



Great Expectations in Banking

Should Hollywood have a crack at banking?

The Hollywood Effect

Do you remember seeing your first sci-fi movie and how futuristic it was? And do you recall how awestruck you were? I can still remember seeing “Star Wars” for the first time and thinking “wow”. When it comes to banking I can’t ever recall being given such excitement, can you?

Hollywood is renowned for giving its audiences what they want, and in most cases more. In other words they meet and exceed the expectations of their customers. Do we see anything remotely approaching this in bank interaction with business customers?

The Customer Expectation – Experience Gap

Over the past eight years in corporate banking, customer expectations have never been met in either product or service performance. In considering a grid composed of customer segment versus product/service performance since 2002, we see a gap that has stayed remarkably consistent. Customer satisfaction, whether with product or service by primary bankers has simply tracked changes in customer expectations without ever exceeding them. For just a moment in 2007 in the Corporate segment, product satisfaction touched customer importance ratings but immediately retracted back to norm with presumably providers suffering from exhaustion!

Customer expectations are notably much higher in service and relationship issues than product for both Corporate and Institutional customers. This has been the case for a long time and is well recognised by banks as the key point of differentiation in their value propositions to the markets – great service drives cross sell and wallet share even with plain/modest

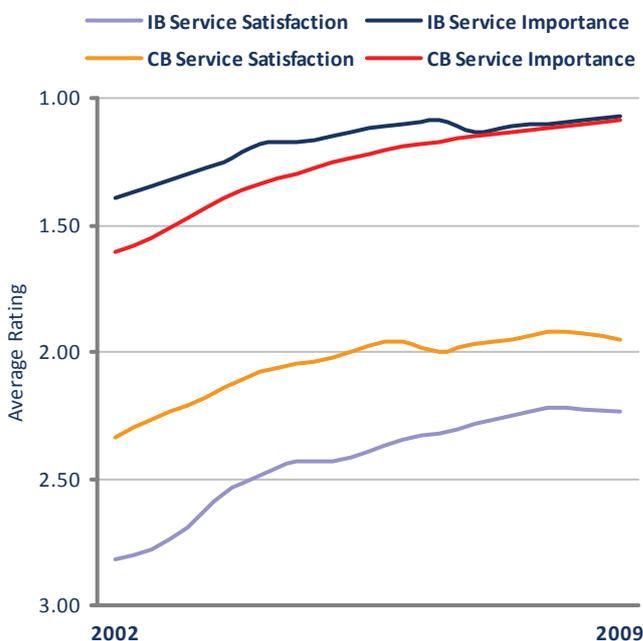
product offerings. Why then, do we see this performance gap obstinately refusing to close despite the investment and effort thrown at it? One answer, naturally, lies in customer goal posts getting higher as their banks get better at delivering value to their business operations, but the Hollywood effect is entirely absent. A cynic may see this as banks “doing just enough” to track their customers’ expectations but this requires a sophistication in market behaviour that just isn’t possible. The real answer lies in execution capability and performance. Lots of good customer strategy is in evidence in the Australian marketplace but its delivery has proved just too challenging so far.

The Hollywood Moment

The GFC has caused a huge flight to safety to the “Big 4” and created a moment for individual banks to stop following the pack and chase this customer gap with some real excitement. Failure to address this now will prove costly in the near future as there is rapidly deteriorating sentiment toward providers from middle market and SME customers causing a massive build up in downstream churn risk. Taking advantage of current credit conditions can be combined with a winning customer relations strategy and there hasn’t been a better moment in any of our careers for this to occur.

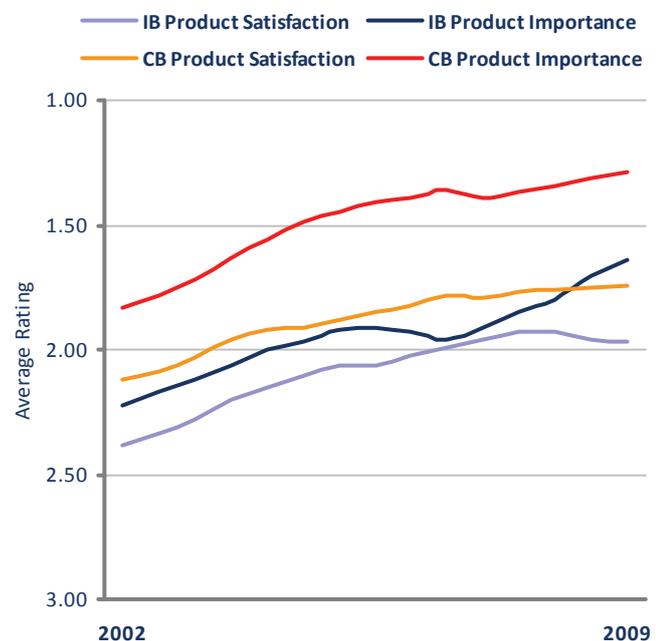
If you saw “Star Wars” again today you would probably not be as impressed as the first time around. Your expectations have changed over the last decade or two. However if you saw the latest sci-fi movie you would no doubt be impressed because Hollywood has evolved along with your expectations, retaining the “wow factor” and its ability to truly excite. Banking of course isn’t film making but the moment for some “relationship excitement” is absolutely upon us.

Service Performance



Source: East & Partners Corporate Banking Market Research Program

Product Performance



Source: East & Partners Corporate Banking Market Research Program