

Media Release

Switching to a Regional Bank...why not?

(3 March 2015 – Australia) While many business owners report ‘nothing’ is stopping them from switching to a regional bank, most have simply never considered converting or regard the process to be exceedingly difficult.

These findings are derived from East & Partners (E&P)’s Business Banking Index (BBI), structured from direct interviews with 874 enterprises across Australia. The BBI is a critical monitor of business banking customer sentiment, capturing trends across key indicators such as advocacy, loyalty, satisfaction and empathy since the program’s inception in 2006.

As part of the most recent round of research, E&P examined whether or not there were any inhibitors present amongst enterprises that are not currently in a primary banking relationship with a regional bank.

Small businesses indicate minimal reluctance switching away from the Big Four. 16.9 percent of Micro businesses and 11.2 percent of SMEs are seemingly ready to move their transaction banking and lending relationship to one of the major regional offerings such as Bendigo Adelaide, Bank of Queensland (BOQ) or Suncorp.

A notable 39.8 percent of enterprises have simply never considered switching to a regional competitor, influenced predominantly by the institutional market segment. An overwhelming 87.9 percent of the Top 500 enterprises by revenue have not explored beyond their existing business banking relationship.

This is despite sliding overall institutional market sentiment. The institutional BBI touched a fresh record low of 30.7 in January 2015 (on a scale where 10 = low and 100 = high), narrowly above the market wide BBI rating of 27.5.

Unlike retail customer satisfaction which continues to drive higher, small businesses are decidedly dissatisfied with their business banking experience. Micro and SME sized enterprises rate the banks an extremely low 11.3 and 15.5 respectively.

It must be said however that the Corporate segment is relatively pleased with their business banking product and service offering, scoring a significantly higher BBI score of 61.1.

“CFO’s and treasurers across Australia did not express concern over the relative size of regional banks, negative comments about bank competitors, pricing competitiveness or service standards as major inhibitors to switching to a regional competitor” E&P’s Head of Markets Analysis Martin Smith stated.

“A perceived difficulty associated with switching their business banking relationship is presumably the single biggest factor holding back small business owners from churning, while the Top 500 have simply not considered a regional bank. This poses a clear mind share development challenge for regional banks such as BOQ, Bendigo Adelaide or Suncorp”

“BOQ rates exceptionally well across all four BBI contributing factors including advocacy, loyalty, satisfaction and empathy. The Queensland based lender, currently seeking additional growth opportunities in interstate markets, achieved a new BBI high of 65.8 ahead of St George (51.2) and HSBC (49.4)” Smith added.

“These results offer both opportunities and threats for the Big Four and regionals alike, given the apparent disparity between perception and reality as it currently stands.”

What prevents you from switching to a regional bank?

% of Enterprises

| Switching Inhibitors | Micro (N: 201) | SME (N: 249) | Corporate (N: 217) | Institutional (N: 207) | TOTAL (N: 874) |
|----------------------|-------------------|-----------------|-----------------------|---------------------------|-------------------|
| Never considered | 21.9 | 24.9 | 27.6 | 87.9 | 39.8 |
| Difficulty switching | 29.4 | 32.5 | 25.8 | — | 22.4 |
| Product not offered | 9.5 | 9.2 | 14.3 | 10.1 | 10.8 |
| Other inhibitors | 22.4 | 22.1 | 24.4 | 1.9 | 18.0 |
| Nothing | 16.9 | 11.2 | 7.8 | — | 9.0 |
| TOTAL | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: East & Partners Business Banking Index – January 2015

Note: BankWest and St George not considered regional banks

About the East & Partners Business Banking Index

The Business Banking Index, released every two months, monitors the ever shifting preferences CFO's, treasurers and business owners currently exhibit in terms of sentiment, mind share, customer advocacy and satisfaction. Business banking sentiment is an important predictor of customer advocacy and switching intentions. The research formulates bank index scores from up to a thousand interviews with Institutional, Corporate, SME and Micro business segments.

The breadth of the BBI analysis delivers market-spanning conclusions on how highly customers value and regard their business bank. Bank index scores monitor key drivers of customer engagement behaviour including business banking advertising recall, mind share, loyalty, satisfaction, proactivity, empathy, detraction and advocacy.

Released: Bi-monthly

Market Segments:

- › Micro – A\$1-5 million
- › SME – A\$5-20 million
- › Corporate – A\$20-725 million
- › Institutional – A\$725 million plus

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