PARITY CONSULTING'S

FY2021 MARKET INSIGHTS

Author: Victoria Butt,
Managing Director and Founder

Published November 2020

www.parityconsulting.com.au | info@parityconsulting.com.au | +61 2 8068 2016 | +61 3 9016 8606

TABLE OF CONTENTS

FOREWORD

In March 2020, the World Health Organisation (WHO) declared a global pandemic. The COVID-19 pandemic is believed to have originated last year in a city in central China and has not discriminated in its reach and devastation. As the number of deaths worldwide passes one million, this health crisis has triggered a financial crisis and plunged Australia into recession. These insights cover the current state of COVID-19 across Australia, a budget summary (including changes to superannuation), the impact on our large institutions and subsequent job losses, and how day to day Australians will expect to be impacted in the future.

It also shares predictions and insights into the recruitment of Product, Pricing, Marketing & Digital professionals in 2021.

I hope you find it insightful and of benefit not only to yourself but also to your organisation and team.

Victoria Butt
Founder and Managing Director
Wine Lover | Shark Diver

vbutt@parityconsulting.com.au
+61 402 418 326

OUR VALUES

Knowledge
We educate and empower through Parity *Plus* initiatives

Accountable
We do what we say are going to do

Fun
We love what we do and it shows in our results

Caring
True parity through investing in ALL our relationships

Invest
We understand individual needs by immersing ourselves in our market

COVID-19 IMPACT ON THE ECONOMY AND BUDGET RESPONSE

As of October 2020, the unemployment rate is at 6.8% (was at 5.2% pre COVID-19) which is a decrease from August where it sat at 7.5%. Interest rates are at a record low and the ASX is down 10% with the effects of COVID-19 being felt across most sectors. With the second wave of COVID-19 hitting Victoria (which accounts for one quarter of the country's economic output), there are mixed views about our financial outlook as a country. Australia's COVID-19 numbers still stand as one of the lowest globally (27,600 confirmed cases as at October 2020 with just over 900 deaths), however our financial markets have still taken a substantial hit compared to global markets (which are up by 4.4% compared to September 2019).

The 2020 budget has been completely disrupted by COVID-19 and a record budget deficit has been created to kick-start our economy out of recession. The budget announced in October 2020 is designed to boost the economy by providing tax relief to stimulate spending and boost jobs for younger Australians. There are also incentives for businesses to hire more people through JobMaker Hiring Credit. Some of the key measures of the budget include:

- Welfare for the elderly and those eligible was announced with an investment of $2.6bn;
- JobKeeper has been extended until March 2021;
- Education will get a $1bn injection with an additional investment for online learning;
- Small and Medium size businesses are being supported with full expensing of second-hand assets and deductions of full cost of capital assets;
- Fringe benefit tax offsets can be applied for organisations who are investing in retaining their employees;
- $4.5bn will be invested in NBN co and $30m to accelerate the rollout of 5G;
- A significant investment of $2.3bn was announced to fund the treatment and vaccines for COVID-19 and $750m in funding for COVID-19 testing.

In addition, an $800m investment for the National Disability Agency and NDIS quality and safeguarding commissions.

Other updates were announced such as an investment and commitment to reduce carbon emissions reiterating the Government's plan to fund the Australian Renewable Energy Agency (ARENA) for a further 10 years from 2022 to a total of $1.4bn. Over the next four years the agency will receive $223.9m. The Government will spend $249.6m over four years on waste and recycling policies, including $190m for a recycling modernisation fund to support new infrastructure to sort plastic, paper, tyres and glass waste and $233.4m to upgrade facilities at national parks.

Infrastructure will see $14bn invested in new and accelerated infrastructure projects over the next four years in every state and territory, including the proposed Melbourne to Brisbane inland rail and Western Sydney international (Nancy-Bird Walton) airport. An additional 10,000 places in First Home Loan Deposit scheme in 2020-21 to support the purchase of a new home or a newly built home.

CHANGES TO SUPERANNUATION

Superannuation accounts for almost $3 trillion in retirement savings on behalf of 16 million Australians and will likely reach $5 trillion by 2034. The 2020 federal budget included new measures aimed at reducing duplicate super accounts, making it easier for people to compare super funds, and targeting underperforming funds. Specifically:

- Australians will automatically keep their superannuation fund when they change employers, stopping the creation of unintended multiple accounts;

- A new ATO online tool called YourSuper will compare funds' fees and performance, show the member's current funds and allow them to select a new fund. The goal is to boost competition by making it easier for people to compare and switch funds; and

- There will be an annual performance test on MySuper products to increase transparency of performance.

HOW OUR INSTITUTIONS LOOK IN FY2021

A large portion of institutions took an early stance and assured their people there would be no COVID-19 related cuts/job losses and redundancies. Planned restructures were tabled and we saw a significant push from leadership to put their people first (over shareholder profits). Now that we know more about COVID-19 and its staying power, businesses have started to restructure and reshape their businesses in this new 'cost out' environment.

We are increasingly seeing that institutions have started to shift their focus to the bottom line and keeping a close eye on their leave liabilities, the cost of remuneration increases and the impact of a diminishing bonus pool. Some organisations have forced up to 15 days annual leave (which is 3/4 of standard annual leave entitlements) and this needs to be taken in December and January. Large numbers of contractors have also been let go to reduce costs and some businesses have requested reduced pay/hours for all staff (with some reducing pay without reducing working hours). We do not anticipate these cuts getting worse as the year draws to close, however we expect forced leave to become normalised as we move towards the end of FY2021.

The amount of work for most people has remained the same, if not increased, and with less resources available it has meant a significant portion of people are working longer hours. We have found that senior managers are becoming increasingly impatient with this situation and are pushing harder for increased headcount or in extreme cases experiencing burn out and taking emergency leave. Worryingly, Economic history shows suicide rates peaked in the Great Depression, rose notably soon after the unemployment rate hit 11.2% in the early 1990s, and edged higher following the 2008 global financial crisis (Source)

HOW OUR INSTITUTIONS LOOK IN FY2021 (CONT.)

Most large organisations have requested their teams remain working from home until at least early 2021, however have opened their workplaces for critical workers and exception cases. Some medium and small organisations have started to encourage their employees to come back into the office however most are not making it mandatory. In Victoria, the government has mandated for people to stay at home in line with the state-wide restrictions, however from 11.59pm Tuesday 27 October, restrictions will be eased further in metropolitan Melbourne . In NSW, public transport is noticeably busier.

Team members who are returning to the office are not returning 5 days a week and are discouraged from attending external meetings unless ‘critical’ or ‘preapproved’. We expect to see this relax in all states except Victoria throughout the financial year.

There are, however, organisations that are faring well during this pandemic. For example, JB Hi-Fi’s total sales were up by 11.6% according to their full year financial report with an EBIT surge of 30.5%. Likewise, Netwealth Group declared a 25% increase on its EBITDAR year on year (source). The Power Retail Advisory Board reported that approximately 20% of the retail sector has experienced an increase in sales and 16% observed no change in their volumes.

RECRUITMENT IN 2020

The recruitment sector has been one of the hardest hit industries with some recruitment companies going out of business and most downsizing/cutting pay and hours. SEEK's annual report show their ANZ revenues down by 12% from $440m in 2019 to $387m in FY2020. This decrease in revenue is mainly attributed to a decline in advert volumes. In addition, SEEK's July 2020 revenues in AU and NZ were down 30% vs July 2019.

As a business, we have personally seen a significant decrease in permanent hiring since April 2020. Vacancy numbers are down with increased competition for roles in Product, Marketing, Communications & Digital. Actuarial & Pricing role volumes have decreased however not as dramatically, and it remains to be candidate led. There is still demand for good quality contractors with specific skills such as remediation, change management, digital, pricing (actuarial), regulatory affairs and risk management. Where there are vacancies, they are becoming increasingly contested with some vacancies receiving upwards of 200 applications. Not all roles are advertised by organisations and instead engaging recruitment companies where existing relationships and networks are relied upon to fill the roles.

As we move into the latter part of the calendar year, permanent vacancy volumes are likely to drop off even further. The main reasons for this are;

- Hesitancy to hire given the uncertain financial conditions;
- Willingness to put hiring off until February/March;
- Due to employees being asked to take forced leave, stakeholders may not be available for interviews in December/January;
- Organisations with budgets based on the fiscal year may need to hold off with the recruitment process until their new budget cycle starts;
- Some restructures will not be completed and so hiring freezes will prevent external hiring taking place.

The great news is, even with the above in mind, there is a flurry of active contractor hiring pre-Christmas responding to regulatory pressure, Mergers & Acquisition (M&A) activity and business transformation.

RECRUITMENT IN 2021

While we predict there will be a slow start to hiring in 2021, the volume of vacancies will most certainly increase from February/March onwards. Some of the key reasons are outlined below:

COVID-19 would be 12 months old

Nobody can deny it's been a very tiring year! Professionals have been doing more, with less resources while juggling new working conditions for nearly a year! It is starting to take its toll and organisations have begun to appreciate that replacement headcount and project resources are necessary to stay compliant, keep up with regulatory change and simple keep supporting their team members with the volume of work.

Regulatory Pressure

Regulatory pressure has touched most Financial Services companies in 2019/2020 and will continue firmly into 2021/2022. There is a significant number of priorities which will require new project teams and extra resources in the governance and compliance areas. These projects would typically second resources from BAU teams and/hire backfills or external project resources.

M&A activity

With some large scale M&A activity in 2020, there will be some significantly sized projects which will need additional resources in IT, Change Management, Product Governance, Digital and Communications. While some roles may have duplicates, in our experience it's large merges that create new opportunities for internal and external talent in the areas we recruit.

Separation Activity

Where businesses are separating from their parent company, there will need to be investment in projects to separate operating systems. In addition, there is increased complexity when separating financial assets and customer portfolios. These projects can be very complex and require large project teams which consist of IT, Change Management, Communications, and Product Owners (amongst other functions).

New Product Development

The evolution of customer needs has meant there is a requirement for new products to meet these requirements. There is a more conservative approach to NPD where the project scoping, seed funding and customer testing is increasingly more extensive.

Customer Retention

With an environment which has so much product and ownership change, customer retention (and of course satisfaction) becomes paramount. Investment in communications and engagement will increase in 2021.

Digital Transformation

The current financial crisis will not slow organisations focus on digital transformation and will continue to place strong emphasis on a digital first customer journey.

Pricing

M&A activity, NPD, Business Transformation all require commercial resources to forecast, attribute and predict the impact of these changes. The pricing/actuary function has been recession proof in the past. Competition for these roles will still be higher in 2021 than we saw in 2020 however there will still be a war for talent for 'hard to fill roles' which require a thorough and comprehensive market search.

PRODUCT MANAGEMENT/DEVELOPMENT PREDICTIONS IN 2021

The Product Management function is well known and respected across industries where it has seen consistent growth over the last few years. More people have been trained than ever before (Brainmates reported a 23% increase in their Product training numbers 2018-2019).

Product teams are increasingly being used as a proactive, strategic function rather than for operational issues/incidents. This evolution of Product Management is due to more domestic and global training, collaboration at virtual or in-person meetups and conferences and the rate at which companies are evolving to meet their customers' needs. Pre COVID-19, Product Management consulting groups were recording some of their largest revenues in 10 years.

The new way we work

COVID-19 has meant that there is a significant shift in terms of how we will work in the future. The mix of office based and work from home arrangements will see an increase in collaboration tools, more autonomy and a significant shift in how we communicate with our colleagues and stakeholders. It may be a bit too early to tell, however many people are indicating they are unlikely to ever return to the office 5 days a week again.

Risk

Whether it's increased cyber security or regulatory pressure, balancing risk management with Product Enhancement/ New Product Development (NPD) is going to be a tough road to travel. There will be slower NPD initiatives due to lengthy decisioning committees and larger organisations will likely experience much slower market responses.

The power of Product

10 years ago, Product used to sit under Operations, Marketing or Sales, however now we are increasingly seeing Product at the head of the table. Events of 2020 have further shown why a Chief Product Officer (CPO) needs to be in a key decision making position.

What most Product professionals agree on is that Product should own the customer journey from end to end and sit in a separate seat next to the operations, sales and marketing executives. Product is now a strategic function with full P&L responsibilities and large teams of Customer Experience (CX) and agile/lean professionals.

More discovery less delivery

With less money available and increased risk frameworks, the Product discovery phase will be longer and more thorough. Building great Products through excellent discovery processes and commercially sound analysis means that the likelihood of them being successful will be higher. For established Products, getting the basics right will be increasingly important. Commercial acumen and strategic thinking will be a priority where hypothesis testing and lean approaches to discovery will become best practice.

Data and technology focus

Building great technology has been at the forefront of Product professionals minds for many years however now more than ever, great technological experiences are critical to success. Customers are looking for secure ways in which their data is protected and seamless customer experience when using a Product. Post COVID-19, the focus will be about the digital experience and how this needs to be improved to meet customers' needs.

Talk to customers differently

It will become more important than ever to adapt and change how you approach your customer in a personalised (and emotive) way. Product Managers have limited time and it is a constant challenge to review and adapt priorities on a daily/weekly basis. Finding time to be more hands on with customer interactions and provide measurable business benefits is now a necessity, with full P&L responsibilities and large teams of Customer Experience (CX) and agile/lean professionals.

MARKETING, COMMUNICATIONS & DIGITAL PREDICTIONS IN 2021

The Marketing function is well known and respected across financial services given the industry's consistent growth over the last decade. Professionals operating in this space have had to continually shift to keep up with emerging digital trends.

Marketing roles are becoming less generalist over time as we move towards digitisation in a bid to keep up with consumer needs and expectations. Marketing teams continue to work closely with Product and Distribution divisions to bring financial products to market in a highly competitive and regulated industry and have become more strategic as a result.

The Communications function is one which has seen bolstering in the last 5 plus years and has provided many opportunities for professionals during COVID-19. With a number of regulatory reform projects underway and increased focus on keeping customers engaged and informed, communication teams have and will continue to operate at maxi-mum capacity. Across financial services, communication roles will continue to grow.

The new way we work

COVID-19 has meant that there is a significant shift in terms of how we will work in the future. The mix of office based and work from home arrangements will see an increase in collaboration tools, more autonomy and a significant shift in how we communicate with our colleagues and stake-holders. It may be a bit too early to tell, however many people are indicating they are unlikely to ever return to the office 5 days a week again. COVID-19 has had the greatest impact on Event Management roles and we have seen a large number of people displaced in this area. Social distancing measures have meant that many planned events can no longer take place and where organisations are looking to cut their cost base, they are looking at this area first.

Risk

Risk will continue to be an area of focus for all roles across financial services as organisations recalibrate their appetite for, and management of, risk post the Royal Commission into the Misconduct in Banking, Superannuation and Financial Service Industry. This has meant that marketing and communication teams will need to continually meet the fine balance between what they are legally required to communicate and how they communicate it to enhance the customer experience.

Information overload

Marketing content is everywhere you look but it has now become a requirement with customers expecting information at their fingertips. As customer comfort levels with information overload increases, so does their demand for high quality content. This is now required to meet brand trust. Customers continue to self-educate and are more and more adept at finding information they need via the internet. The challenge for marketing teams will be the building of a strong platform for their brand so that the content created allows self-starting customers to start their in-depth research from their site. In turn, trust for brands will grow. We predict a solid growth in roles requiring content creation for many years to come.

Data and technology focus

Rapid change is the new normal, and more than ever, marketing teams need to make decisions quickly that are anchored on data. As a result, companies are pouring money into marketing analytics and will continue to do so. Analytics should shed light on interactions that drive revenue generation and therefore more than ever marketers are required to be both creative thinkers and analytical in nature to be successful in this arena. The growth of roles in the digital space continues to rise with roles like Head of Digital, UX/UI Designer and Marketing Automation Specialist being some of the most common titles in 2019/2020. Technology led roles will continue to be roles of the future.

MARKETING, COMMUNICATIONS & DIGITAL PREDICTIONS IN 2021 (CONT.)

Talk to customers differently

It will become more important than ever to adapt and change how you approach your customer in a personalised (and emotive) way. Customers expect to consume information in a digital fashion and as customers are watching more and reading less, marketing teams must ensure their visual content meets this shifting consumer habit.

Developing trust through marketing messaging is at the centre of many marketing and communication team's strategy post the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and will continue to be a focus for 2021 and beyond.

IN CONCLUSION

Now that Australia is in a recession for the first time in 29 years with GDP dropping by 7% in just 3 months and large-scale job losses seeming inevitable, it's hard not to be stuck in the doom and gloom. However, it is important to note that there are industries and businesses that are expanding on the back of COVID-19, with a growing need for additional resources. One of the successes we saw come out of COVID-19 was the growth and development of team collaboration technology. Digital collaboration tools such as Slack, Zoom, Jira, Dropbox as well as signature solutions HelloSign and DocuSign have enabled teams around the globe to collaborate, communicate and work together successfully in a remote situation. There will be many new businesses which will be launched in COVID-19 which will pave our future in 5 years' time.

The budget is very clear on the government's commitment to create new roles for specific sectors and young Australians and we have seen first-hand how vacancies have been created on the back of regulatory change, M&A activity and large-scale restructures. Due to the significant disruption of the financial services market in 2019 and 2020, we have seen an increased need for high calibre candidates in Product, Pricing, Actuarial, and Digital.

MEET THE TEAM

Victoria Butt
Managing Director and Founder
vbutt@parityconsulting.com.au
+61 402 418 326

Amanda Glacken
Division Manager
aglacken@parityconsulting.com.au
+61 450 291 368

Adam Lee
Senior Consultant
alee@parityconsulting.com.au
+61 410 001 635

Agnes Villanyi
Senior Consultant
avillanyi@parityconsulting.com.au
+61 405 395 021

Vanessa Lalani
Senior Consultant
vlalani@parityconsulting.com.au
+61 410 001 819

Jodi Garratt
Senior Consultant
jgarratt@parityconsulting.com.au
+61 405 383 550

Honor Makita
Senior Consultant
hmakita@parityconsulting.com.au
+61 416 937 767

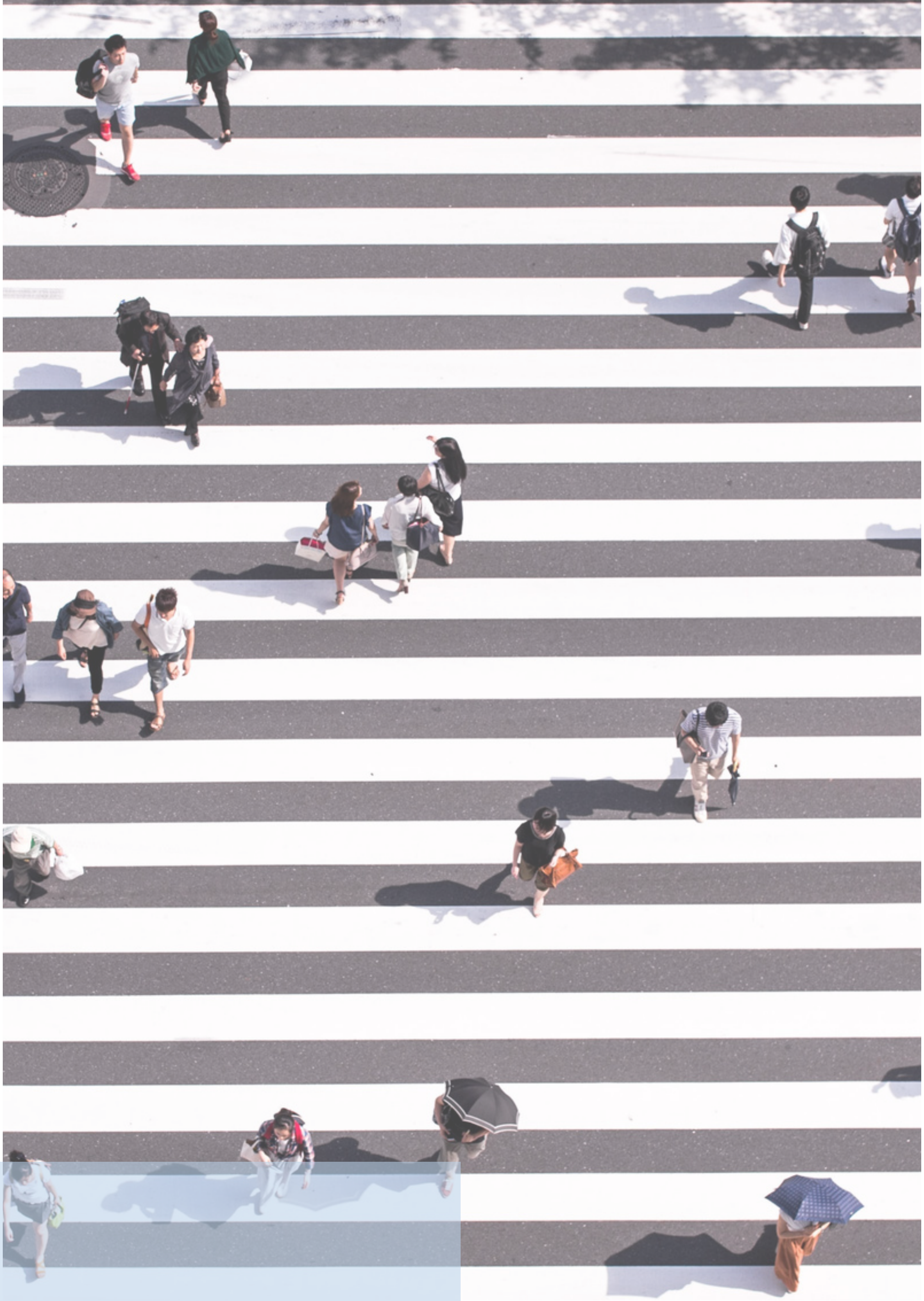
Skye Griffiths
Specialist Consultant
sgriffiths@parityconsulting.com.au
+61 451 193 774

Nick Veale
Specialist Consultant
nveale@parityconsulting.com.au
+61 452 089 967

Ai Iwami
Specialist Consultant
aiwami@parityconsulting.com.au
+61 433 105 588

Mirjana Males
Business Manager
mmales@parityconsulting.com.au
+61 421 581 566

Paul Clarke
Finance Manager
accounts@parityconsulting.com.au
+61 2 8068 2016



CONTACT US

SYDNEY
Level 2, 37 Bligh Street
Sydney, NSW 2000
+ 61 2 8068 2016
info@parityconsulting.com.au

MELBOURNE
Suite 504, 356 Little Collins Street
Melbourne, VIC 3000
+ 61 3 9016 8606
info@parityconsulting.com.au

Published November 2020