

## Media Release

## Business Banking Loyalty put to the Test – E&P

(10 August 2015 – Sydney) Customer loyalty in business banking is fading fast according to study results newly released by research house East & Partners (E&P).

Interviews conducted with a national sample of 983 enterprises for the firm's Business Banking Index (BBI), a key monitor of business banking sentiment, shows customer behaviour and engagement with Australian banks is evolving rapidly.

On a scale of 10 (not loyal) to 100 (very loyal), the market wide average has halved from 41.5 in July 2008 to a current record low rating of 20.8 in July 2015.

Small businesses are particularly disgruntled, registering a loyalty rating as low as 11.2. This figure compares to ratings of 24.0 for the institutional segment and 46.2 for the middle market – over four times higher than SMEs.

Deteriorating customer loyalty is matched by similar declines in empathy, satisfaction and most importantly customer advocacy. Driven by credit experiences, small businesses previously conveyed a strong view that provider choice and competition for their business was lacking.

This factor is holding significantly less sway however as non-bank and international competitors jostle for market share growth based on selected product, digital platform and service features.

Transaction banking, FX and Trade Finance products are most influenced by business owner's preparedness to advocate their primary bank yet business banking advocacy remains effectively non-existent among the majors.

Surprisingly, customer churn has not yet materially accelerated in response to critically low sentiment. Forecasted churn is climbing quickly however and wallet share across several product lines is under severe pressure as businesses choose to 'multibank'.

The latest BBI report found that up to three quarters of Micro businesses are prevented from accessing credit due to a slow credit approval process while one in two SMEs are dissatisfied with their bank but have not considered alternatives. One in three institutional enterprises expressed concern over the stability and strength of non-bank lenders yet less than five percent of small businesses shared their apprehension.

"These results certainly raise warning signs for the Big Four in terms of maintaining strong margins. Small business banking customers report that longstanding, positive relationships are simply not helping in their debt funding needs. This factor alone is clearly negatively influencing their loyalty to their primary transaction bank and/or lender." stated E&P's Head of Markets Analysis, Martin Smith.

“When asked to recount the number of direct personal contacts with their bank in the past month, be it in person at a branch, by email or phone with a business banker, a mere 23.9 percent of CFOs and treasurers answered in the affirmative.

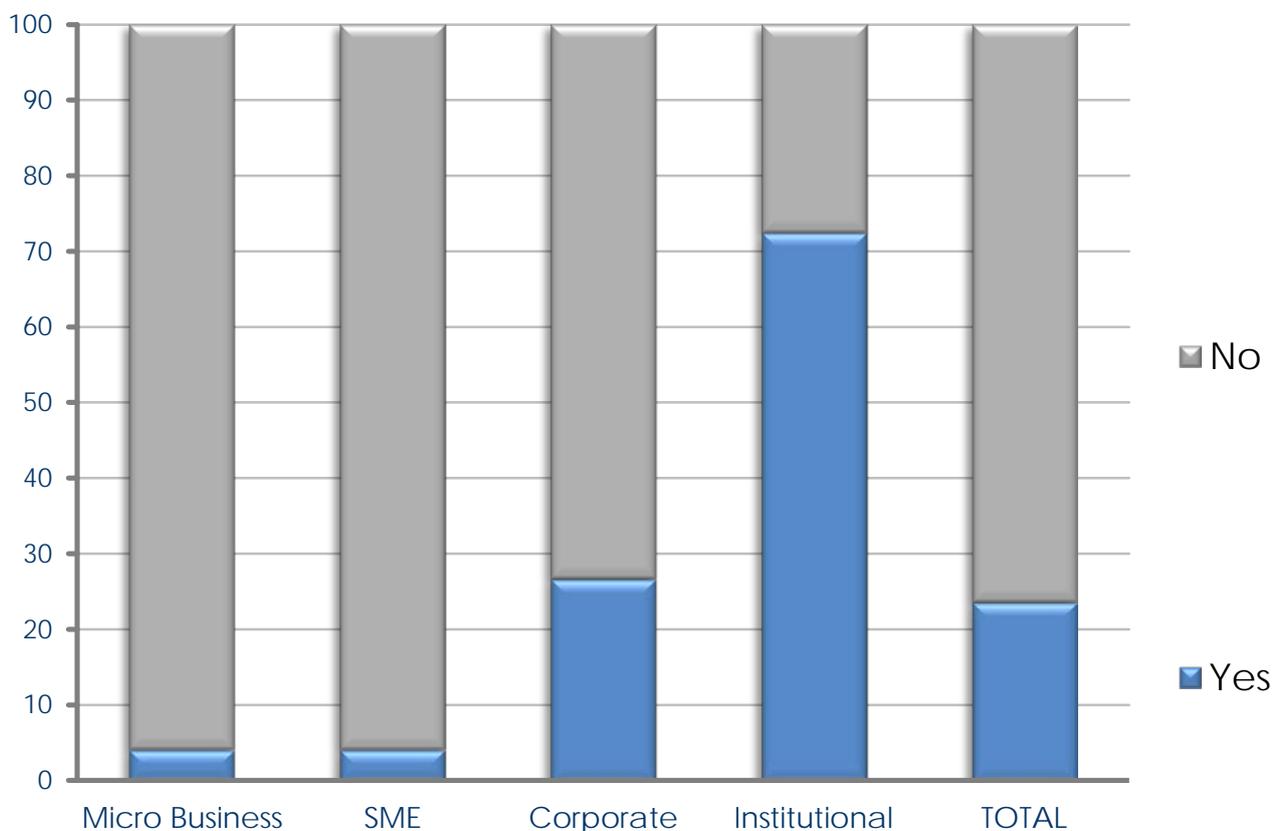
“Generally contact is also of a reactive nature for several established brands with the exception of BOQ, CBA and Suncorp whose customers reported up to 80 percent of contact was initiated by the bank. Product specialists and innovative channels for dealing with the bank are undeniably important and warrant further investment and development, however for the great majority their basic expectations for product and service outlay are simply not being met” he added.

#### Key Stats:

- The overall Business Banking Index score fell two points since May 2015 to 26.8 (where 10 = low to 100 = high).
- QLD based CFOs and treasurers display sentiment that is three times more positive than Victorian businesses (22.0) and NSW businesses (13.7).
- Four Banks have improved customer sentiment in the last year, including Citigroup (22.7), CBA (18.6), BOQ (66.3) and Suncorp (27.8)

### Contact with Bank in the Past Month

% of Respondents



Source: Business Banking Index – July 2015

## About the East & Partners Business Banking Index

The East & Partners Business Banking Index is a bi-monthly Index of business customer behaviour towards banks. The Index provides a monitor of several key drivers of customer engagement behaviour with their banks including advocacy, empathy, satisfaction, loyalty, detraction and mind share.

The BBI has proven clear predictive correlations based on customer engagement behaviour and intentions with key bank performance outcomes both in aggregate and by individual bank. Its leading predictors are strongly connected with measures such as market share, customer retention, wallet share, product cross-sell and bank margins.

### Business Depositor Segments:

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

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