

HD Westpac Banking Corp in Financial Cards and Payments (Australia)

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STRATEGIC DIRECTION

With technology becoming the new battleground for the four largest banks, Westpac focused on enhancing its technology infrastructure with the **company** reporting advances in digitalisation and new products oriented to meet customers' changing needs. The new strategy aims to deliver stronger margins and improve its position in the increasingly competitive domestic landscape, while becoming a more customer-centric organisation.

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KEY FACTS

Summary 1 Westpac Banking Corp: Operational Indicators

	2012	2013
Net sales	A\$16.9 billion	A\$17.6 billion
Net profit	A\$4.0 billion	A\$5.4 billion
Number of employees	42,412	42,548

Source: Euromonitor International from **company** reports, **company** research

COMPANY BACKGROUND

Publicly traded on both the Australian and New Zealand Stock Exchanges, Westpac is one of Australia's Big Four banks and ranked first in 2012 in card payment transactions. It has a particularly strong presence in New Zealand. The group operates the largest regional bank network in Australia through its various brands.

Westpac owns a wide range of financial services brands: RAMS, Bank SA, BT Financial Group and Asgard and, since December 2008, St George Bank, a bank with a particular strength in personal banking. As the fifth largest bank in Australia, St George Bank was considered a safe option, whilst also being an alternative to the Big Four.

By 2011, Westpac had virtually completed merging St George Bank's **operations** with the overall Westpac businesses and it was beginning to exploit the resulting efficiencies.

Prior to 2004, Westpac in Victoria was branded Bank of Melbourne, having decided to keep the Bank of Melbourne name after its **acquisition** in 1997. In August 2011, Westpac announced a re-launch of the Bank of Melbourne brand; it converted all St George Bank outlets in Victoria into Bank of Melbourne outlets, as well as tripling the number of outlets and ATMs to a level suitable for a major state-based bank.

COMPETITIVE POSITIONING

The group has a strong position in institutional banking due to its capabilities in foreign exchange and trade finance. Westpac will be able to leverage this competitive advantage as it pushes into Asia with a stronger presence in cross country trading and multi-currency transactions.

Westpac is the only major bank to follow a multi-brand strategy and sees it as a competitive advantage. It leverages the local brand **equity** that these brands hold to better serve various regions: the St George

brand is used in New South Wales, Queensland and WA, Bank of Melbourne in Victoria and Bank SA in South Australia. This strategy allows synergies across the group in terms of IT and back-end **operations**, as well as the benefits of a national ATM network while still offering regional appeal. All brands are used to refer consumers to higher margin products such as wealth management and superannuation products through its BT asset management brand.

Westpac's St George brand is positioned as the number one alternative bank to the major banks. In Victoria, the newly re-launched Bank of Melbourne is positioned as a truly local offering, with many Westpac ATMs and branches and all St George properties being rebranded as Bank of Melbourne across 2011-13. Bank SA already has a strong position in South Australia, with approximately a 25% share in deposit value terms.

Westpac has a large sustainability commitment in terms of both environmental concerns as well as responding to the demographic shift in Australia as the majority of the population continues to age. The sustainability strategy was outlined in 2013 and involved in funding new environmentally-sound technology and **energy** sources as well as improving the retirement prospects of Australia's ageing population.

In 2014, the initiative was acknowledged with the award of Socially Responsible Bank of the Year at Money's 2014 Consumer Finance Awards. The award highlighted the diversity of the banks socially responsible initiatives, which were reflected in innovative lending and investment products that encourage positive change in communities and the environment.

The group is also prioritising its **operations** away from traditional forms of lending such as credit cards into higher-value products such as wealth management, agribusiness and small business sectors. This is likely to result in a greater suite of products in commercial credit cards and commercial charge cards. Whilst the group held 26% share in number of commercial credit cards in circulation, its position in commercial charge cards is considerably weaker and as the category attracts little competitive activity there are considerable gains to be made here.

In April 2014, the bank announced that it had entered into an agreement for Westpac to accept **China** UnionPay cards in Australia via ATMs, merchant terminals and online payment facilities. The agreement will allow UnionPay cardholders to use their cards at more than 150,000 new card acceptance points, including Westpac, St George, Bank of Melbourne and BankSA terminals and ATMs. Westpac will benefit from an increasing number of **Chinese** students studying in Australia and the large number of migrants and tourists from **China** coming every year, which are likely to increase its transaction volume and value, and potentially the banks customer base.

In June 2014, following Commonwealth Bank's release of the smartphone ATM access, Westpac launched the Emergency Cash feature, a cashless card product, which enables customers to access their cash with just one phone call. According to the bank, approximately 2 **million** ATM cards are reported lost or stolen each year and an average of 4 **million** Australians are stranded without cash. In this sense, the Emergency Cash feature was developed to help customers obtain cash when they need it without the need of a card. The bank began to roll out the service in June 2014 and it is expecting to have a mobile application to complement the service in September 2014.

Westpac's overall value share in card payment transactions was 22% in 2013, making it the leading local issuer. In the two major categories, credit card and debit card transactions, Westpac's share was 23% and 25%, positioning it first and second respectively in 2013.

Summary 2 Westpac Banking Corp: Competitive Position 2014

Product type	Value share	Rank
Commercial credit card transactions	26.1%	2
Personal credit card transactions	22.3	1
Debit transactions	24.8	2
Commercial charge card transactions	0.1%	6

Source: Euromonitor International from **company** reports, **company** research, trade press

CO wstpac : Westpac Banking Corporation Limited

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