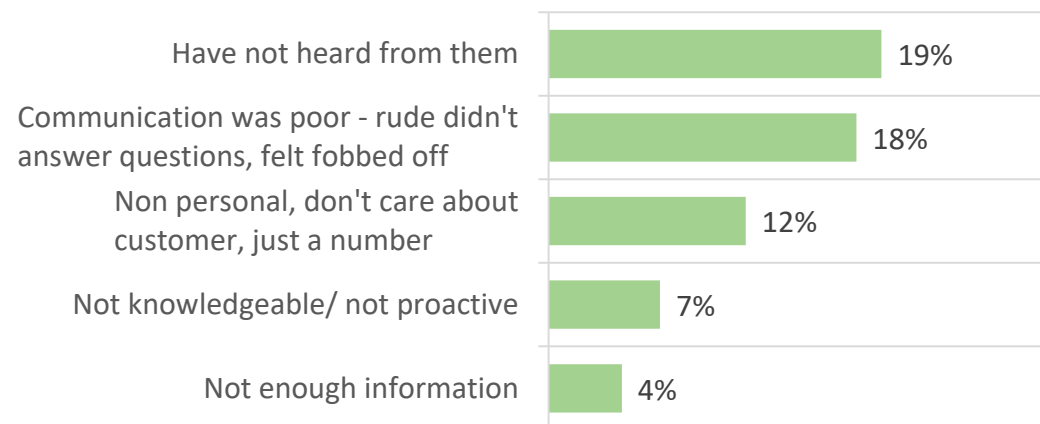
"No personal service and advice is hardly giving a client respect."

"The person was not so friendly when engaging with the customer."

Of the 2% (n=42) who disagreed that they were treated with respect by their financial provider, nearly a fifth mentioned poor communication, while a similar proportion mentioned they haven't heard from their financial provider at all.

Other reasons given include lack of personal service/advice, the provider lacking knowledge, insufficient information provided.

Q: 'You mentioned you disagreed with "They treated me with respect" – please can you say why, what happened?'
Base: n=42



Reasons disagreed (treated fairly)

"I feel I was pushed into making my investment. Personally I feel they take full advantage of the people who come across anxious, like myself. And in the past before I signed up with them they hounded me."

"Can't treat me fairly if they don't communicate via phone or correspondence."

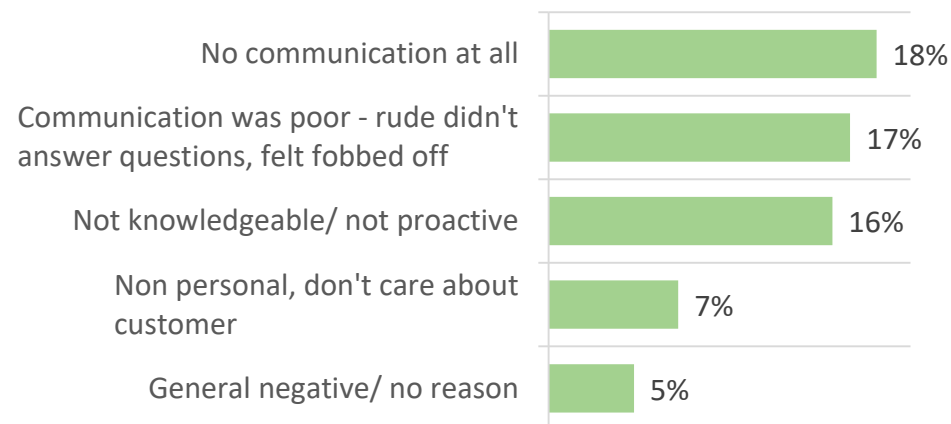
"Didn't return phone calls or emails."

"The person I dealt with on the phone was rude and made out like it was me that didn't understand the issue when it was them."

2% (n=40) of respondents disagreed that they were treated fairly by their financial provider.

Reasons for this include the fact that there was no communication from their provider, or if there was, the communication was poor. Another reason was the provider lacking knowledge.

Q: 'You mentioned you disagreed with "They treated me fairly" – please can you say why, what happened?'
Base: n=40



Reasons disagreed (knowledgeable about products and/or services)

"I had to ask them questions which I thought they would already tell me. They didn't say much. Just sent me their pamphlets."

"I felt they were not helpful in explaining the scheme, therefore not so knowledgeable."

"All they provided was writing a letter. Not particularly informative."

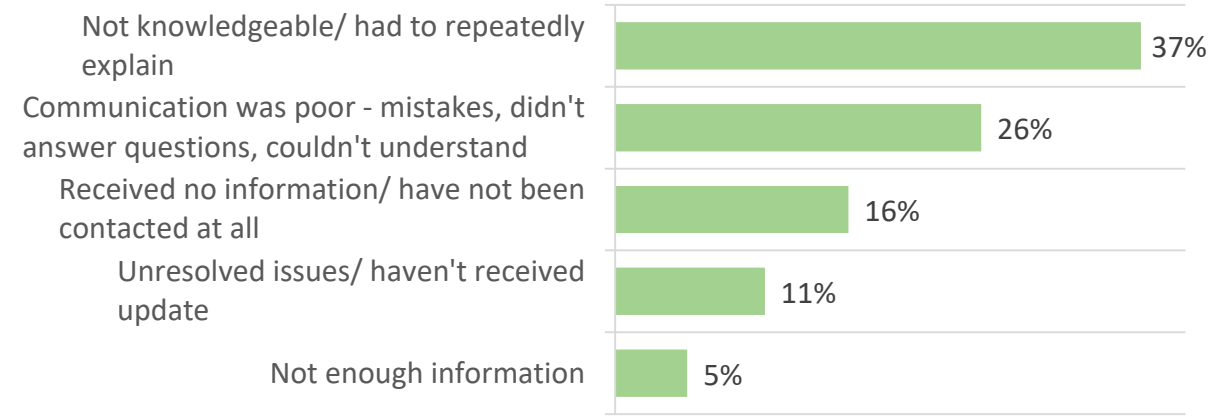
"I had to be put on hold several times during my phone calls while they consulted with someone else as they were unsure on several aspects."

4% (n=66) disagreed when asked if their financial provider was knowledgeable about their products and/or services.

The main reason given, mentioned by nearly two fifths of those who disagreed, is a lack of knowledge and explanation.

Another reason, mentioned by a quarter, was poor communication. Other reasons included unresolved issues, and not being provided with enough information.

Q: 'You mentioned you disagreed with "They were knowledgeable about their products and/or services"—please can you say why, what happened?'
Base: n=66



Reasons disagreed (information was easy to understand)

"I don't really try to understand it because it's too complicated...and it's only KiwiSaver so I don't have much control anyway."

"A lot of financial stuff is difficult for the average person to understand."

"I struggled to understand some of the terms used. They were of the financial world and not my real world. The writer wrote for colleagues rather than clients with less knowledge than them."

"The email newsletter was not laid out in a way that made it easy to read through. It was bits of information spread out across the page."

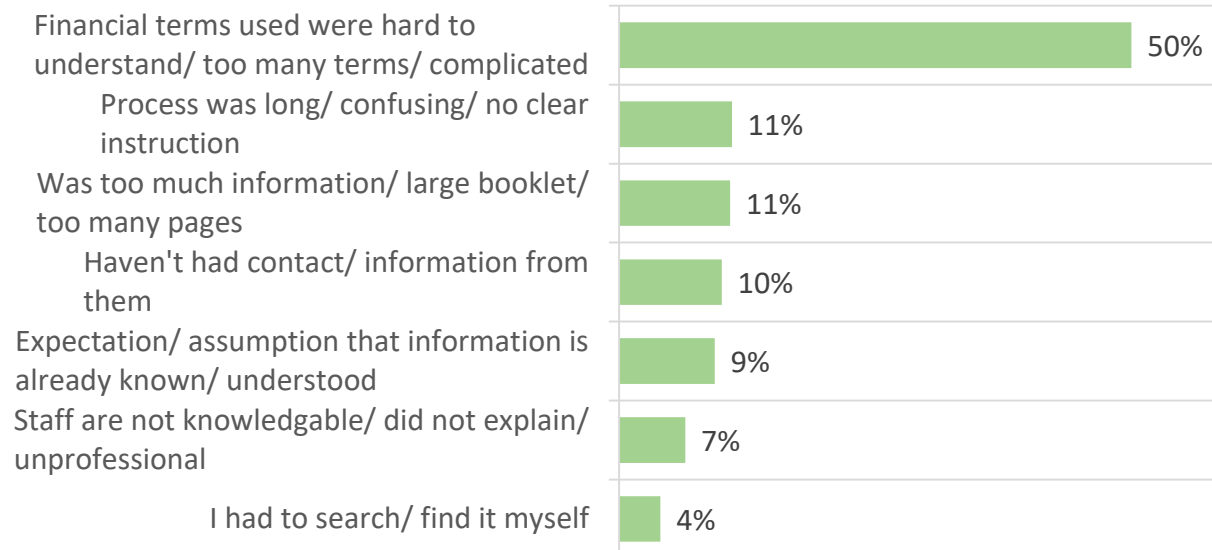
When asked if the information from their provider was easy to understand, 8% (n=122) of respondents disagreed.

Respondents feel that the financial terms used by their providers aren't designed for them, and are hard to understand. Females particularly mentioned this – 65% compared with 36% of males.

They also find the processes long and confusing, and that there is too much information to sift through.

Q: 'You mentioned you disagreed with "The information was easy to understand"—please can you say why, what happened?'

Base: n=122



Reasons disagreed (skills and expertise to help)

"They misinformed me about a product."

"They replied saying the question had been transferred to the KiwiSaver department and I've not heard anything since (that reply was a month ago)."

"I had to extract information rather than it being offered."

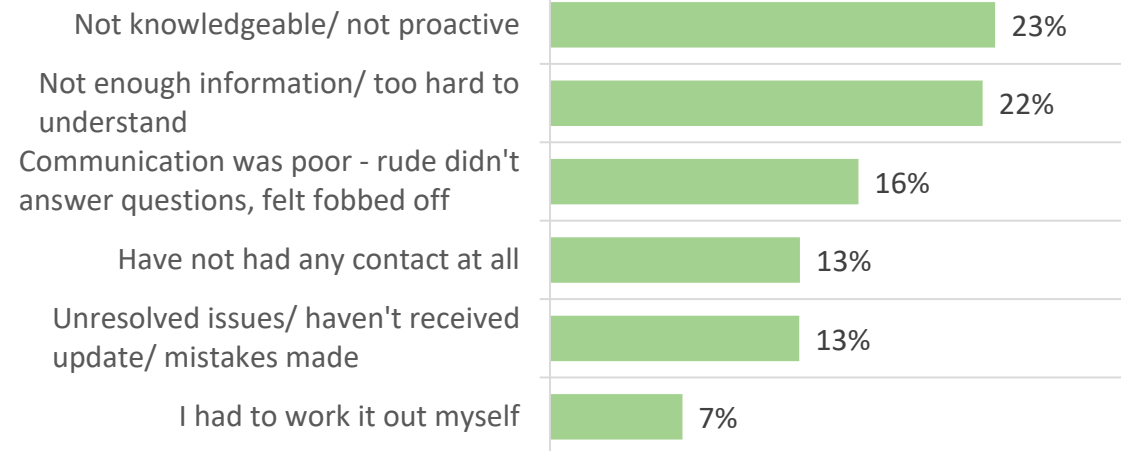
"Because they had to put me on hold and refer to other staff before answering my questions."

5% (n=79) of respondents disagree that the skills and expertise provided by their financial provider helped them the first time they made contact.

Respondents found there to be a lack of knowledge / proactiveness from staff, and the information provided difficult to understand. Some mentioned they were passed on to different people, sometimes leading to mistakes being made or a need for the respondent to figure it out for themselves.

Q: 'You mentioned you disagreed with "They had the skills and expertise to help me the first time" – please can you say why, what happened?'

Base: n=79



Reasons disagreed (helped understand why the product was appropriate)

"Didn't go into that kind of detail, only communicated how I can access my balance by providing me with login details and checking my details were correct."

"I felt I was recommended a product that was more comprehensive than I needed and requested - I wondered if it was to earn more commission."

"I have no understanding of the investment nor why it was appropriate for me as they have never given me such information."

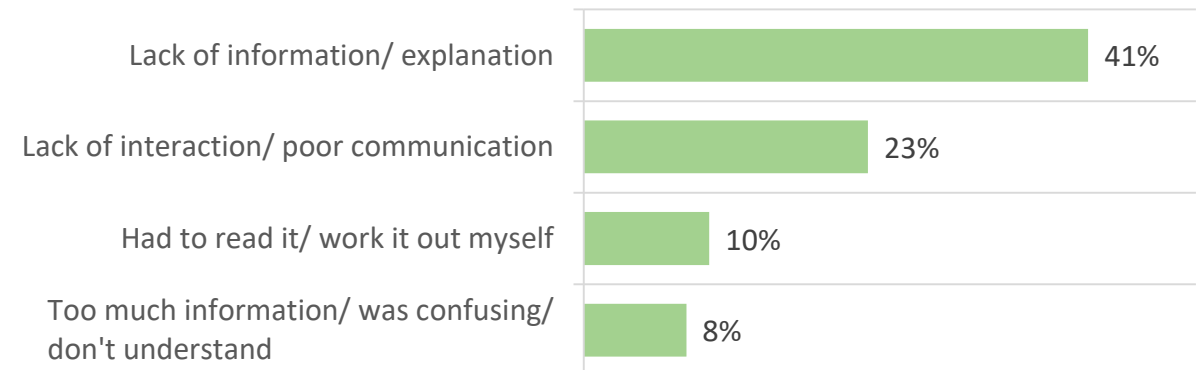
"They just sent info to me and expected me to understand it or ring them to clarify."

10% (n=157) of respondents disagree that their financial provider helped them understand why their investment / product was appropriate for them.

Two thirds of this group mentioned that there was a lack of information / explanation from their provider, while nearly a quarter mentioned there was a lack of interaction / communication altogether, at times leaving the respondent to work it out for themselves.

Q: 'You mentioned you disagreed with "They helped me understand why the investment / product was appropriate for me"— please can you say why, what happened?'

Base: n=157



Reasons disagreed (explained fees clearly)

"It was worded very confusingly. I had to ask a lawyer what the fees mean because it was so many conditional and percentage and use different calculation dates."

"Fees were not clearly identified on statement, on the few occasions I have actually been able to open it."

"Fees are never mentioned in their emails."

"I still don't know what the fees are, so I guess that indicates that the explanation isn't clear."

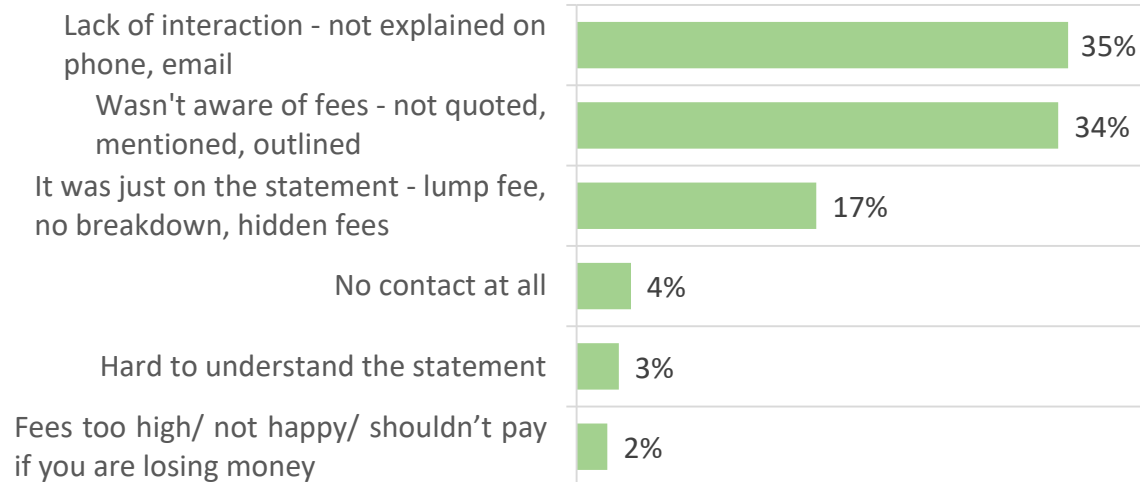
"I have no idea what fees I am paying, I didn't ask when I set up my KiwiSaver and they didn't tell me."

When asked if their financial provider explained the fees relating to their product clearly, 12% (n=189) of respondents disagreed.

Reasons for this include a lack of interaction/explanation from the provider – some respondents mentioned they weren't aware there were fees at all. Some also mentioned the fact that there was fee information on their statement, but not a detailed breakdown.

Q: 'You mentioned you disagreed with "They explained the fees clearly" – please can you say why, what happened?'

Base: n=189

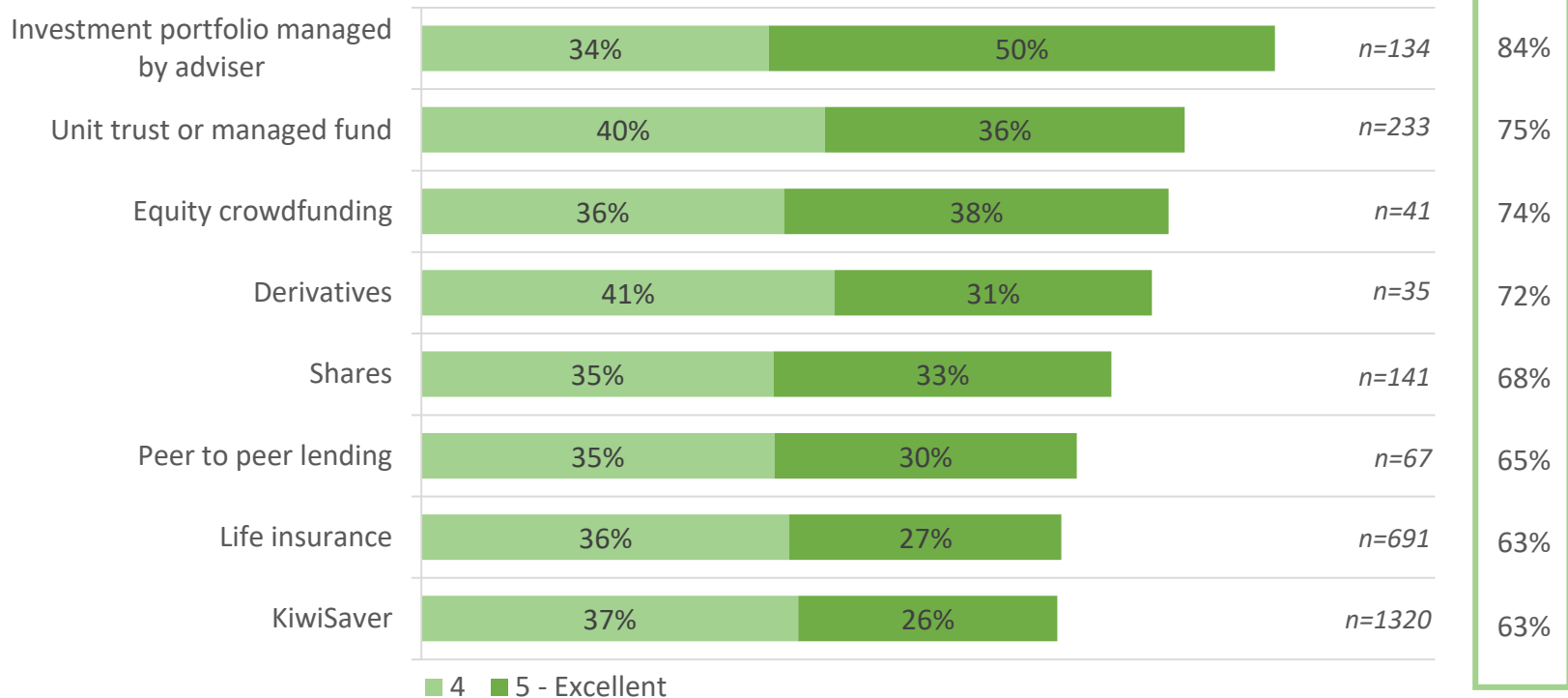


Overall perceptions of financial providers and drivers of a good experience



Overall rating of financial providers

Based on interactions over the last 12 months:



Overall 63% of all investors surveyed said their interactions with their financial provider in the last 12 months have been very good or excellent.

Ratings vary depending on the type of investment held. Those with an investment portfolio or unit trust/managed fund are significantly more likely to rate their interactions overall as very good or excellent (84%) when compared to the total, and life insurance and KiwiSaver investors rate their financial providers much lower at 63%.

This overall average rating of financial providers is the same as the ratings given by those with KiwiSaver and life insurance – this is driven by the large proportion of investors who have these two investment types.

Reasons for overall rating



Reasons for a respondents' overall rating of their financial provider, based on the interactions they've had in the last 12 months, centre around communication, customer service, and staff being knowledgeable about the financial products.

34% of those who rated their provider as very good or excellent, mentioned their provider as being easy to deal with and providing an excellent level of service as the reason for their high rating - this is mentioned more by females than males.

Other reasons for a high rating included regular updates and knowledgeable, clear, and concise advice or information that answered the queries.

35% of those who rated their financial provider as poor (1 or 2) mentioned that they have had no interaction at all from their provider, and 21% mentioned that the interaction they did have was sparse and/or generic.

Other reasons for a poor rating included a lack of information and explanation being provided.

Example comments:

"Communication has been of the barest minimum required, giving no more information that required and offering no advice."

"Because any questions I had were answered when I rang them and I can check my balance whenever I want to so I can stay informed."

"Always treated with respect. Any queries answered clearly and promptly."

"Haven't had any contact with them since they set up my investment."

"Because they send me the odd email but really it might as well be Greek as I'm not sure what it's about. My bank statements, credit card etc I can read with 100% clarity - but not this."

"Customer service was good. They all always explain things in great detail to make sure I understand everything. I really appreciate them for that."

"I felt that my financial needs weren't taken into account when recommended policies."

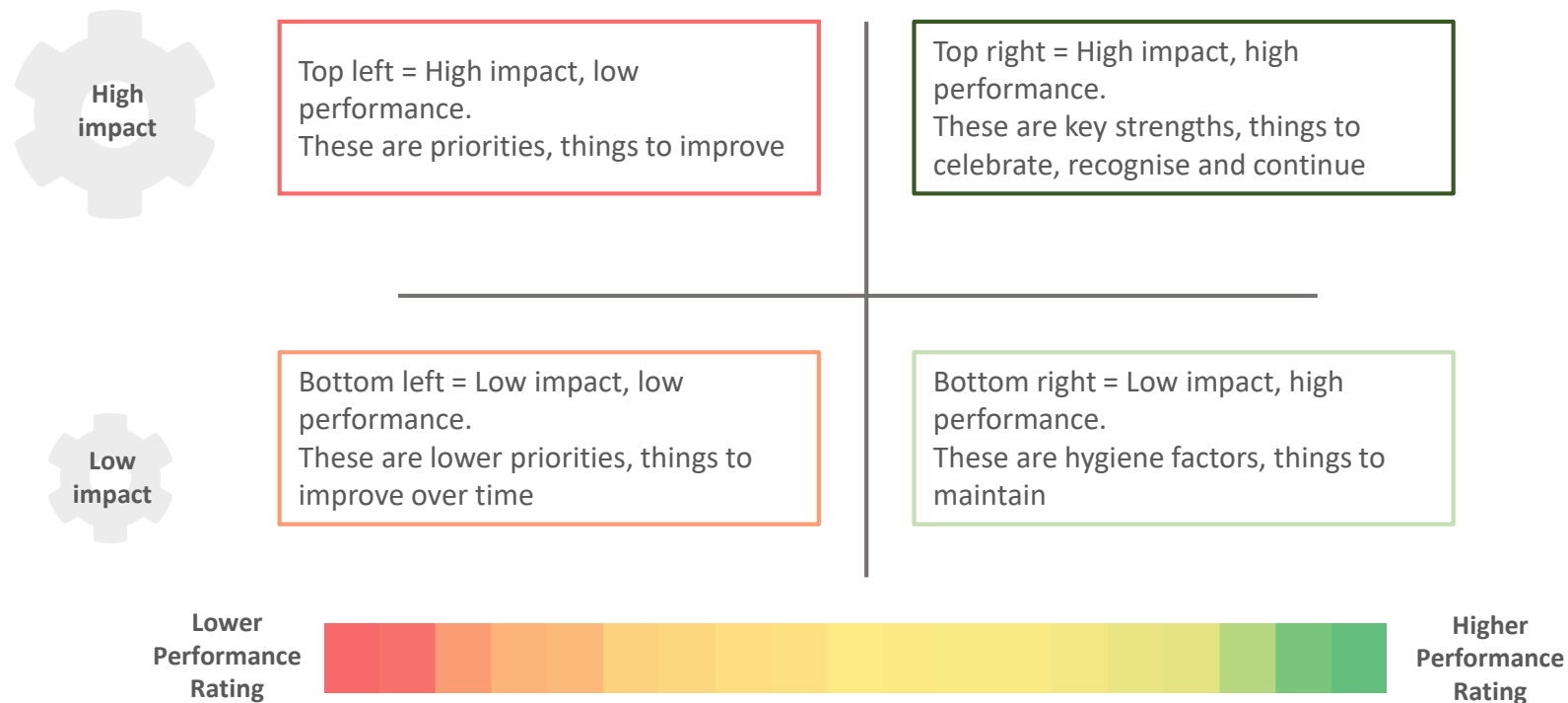
"They are very convenient and easy to deal with. I rarely have any interactions with them (apart from them sending me investment portfolio updates, etc.) but when I do, they're very helpful."

Key drivers of a great interaction

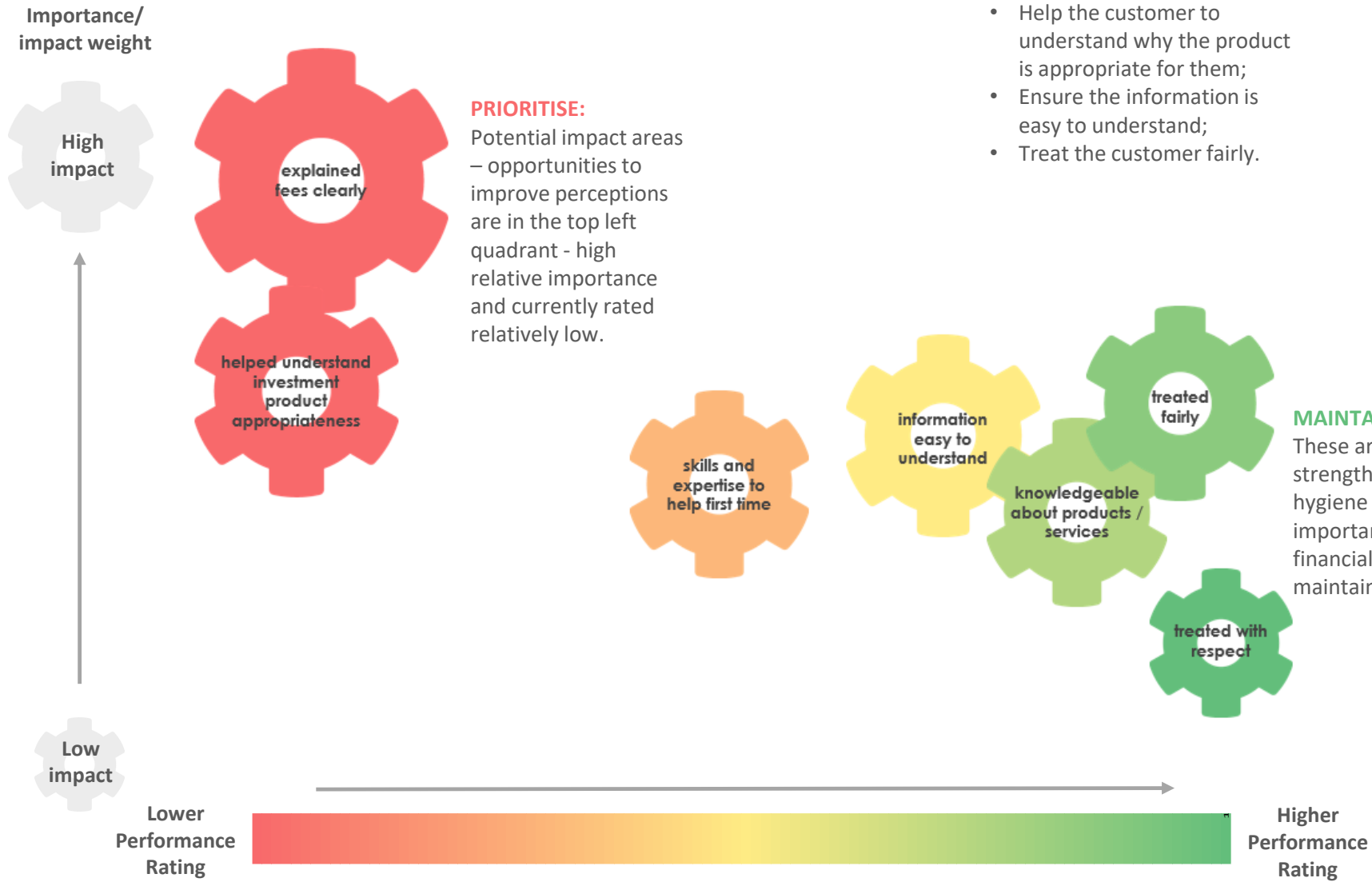
We conducted a **key driver analysis** on the investor rating scores to calculate an estimate of the relative importance of each of the aspects we asked investors to rate their financial provider on, in predicting their overall rating.

By analysing results against each of the performance rating questions and comparing to overall ratings (on the question “Overall, how would you rate the interactions you had with your financial provider over the past 12 months?”) we can create a statistical model of impact. Each of the performance ratings have been correlated against overall rating, and the resulting correlation scores illustrate the extent to which improvements in each aspect can be expected to result in a change in overall perception - the stronger the correlation, the greater the impact that individual performance aspect has on overall perceptions of the interactions customers have with their financial provider.

In the chart overleaf the size of the cogs represents the impact weight, so the larger the cog the more impact this aspect has on overall rating of interactions with financial provider. The location of the cog along the horizontal axis relates to the performance rating, and the location on the vertical axis represents the relative importance/impact weight.



Key drivers of a great interaction



Items towards the top of this grid if done well, lead to great customer experiences and satisfaction – but if done poorly lead to negative outcomes among customers.

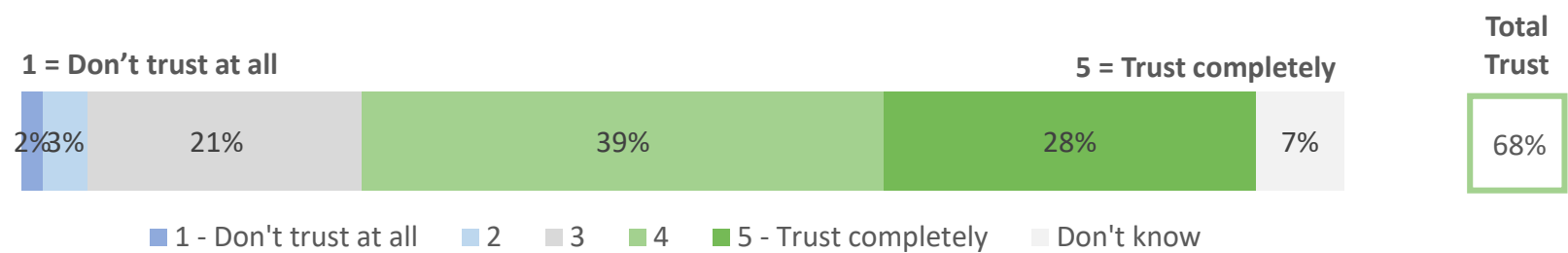
Aspects in the lower right quadrant of the grid are areas financial providers are performing well on but not rated as relatively important. Financial providers treating customers with respect and being knowledgeable about products and services is what customers expect. It's important that financial providers continue to deliver on these aspects as not performing could well drive dissatisfaction.

Performance = percentage of investors rating interaction with their financial provider as *Very good* or *Excellent* (range 58% to 72%)

Trust in Providers



Trust in financial providers

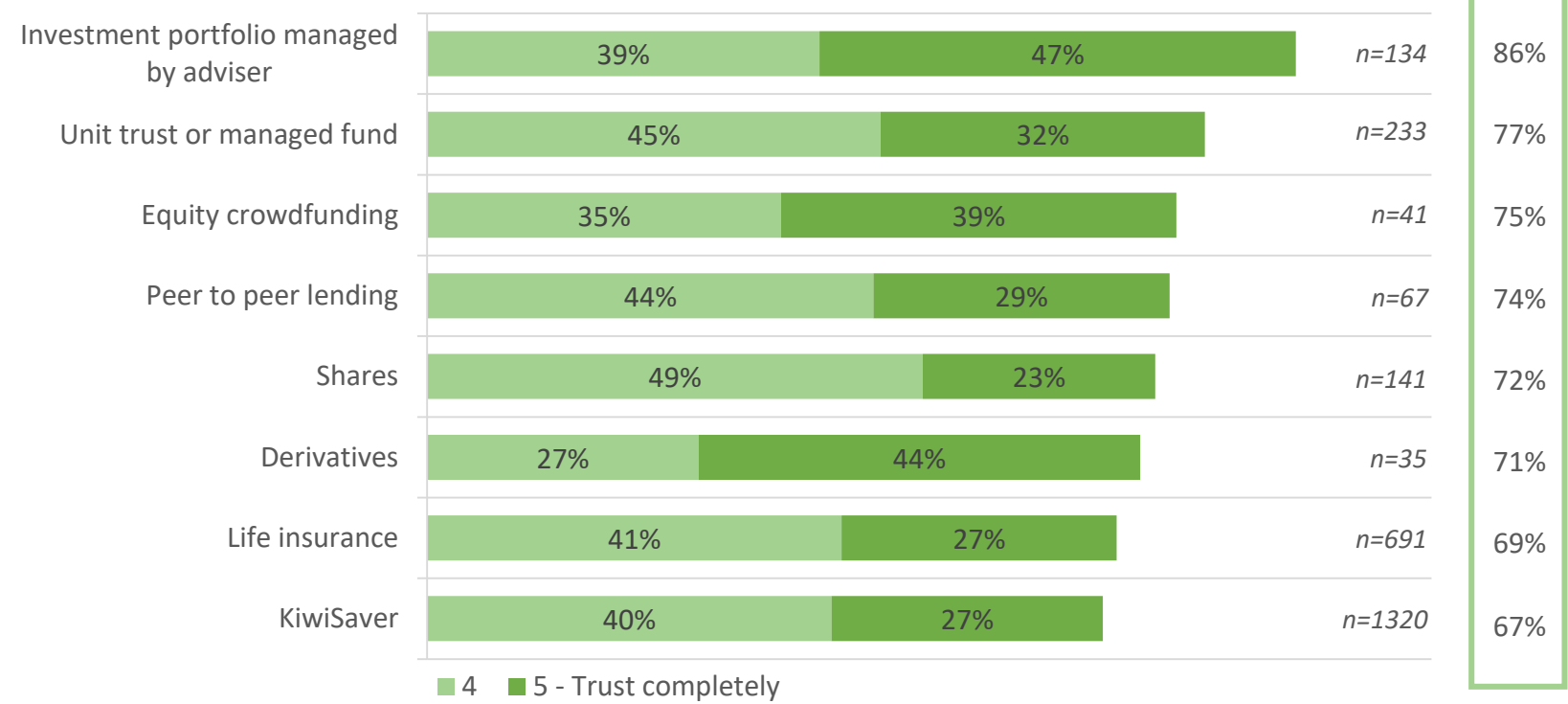


Total Trust
68%

In total, 68% of respondents with an investment trust their provider to meet their needs.

Similar to the overall rating of their interactions, KiwiSaver and Life insurance holders trust their providers the least, compared to other investment types, and those with an investment portfolio trust their providers significantly more (86% vs 68% of the total).

Respondents with more than one investment type are more likely to trust their financial provider (71% vs 64% who have one investment type).



Appendix



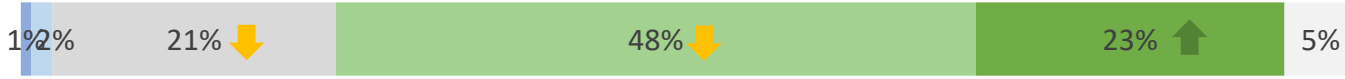
Perceptions among KiwiSaver investors

Based on interactions over the last 12 months:

They treated me with respect



They treated me fairly



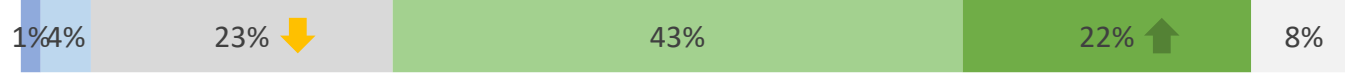
They were knowledgeable about their products and/or services



The information was easy to understand



They had the skills and expertise to help me the first time



They helped me understand why the investment product was appropriate for me



They explained the fees clearly



Strongly disagree Disagree Neither agree nor disagree Agree Strongly agree Don't know

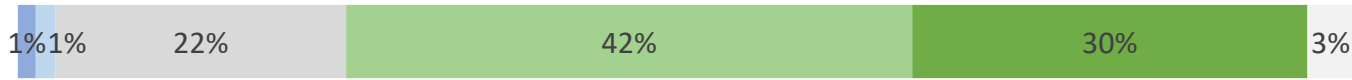
Total agree
2018 2017

71%	Not asked
71%	68%
69%	63%
67%	62%
64%	58%
58%	47%
57%	46%

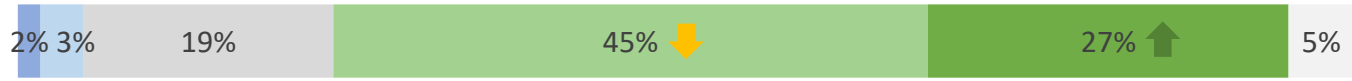
Perceptions among life insurance holders

Based on interactions over the last 12 months:

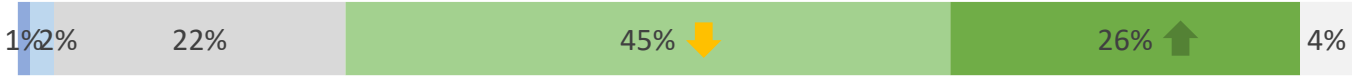
They treated me with respect



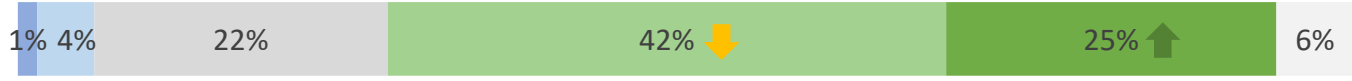
They were knowledgeable about their products and/or services



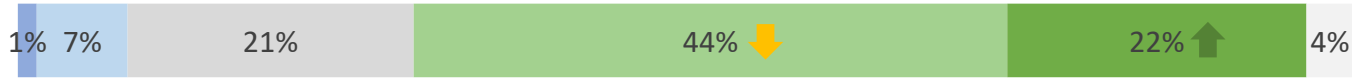
They treated me fairly



They had the skills and expertise to help me the first time



The information was easy to understand



They explained the fees clearly



They helped me understand why the investment product was appropriate for me



Total agree
2018 2017

72%	Not asked
72%	72%
71%	70%
67%	70%
67%	70%
60%	60%
59%	59%

Strongly disagree Disagree Neither agree nor disagree Agree Strongly agree Don't know

Perceptions among investors with a unit trust or managed fund

Based on interactions over the last 12 months:

They treated me with respect



They were knowledgeable about their products and/or services



They treated me fairly



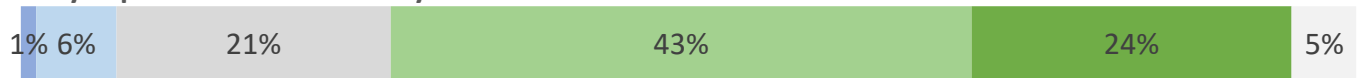
The information was easy to understand



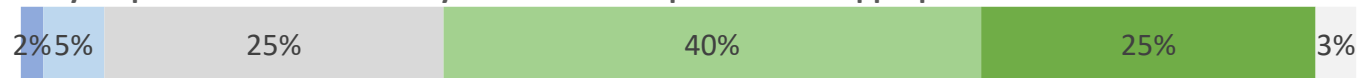
They had the skills and expertise to help me the first time



They explained the fees clearly



They helped me understand why the investment product was appropriate for me



Total agree
2018 2017

81%	Not asked
78%	79%
78%	67%
77%	73%
72%	58%
67%	72%
65%	44%

Strongly disagree Disagree Neither agree nor disagree Agree Strongly agree Don't know



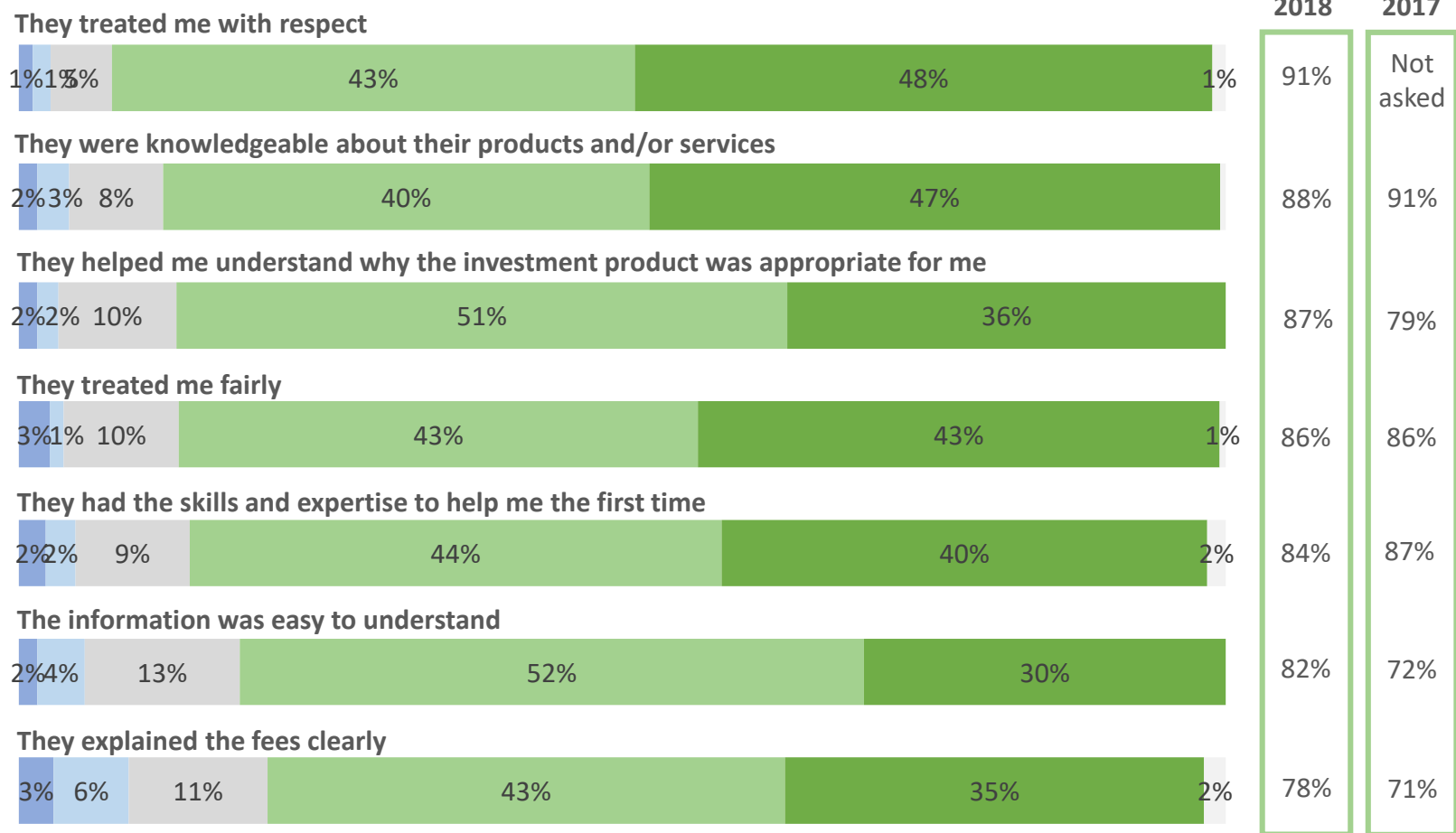
Q: 'Thinking now about all the interactions and communications you have had with your financial provider in the last 12 months, how much do you agree or disagree with...?'

Base: Unit trust or managed fund 2018 n=233; 2017 n=30

Significant increase from the 2017 results.

Perceptions among investors with an investment portfolio (managed by an adviser)

Based on interactions over the last 12 months:



Strongly disagree Disagree Neither agree nor disagree Agree Strongly agree Don't know

Perceptions among peer to peer lending investors

Based on interactions over the last 12 months:

They treated me fairly



They treated me with respect



The information was easy to understand



They explained the fees clearly



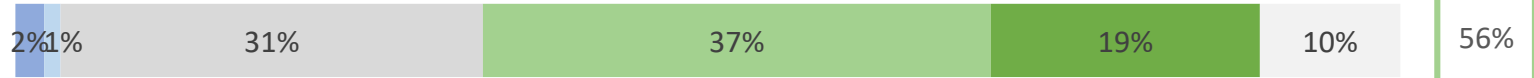
They were knowledgeable about their products and/or services



They helped me understand why the investment product was appropriate for me



They had the skills and expertise to help me the first time



Strongly disagree Disagree Neither agree nor disagree Agree Strongly agree Don't know



Q: 'Thinking now about all the interactions and communications you have had with your financial provider in the last 12 months, how much do you agree or disagree with...?'

Base: Peer to peer lending 2018 n=67

Perceptions among equity crowdfunding investors

Based on interactions over the last 12 months:

They treated me with respect



They treated me fairly



The information was easy to understand



They were knowledgeable about their products and/or services



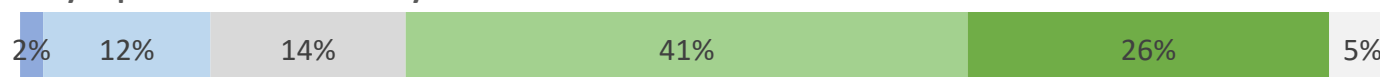
They had the skills and expertise to help me the first time



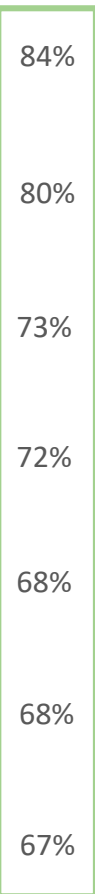
They helped me understand why the investment product was appropriate for me



They explained the fees clearly



Total agree



■ Strongly disagree ■ Disagree ■ Neither agree nor disagree ■ Agree ■ Strongly agree ■ Don't know

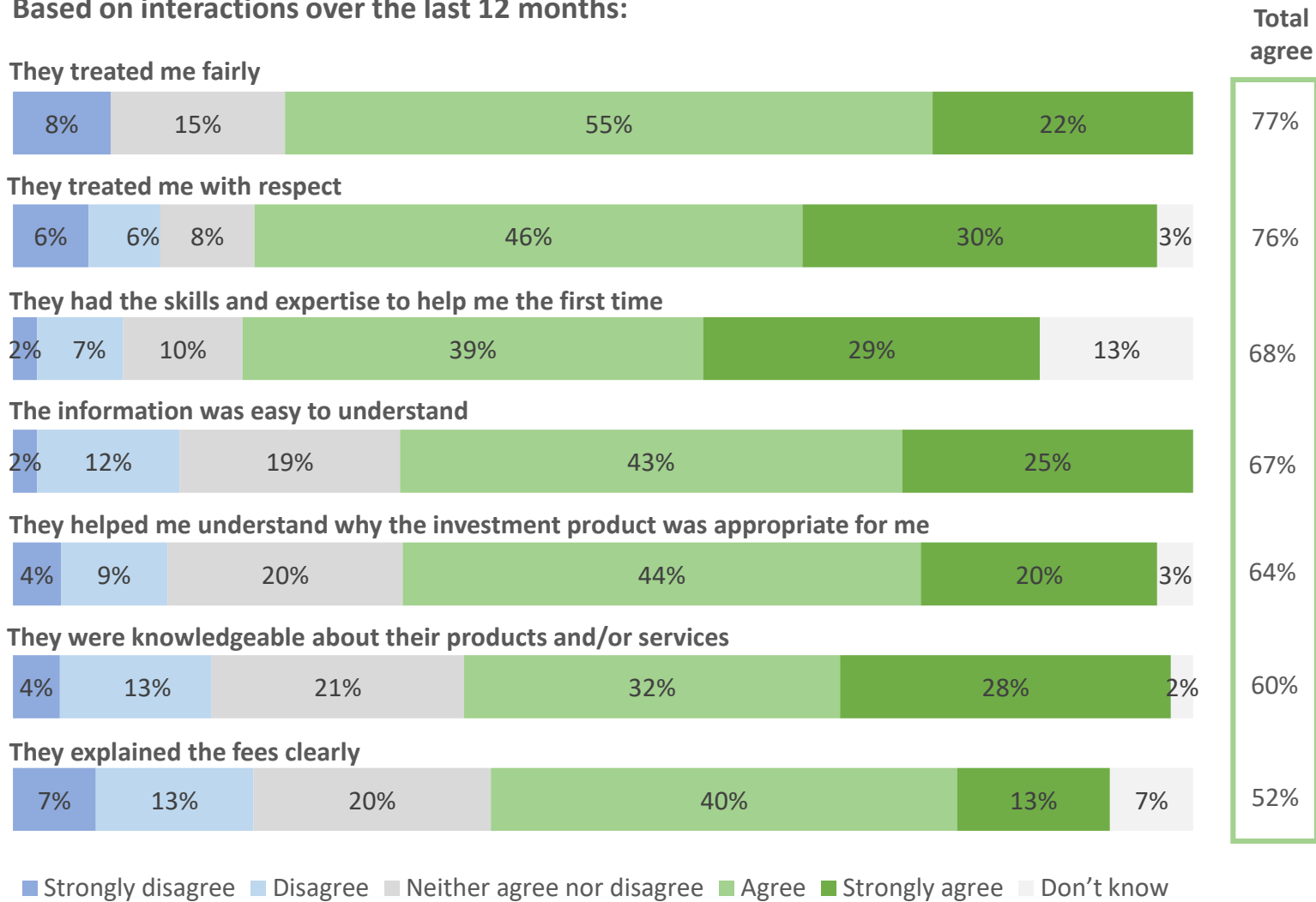


Q: 'Thinking now about all the interactions and communications you have had with your financial provider in the last 12 months, how much do you agree or disagree with...?'

Base: Equity crowdfunding 2018 n=41

Perceptions among derivatives investors

Based on interactions over the last 12 months:



Perceptions among investors with shares

Based on interactions over the last 12 months:

They treated me fairly



The information was easy to understand



They treated me with respect



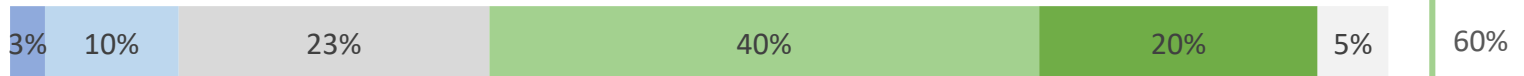
They were knowledgeable about their products and/or services



They had the skills and expertise to help me the first time



They explained the fees clearly



They helped me understand why the investment product was appropriate for me



■ Strongly disagree
 ■ Disagree
 ■ Neither agree nor disagree
 ■ Agree
 ■ Strongly agree
 ■ Don't know

Demographic profiles



Demographic profile by investment type

	KiwiSaver	Life insurance	Unit trust or managed fund	Investment portfolio	Peer to peer lending	Equity crowdfunding	Derivatives	Shares
Gender								
Male	49%	49%	55%	59%	81%	67%	82%	59%
Female	50%	51%	44%	40%	17%	30%	18%	41%
Gender Diverse	0%	0%	1%	1%	2%	3%	0%	1%
Age								
18 to 29 years	20%	14%	10%	12%	32%	36%	37%	5%
30 to 39 years	21%	21%	16%	12%	31%	32%	34%	11%
40 to 49 years	24%	26%	17%	13%	20%	17%	9%	15%
50 to 59 years	20%	21%	23%	14%	6%	8%	4%	25%
60+ years	15%	18%	16%	49%	12%	7%	16%	42%

Demographic profile by investment type

	KiwiSaver	Life insurance	Unit trust or managed fund	Investment portfolio	Peer to peer lending	Equity crowdfunding	Derivatives	Shares
Personal Income								
Under \$50K	40%	34%	28%	30%	31%	17%	14%	34%
\$50K to <\$100K	33%	37%	37%	36%	33%	44%	43%	35%
\$100K to <\$150K	8%	10%	12%	10%	13%	16%	13%	8%
\$150K and over	4%	5%	11%	14%	7%	21%	12%	10%
HH Income								
Under \$50K	17%	13%	8%	14%	15%	18%	9%	10%
\$50K to <\$100K	31%	30%	31%	37%	34%	39%	37%	28%
\$100K to <\$150K	21%	25%	21%	17%	18%	15%	16%	24%
\$150K and over	14%	17%	26%	22%	16%	23%	19%	24%

Demographic profile by investment type

	KiwiSaver	Life insurance	Unit trust or managed fund	Investment portfolio	Peer to peer lending	Equity crowdfunding	Derivatives	Shares
Region								
Auckland	35%	36%	39%	39%	47%	32%	48%	35%
Waikato	11%	9%	6%	6%	10%	10%	10%	10%
Wellington	12%	12%	14%	15%	10%	10%	10%	9%
Rest of North Is	21%	19%	15%	14%	13%	17%	15%	23%
Canterbury	12%	14%	10%	11%	10%	18%	9%	10%
Otago	2%	2%	2%	1%	0%	1%	0%	1%
Rest of South Is	4%	5%	7%	7%	4%	7%	4%	6%