

Media Release

Transaction Banking Churn Set to Stay

(31 March 2014 – Australia) Greater numbers of middle market CFO's and treasurers intend to switch their primary transaction bank, research from industry analysts East & Partners confirms.

Customer churn in the corporate segment has risen sharply in the last five years as enterprises shift from a 'better the devil you know' attitude to that of decided firm-footedness in considering rival transaction banking offerings.

This is evidenced by the number of businesses definitely considering changing their primary transaction bank in the next six months. The figure has jumped from 15.5 percent to 25.4 percent of total businesses since 2009.

Of the 897 enterprises turning over A\$20 – 725 million per annum surveyed twice a year for the Corporate Transaction Banking report, the need for improved collateral, security and better pricing was nominated by a combined 71.2 percent of Corporates as the key reasons for changing primary providers.

14.6 percent of firms cite a need for more flexible terms, yet improved collateral remains the overwhelming driving force behind customer attrition in the Corporate segment.

The report provides an in depth churn analysis, detailing customer churn by bank, key reasons for churn, likelihood of changing banker in the next six months and the single most important improvement desired in transaction banking.

Up to 15.6 percent of corporates have switched their international transaction banking product provider in the last six months, representing the highest level of customer churn within the transaction banking product suite. Remittance processing exhibits the least amount of customer churn, declining to 2.0 percent and trending lower over the last five years.

Forecasts of future market share and customer satisfaction rates are presented within the report, based on over a decade of trending data. These predictions indicate which banks are set to suffer the most from customer churn within the Corporate segment.

East & Partners Senior Markets Analyst Martin Smith finds the metrics provide powerful insights into the decisions Corporates make when allocating their transaction banking wallet.

"Two of the Big Four banks and one regional bank are struggling to cope with more than five percent of their own customers switching in whole or part in the past six months"

“Several international and regional banks have increased their customer retention rates significantly in the last three years, directly addressing customer concerns with product and service deficiencies that result in them switching providers in part or entirely”

Average Customer Churn

Average % of Own Customers Switched in Whole or Part in the Past Six Months

Bank	2012	2014
Big Four	3.5	4.2
Regionals	2.3	3.7
Internationals	2.1	2.1
Other	1.7	3.7
None	75.5	67.8

Source: East & Partners Corporate Transaction Banking Program– February 2014

About the East & Partners Corporate Transaction Banking Report

The Corporate Transaction Banking Markets report delivers core industry insights from influential business CFOs and Treasurers in one of the most competitive segments of ongoing Australian Banking industry investment.

The success banks are having in understanding underlying business needs and transaction banking requirements are evaluated against Competitive Market Share, Payments, Internet Banking, Trade and Cash Management metrics. Product and Operational Importance and Satisfaction Ratings are directly comparable and interdependent upon Churn Levels, Futures and Bank Mind Share.

For more information or for further interview based insights from East & Partners on the Corporate Transaction Banking Report, please contact:

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