



Media Release

Trade finance to SMEs a work in progress

(17 May 2006 – Australia) Selling Trade Finance services to small business customers is still a work in progress for Australian banks with SMEs indicating they are unhappy with the service they are currently receiving, East & Partners' latest report shows.

East's latest six monthly Trade Finance Report reveals that customer satisfaction levels have deteriorated across important factors such as Speed of Query Responses, Value for Money, Bills for Collection, Risk Advice & Management, Knowledge of Customer's Industry, and Customer Service in this critical market segment.

As a result, banks are struggling to grow the share of SMEs engaging Trade products and services with many businesses using simple lending products such as overdrafts and loans to support their trading activities.

The Big Four banks are experiencing slow attrition in Trade finance engagement among their customer bases. The strongest performers are international banks, HSBC, Citigroup, and JPMorgan, which have large Trade footprints relative to their share of transaction banking customers.

Niche providers such as Arab Bank and BankWest are carving out sustainable beach heads and the regional banks are holding their own, often using "white labelling" solutions from providers such as ABN Amro.

"Australian banks are particularly strong in Cash and Payments but less so in Trade compared with international banks in the region, although there has been one big exception historically here – ANZ," East & Partners principal analyst Paul Dowling said.

"But domestic providers are aggressively re-engineering their Trade offerings and moving towards deploying e-Trade platforms whilst at the same time working to maintain their existing Trade service – all part of a Big Four fight back against new forms of competition in the market.

"The deterioration in customer satisfaction could be attributed to providers losing sight of the customer while they try to improve their Trade propositions," Mr Dowling said.

"International banks have already gone down this path, but of course, they currently have significantly fewer customers relative to the major domestic banks.

"Penetration of Trade products among SMEs is low currently but this means there's plenty of upside for the provider who can connect with these customers," Mr Dowling said.

“It’s a chicken and egg situation as SMEs traditionally have been ushered towards overdrafts and term loans by their bankers, often because they’re unsure of the customer’s credit quality and trading patterns. Trade Finance has become a crucial part of SME’s demand for broader liquidity financing answers,” he said.

SME Satisfaction with Trade Finance Offerings

	Average Satisfaction Rating Reported	
	1 — 2 — 3 — 4 — 5 (satisfied)	1 — 2 — 3 — 4 — 5 (dissatisfied)
	August 2005 (N: 130)	February 2006 (N: 137)
Speed of Query Responses	3.22	3.31
Documentation Quality	2.72	2.65
Processing Accuracy	2.66	2.62
Bills for Collection	2.45	2.49
Knowledge of Customer’s Industry	3.20	3.33
Risk Advice and Management	3.33	3.50
Pricing Competitiveness	2.69	2.66
Customer Service	3.40	3.47
Bank’s Trade Account Officer	2.88	2.93
Value for Money	3.25	3.40
General Trade Advice	2.86	2.92
Trade Loans	3.92	3.95
Documentary Credits	2.48	2.41
Trade Insurance	2.64	2.55
Confirmations	2.77	2.71
e-Trade Solutions	3.38	3.34
Professional Competence	2.82	2.88
Innovative Solutions	3.00	3.06
Global Representation	2.48	2.36
Structured Trade Finance Products	2.60	2.55

Source: East & Partners Trade Finance Markets Program – February 2006

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