

Assignment 2

2022

MARCH 28

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Course: INF10003



Executive Summary

This report focuses on:

- ✓ Identifying the external forces (political, environmental, social, technological) which will have an impact on ANZ's decision to exclusively supply services online (PEST analysis). While evaluating these it was found that Australia is a politically stable country with many favorable economic, social, and technological factors for ANZ to operate online. However, there are still some restrictions on the transition to online service.
- ✓ Analyzing ANZ's transition to a purely online banking model's strengths, weaknesses, market opportunities and market threats (SWOT analysis). It was reported that ANZ can gain a lot of opportunities when operating online but closing physical branches can result in several disadvantages.
- ✓ Understanding major competitive forces for ANZ in the banking sector and how to deal with them (Porter's five forces analysis). It was analyzed that there are a lot of threats available for ANZ, especially the bargaining power of buyers, suppliers, and the rivalry among competitors. Some ideas on tackling with these threats have also been given.
- ✓ Finally, using the analyses to make a recommendation, giving advice on the decision of ANZ fully operating online. ANZ should only move most of its service online, while some physical branches should be kept.

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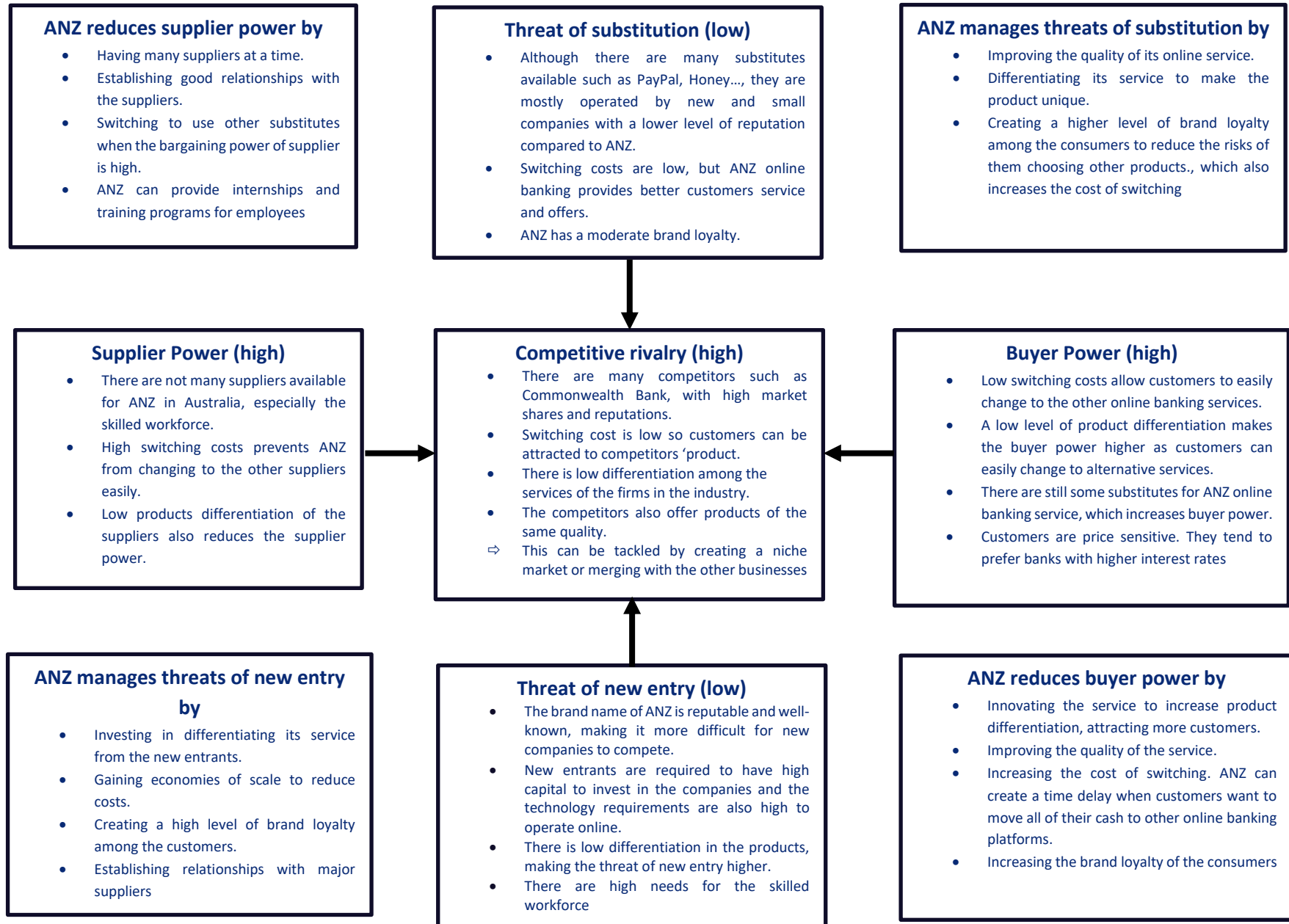
PEST Analysis

<p style="text-align: center;">Political</p> <ul style="list-style-type: none"> • Australia has high political stability (Government). ⇒ This provides security to the bank as the bank can operate normally in the business environment and there are growth opportunities for the business. • The corporate tax rate is 30%, which is lower than other wealthy countries like Japan and China (Government 2020). ⇒ This gives the company higher profits, which can be used to re-invest in the company's online technology. • Australia is one of the least corrupted nations in the world (Government). ⇒ The business environment can be more predictable when ANZ does online service. • There is government policy designed to protect intellectual property (Government). ⇒ It protects ANZ technology, brand, trademark... • Australia has low trade restrictions (Government). ⇒ There can be more activities and trading with foreign banks and companies. ANZ can also expand to a new global market. 	<p style="text-align: center;">Economical</p> <ul style="list-style-type: none"> • Australia has a rising GDP of 3.4% (Statistics 2021). ⇒ This increases the profitability of ANZ. • The unemployment rate in Australia is low (4%) in February 2022 (Statistics 2022). ⇒ ANZ can have more access to the skilled workforce when ANZ operates online service. • The interest rate is low (0.1%) (Beattie 2022). ⇒ Loans with a lower interest rate can be used to fund ANZ. • Labor skill level in Australia is high in the financial sector. ⇒ ANZ can leverage it to not only improve its online services in Australia but also to create global opportunities through the skilled workforce. • Australia has a high educational standard. ⇒ This ensures a long-term skilled workforce for ANZ's fully online banking operation. • The inflation rate is expected to be higher in 2022 (4.9%) (Morgan 2022). ⇒ Increased inflation typically results in higher interest rates.
<p style="text-align: center;">Social</p> <ul style="list-style-type: none"> • There is a higher age distribution in Australia for age 15 to 39 (idcommunity 2022). ⇒ There is a higher number of young customers who are more willing to do online banking services. • The population of Australia increases gradually (worldometer 2022). ⇒ Banking services are in greater demand and operating online increases accessibility for all customers. • During this Covid pandemic, people's attitudes towards going to a physical bank change when there are a huge number of Covid cases (Government 2022). ⇒ People prefer online banking services to face-to-face meetings. • Australia has just opened its border and there are a lot of international students and tourists arriving in Australia. ⇒ The demand for online banking service has increased. • Media is quickly expanding in Australia and ANZ can use this to improve its product marketing and positioning. 	<p style="text-align: center;">Technological</p> <ul style="list-style-type: none"> • There has been a noticeable positive change in people's technological awareness. ⇒ More people find online services convenient and comfortable. • Australia is technologically advanced. ⇒ The technology for the online service of ANZ is readily available and reasonably priced. • Other companies in the banking sector are moving online during Covid pandemics. ⇒ ANZ should offer an online service as well to compete. • The use of online social media platforms such as Facebook and Instagram increases significantly. ⇒ ANZ can use this advantage for its online marketing strategy, which enhances the relationship with customers. • The security for online transactions and the data of the customers are high with advanced cyber-security.

SWOT Analysis

<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • The second-largest bank in Australia by assets and the fourth largest by market capitalization (Banks 2021). • ANZ has strong brand recognition and reputation in Australia. • ANZ has experience with online banking, and ANZ can utilize it to add new features such as ANZ Plus to their banking system. • ANZ provides a diverse set of services and products. ⇒ This reduces the risks of the business when one of the online services of ANZ has problems. • ANZ has a collaboration with Google for data analysis (Ann 2022). ⇒ This enables ANZ to enhance the technology used in its digital banking system, while also enhancing the bank's reputation. • ANZ has a large social media presence with a lot of followers across the most popular platforms: Facebook, Twitter, and Instagram. ⇒ Digital marketing strategy of ANZ can be positively benefited 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • There might be a higher need for a skilled workforce to operate the online banking service. If ANZ wants to keep the old workforce, there must be a lot of training provided, which can be costly. • ANZ needs to invest in innovative technology for the digital banking platform. • The cost of operating can become higher to manage the online banking system and technology. • There are a lot of competitions from the other companies in the industry such as Commonwealth, which is currently having an online banking system. • ANZ has been too reliant on Australia and New Zealand markets and there is only a little ANZ's global presence when compared to the other banks in the financial industry. • ANZ has a low level of reputation in customer service and going online can worsen this reputation.
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Online banking help ANZ get access to a larger number of new customers as people around the world can use ANZ online banking service. • Globalization: ANZ can expand in other countries, which enables the bank to enter new global markets. • Customers 'data with higher quality can be collected when ANZ operates a digital banking service. This helps ANZ conduct better marketing strategies. • Australia has just opened its border and there are a lot of international students and tourists arriving in Australia, increasing the need for digital banking. • People are getting more tech-savvy and interested in technology. ⇒ Digital banking is preferred by many customers. • Australia has low trade restrictions (Government). ⇒ There are additional activities and trading with foreign banks and companies. • ANZ can move its headquarters to other countries with a lower tax rate. ⇒ ANZ can maximize its profitability. 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • There are more competitions from other companies in the banking sector as digital banking can be easily duplicated. • The Australian banking system has a lot of changes and fluctuations, affecting ANZ banking service. • There are risks of cybercrime and cyberattack on the banking system of ANZ. • Media is rapidly expanding, and competitors can leverage this advantage to mitigate ANZ's marketing effects. • As digital banking technology needs to be constantly innovated, there will be an increase in capital expenditure and additional training costs for employees. • In the future, there might be changes in the Australian banking regulations and policies • Other companies in the banking sector are also moving online during Covid pandemics, which can increase the competition with ANZ.

Porter's Five Forces Analysis



Recommendation

- ✓ According to the three analyses above, ANZ should not completely abandon its physical branches model. Instead, it should only move most of its service online and some physical branches should be kept while the transition to online service should also be a slow and stable process.
- ✓ PEST analysis highlights that the technological, economic, and political aspects of Australia support ANZ operating fully online, but some social factors don't. There is still a proportion of old population who prefers traditional banking in Australia. Therefore, both physical branches and online banking are a combination that ANZ should have.
- ✓ SWOT analysis suggests there are a lot of growth opportunities for ANZ operating online but shutting down physical branches can lead to many weaknesses like the lack of customers service. ANZ should be vigilant for the threats while using its strength to maximize the benefits of the opportunities.
- ✓ From Porter's five forces, it can be concluded that ANZ has a strong competitive position in the banking sector, and operating online can create a niche market for ANZ to compete. However, there are still a lot of threats available, and ANZ should focus on its product quality and differentiation to gain competitiveness.

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