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Securing Australians' Superannuation

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G'day

**RE: Securing Australians' Superannuation - Consultation Question 38.**

## Summary

Tanda is a software company whose product advertises superannuation funds to employees during their onboarding with a new employer. **Tanda supports banning the practice.**

## Background

Over the past 5 years, Tanda has advertised superannuation funds to employees via the onboarding component of our software.

Absent legislative change, we intend to continue advertising superannuation funds to employees in the future. That is because:

- Australian businesses are accustomed to having their superannuation guarantee obligations automated. Advertising superannuation funds for employees to choose from is a simple mechanism to do this. Providing this service to businesses is now required to compete in our category of software; and
- We can lawfully generate a significant amount of revenue from advertising superannuation funds to employees. We are confident that each of our competitors would similarly generate significant revenue from this advertising. While this practice remains lawful, my view is that not only are vendors entitled to generate revenue by providing this service, but vendors will need to continue advertising superannuation funds to employees to remain competitive in our category of software.

However, I do not believe that the practice of advertising superannuation funds to employees during onboarding is in the employees' best interests, nor do I believe it is what's good for our country in the long run.

I am making this submission to express our support for banning the practice of advertising superannuation funds.

## About Tanda

Tanda is an Australian software company that provides software for Australian businesses that hire hourly employees.

More than 250,000 Australian employees are managed via the Tanda platform. A large proportion of these employees are young and in their first job due to the nature of the industries we cover.

Unlike other vendors in our software category, Tanda is not controlled by a private equity firm, and we don't have any financially motivated investors pushing us to make short term gains over what is long term good for the country and good for employees.

A ban on advertising would be very financially costly for my company. However, a ban would also be better for the country and for employees. That is because a ban ought to result in the superannuation funds spending less on advertising, which should in turn result in lower fees and higher compounding returns to employees, on average. In my opinion, it is better that the money remain with employees than going to software companies.

## Primary concerns

The Australian superannuation industry should exist exclusively to support employees in their retirement.

We have the following primary concerns with advertising during onboarding:

1. **Conflicts of Interest:** Some software companies have been advertising their own superannuation products during their employee onboarding processes. This creates a clear conflict between the vendor's interests and the interests of the employee who is onboarding.
2. **Promotion of High-Fee, Low-Performing Funds:** Unfortunately, in my experience, the superannuation funds that are most willing to spend money advertising to employees via onboarding software have comparatively high fees and underperform market returns. My observation is that advertising this way gives low-performing funds an opportunity to acquire members without the need to provide comprehensive information about their offerings.
3. **Undermines the Intent of the Stapling Legislation:** The intention behind the stapling legislation was to reduce the creation of duplicate funds. However, that intent has been undermined by advertising in onboarding software. Software companies are expert in providing easy options to use and progress through their software. When it comes to superannuation funds in onboarding, prominent "create new fund" options usually offer employees a simpler way to progress their onboarding than the alternatives (e.g. for first-time employees, having to research and manually join a fund outside the onboarding process or, or for other employees, locating the details of an existing membership).
4. **Advertising in a Compulsory Market:** Although Tanda generally supports market-based solutions, superannuation is exceptional in that all employees are compelled to select a fund and have contributions made to it. Advertising just adds to the costs of running a superannuation fund. This is a bad outcome for employees when these costs are inevitably passed on via fees.

5. **Stifles innovation:** So long as software companies can be incentivised to advertise superannuation funds to employees, this will distract their focus from building software. Having software companies spend time advertising financial products is not only bad for employees, but is also bad for business owners who buy software expecting research and development to be focused on the automation of more valuable business processes.

In conclusion, I can't see any tangible benefits to employees from this practice. Although there are many benefits for software companies and their owners who pocket millions of dollars in advertising revenue.

I request that the consultation give particular consideration to the financial incentives of other participants. The consultations should consider that the eventual financial beneficiaries are often large private equity firms and foreign investors.

## **Certainty needed**

At the moment, the whole industry is operating in a grey area. This is very bad because it is causing a massive misallocation of resources which if later changed, would have a substantial cost to Australian industry.

**We request that clarity is provided and either the practice is given a green light, or banned by 30th June 2024 at the very latest.**

## **Further participation**

As CEO of Tanda, I would be happy to participate at any time during this process.

**Jake Phillpot**

**CEO**