



Customer sentiment plummets to a new low in the smaller end of town

(2 September 2013 – Australia) The relationship between smaller businesses and their banks continues to deteriorate with a key metric tracking customer sentiment plummeting to a new record low, according to research from industry analysts East & Partners.

East's bi-monthly Business Banking Index, created from research conducted in July, shows that businesses in the Micro and Small and Medium Sized Enterprise (SME) segments continue to lower their assessments of their banking relationships across four key criteria: empathy, satisfaction, loyalty and advocacy.

East's BBI program interviews around 1000 Australian businesses across four market segments: Micro businesses turning over \$1-5 million annually, SME (\$5-20 million turnover), Corporation (\$20-725 million) and Institutional (\$725 million plus). Businesses are asked to rate their banks on a scale of 10 (low) to 100 (high) across the four criteria to produce a final BBI number.

In the July research, the Micro segment BBI figure was a record low 11.3, while that of the SME segment was 17.0, also a record low. The two results pulled the final BBI for all four segments down to the lowest ever result of 30.2.

While Corporate and Institutional businesses are comparatively happy with their banks, with BBI ratings of 64.7 and 31.1 respectively, the BBI scores from smaller businesses continue to move lower.

The sentiment is expressed in high negative advocacy scores from both Micro and SME segments. Asked if they would actively dissuade colleagues and peers from using their bank, on a scale of 10 to 100 where 100 is "actively dissuade," the scores for the Micro and SME segments are 62.1 and 53.2 respectively.

Smaller businesses also report that dealing with their banks is becoming more difficult, and this is reflected in decreasing demand for additional banking services.

Contact with their banks is also infrequent. Only 4 percent of Micro businesses and 4.6 percent of SME's report contact with their banks in the past month, compared with 25.3 percent of Corporate and 50.5 percent of Institutional businesses.

Lachlan Colquhoun, Head of Markets Analysis at East & Partners, said the new BBI research confirmed the almost "two speed" nature of banking relationships.

"We continue to see a big gap between small and large businesses and the quality of their relationships with their banks," said Colquhoun.

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“This is reflected in much of our other research, which shows that smaller businesses are actively considering non-bank financing solutions as they show some signs of returning credit demand.

“To the larger banks we continue to say that there is a major opportunity in the market for a bank which wants to position itself as a champion to the smaller business segments, and actively engage with them.”

Individual Segment Index Scores – July 2013

10 (low) to 100 (high)

Segment	Empathy	Satisfaction	Loyalty	Advocacy	TOTAL
Micro Business	11.1	12.5	11.0	10.5	11.3
SME	13.8	31.1	12.3	10.6	17.0
Corporate	77.0	87.4	51.8	42.6	64.7
Institutional	34.7	44.6	24.5	20.6	31.1
TOTAL	32.8	43.4	24.6	20.0	30.2

About East & Partners' Business Banking Index

A bi-monthly Index of business customer behaviour toward their banks, based on interviews conducted Australia-wide with a structured sample of over 6,150 companies across four segments annually.

The Index provides a monitor of a number of important drivers of customer engagement behaviour with their banks including advocacy, detractor, empathy, satisfaction, loyalty, channel engagement, advertising recognition, product demand, product advocacy and mind share.

Market Segments:

- › Institutional – (A\$725+ million turnover enterprises)
- › Corporate – (A\$20-725 million turnover enterprises)
- › SME – (A\$5-20 million turnover enterprises)
- › Micro – (A\$1-5 million turnover enterprises)

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