



## Media Release

### **NAB still king of the micro business jungle**

(22 February 2005 – Australia) Despite its travails over the past 18 months and acknowledgment that its processes have been too centralised, National Australia Bank is still the leading banker to Australia's micro businesses, according to a new report by East & Partners.

East's first report into the banking experiences of Australia's Micro Business segment (companies turning over between A\$1 to 5 million per annum) shows NAB is the number one bank in both transaction banking services and lending.

NAB has 26.0 percent of primary transaction banking relationships among micro businesses followed by Commonwealth Bank which has 22.6 percent, Westpac with 12.8 percent, ANZ with 9.6 percent and St George with 8.3 percent. The report is based on interviews with 2,366 micro businesses nationally.

NAB is also the clear leader in supplying Australian currency term loans to micro businesses with 30.8 percent market share in the segment.

"Historically, the small business segment has been one of the National's key markets and despite everything the bank has been through over the past 18 months or so, it's still the leading bank in the segment," East & Partners principal analyst Paul Dowling said.

"This is the first of our Micro Business reports so we're not able to say whether the National has won or lost small business customers over the past six to 12 months. But it's fair to say the competition for these customers has intensified to a level never seen before," Mr Dowling said.

"You've not only got regionals such as BankWest, Bank of Queensland, Bendigo and Suncorp aggressively targeting small businesses outside their home states, and St George continuing to click up market share, but all of the major banks have restructured and revamped their small business operations. Several of the internationals are also taking a close look at this micro market.

"The National, like the other Big 4 banks, has realised that small businesses want a quick response to credit issues and preferably face to face interaction with a business banker. That's why the bank has pushed its business bankers back out into the field and looked to streamline its processes to speed things up," Mr Dowling said.

East's report reveals that micro businesses have a huge appetite for debt with 72.8 percent of businesses identifying Australian currency term loans as a product area of increasing importance to them.

“Banks wanting to compensate for the slowing housing market by boosting their business lending would do well to focus on this segment. This is a large segment in Australian banking, very growth oriented, generally of good credit quality and looking for debt capital solutions” Mr Dowling said.

“Another associated hot spot for the coming year will be businesses looking for liquidity or working capital support that doesn't involve “bricks and mortar” collateral. Micro businesses are screaming out for solutions in this space, which is one of the reasons why factoring and invoice discounting continues to grow at close to 30 percent.”

The report shows that micro business customers want their service providers to engage with them and understand their businesses in much the same way that an SME, commercial and corporate customer does.

“Banks are no longer able to fob off small customers to a call centre and give their larger customers the personal service. Relationship management and banks' understanding of their business needs are the two most important factors on micro business customers' wish lists,” Mr Dowling said.

“However, to be successful in this micro business segment the banks are going to have to overcome a lot of customer cynicism.

“Banks are going to have to be skilful in the way they market new product and service propositions into a segment that has traditionally engaged just the basic cash management and lending products. Micro businesses want their banks to be proactive by they are also demanding loyalty. After a flurry of activity they don't want to see their banks disappear again,” Mr Dowling said.

**Overall Satisfaction with Banking Products – Whole of Micro Business Market**

N: 2366

**Average Satisfaction Ratings Reported**

1 — 2 — 3 — 4 — 5  
(satisfied) (dissatisfied)

**January 2005**

**RELATIONSHIP BANKING**

Deposits and Investments

On Call Accounts	2.60
Term Cash Deposits	2.44
Commercial Bills / CDs	2.48
Commercial Paper	2.60
Managed Funds	2.79

Debt

Overdraft Facilities	2.40
Australian Currency Term Loans	2.45
Foreign Currency Term Loans	3.48
Commercial Bills	3.20
Leases	2.50

Equity Raising 3.60

Corporate Advisory Services 3.37

Transaction Banking

Cash Management	2.36
Payables	2.44
Receivables	3.50
Internet Banking	2.37
Integrated e-Banking	3.79
Trade Finance	2.49

**PANEL BANKING**

Fixed Interest Rate Products 2.95

Spot FX 2.35

Swaps – FX 3.11

Swaps – Interest Rates 3.30

Options – FX 3.05

Options – Interest Rates 3.00

Forward Rate Agreements 3.84

Forward FX Contracts 3.60

Commodities Hedging & Risk Management 2.78

*Source: East & Partners Micro Business Banking Markets Program – February 2005*

***Relationship Satisfaction Ratings – Whole of Micro Business Market***

N: 2366

**Average Satisfaction Ratings Reported**

**1 — 2 — 3 — 4 — 5**  
(satisfied) (dissatisfied)

**Overall Product / Service Performance  
With Primary Product Bank**

**January 2005**

Relationship Management	2.48
Understanding Your Business Needs	2.69
Proactivity	2.93
Innovation	2.60
Loyalty to the Relationship	2.88
Quality of People	2.61
Pricing Competitiveness	2.63
Value for Money	3.09
Back Office Efficiencies	2.70
Documentation Quality	2.35
Knowledge of your Industry Sector	2.77
Understanding Micro Business Issues	3.20
Customised Banking Solutions	3.22
Economic Information and Analysis	3.29

Note: a synthesis of all individual service factor ratings across all banks

*Source: East & Partners Micro Business Banking Markets Program – February 2005*

For further information, please contact:

Paul Bartholomew  
Senior Consultant  
East & Partners  
Tel: 02-9004-7848  
Mob: 0410 400 156  
paul.b@east.com.au