

Banks still struggling on client relationships

(31 March 2004) Australia's banks are continuing to under perform when delivering service to their mid-market commercial customers despite much publicised efforts to improve client relationship levels, East & Partners has found.

East's latest research into the banking experiences of commercial companies (enterprises turning over A\$20 – 340 million per annum) reveals that banks appear to be focussing more on cross-selling services than they are on improving overall service levels.

“A common sentiment we're hearing from CFOs and Treasurers in this market segment is: ‘our bankers can't get the simple things right in their service performance, yet are starting to talk to us about new and different services’,” East & Partners principal analyst Paul Dowling said.

“The problem for the banks is that under performance acts as brake on the speed with which customers are willing to engage new services,” he said.

“On the other hand, this business banking sector offers significant new business opportunities for those banks that are able to deliver on service. Given that the big end of town is overbanked for the most part, this is where banks are focussing today,” Dowling said.

The report shows that while strong relationship and service performance are generally considered to be more important to the customer than product use, banks' satisfaction performance levels are failing to keep pace with customer demand and expectations.

Of the 13 relationship factors that East measures, banks market wide are performing particularly weakly in the areas of: Value for Money, Proactivity, and Understanding a Customer's Business Needs.

East's Commercial Treasury Banking report also reveals that National Australia Bank's share of corporate and transaction banking relationships has deteriorated over the past six months. The bank's customer satisfaction performance in the much publicised Foreign Exchange area has also fallen away over this period [see Table below].

National Australia Bank – Commercial Markets

Market Share	% of Customer Relationships	
	January 2004	July 2003
Current Principal Transaction Banker	19.8	22.4

Satisfaction Ratings	Average Rating Reported	
	1 — 2 — 3 — 4 — 5 (satisfied)	1 — 2 — 3 — 4 — 5 (dissatisfied)
	January 2004	July 2003
FX Options – Overall	2.05	1.90
FX Options – Product/Service Performance	1.93	1.60

From a market share perspective, this latest analysis shows that Australia’s Big Four domestic banks still dominate commercial treasury and financial markets, “owning” just under 80 percent of primary banking relationships in these product areas.

“The challenge for the major domestics in a market where the majority of companies use one primary bank is to profitably cross-sell additional products. But given the relatively poor levels of customer satisfaction with relationship and service performance, this will not be an easy task,” Dowling said.

“The National in particular will have to work extremely hard in the coming months to restore confidence in the Bank after a prolonged period of negative publicity following its \$360 million foreign currency loss.

“For the smaller players and internationals, the challenge lies in introducing products to new accounts and then looking to build sustainable cross-product relationships. The key to success lies in demonstrating superior product attributes, supported by keen interest in the customer’s business and environment,” he said.

Positioning of the “Big 4” in the Commercial Market

	% Share of Relationships		
	Primary Transaction Bank	Secondary Transaction Bank	Primary Corporate Bank
Big 4 Domestic Banks	79.0	30.8	36.9
Regionals and Internationals	21.0	22.1	49.8
None	—	47.1	13.3
TOTAL	100.0	100.0	100.0

Source: East & Partners' Commercial Treasury Banking Report – March 2004

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