



## Media Release

### **Banks using price to leverage share of corporate market, report finds**

(21 July 2005 – Australia) Australia’s corporate banking markets are undergoing a renewed bout of hyper competitive activity as service providers attempt to deliver more value to their Top 500 customers, East & Partners has found.

East’s latest six-monthly Corporate Transaction Banking Markets report shows most commercial banks have recorded significant improvements in both their Value for Money and Relationship Management performance.

“Big jumps in Value for Money ratings are a clear indication that banks have repriced arrangements with their customers over the past six months, or have offered them more service for their money; a tactic normally used to protect their customer base from competitors,” East & Partners principal analyst Paul Dowling said.

The report shows that customers of Commonwealth Bank of Australia, Westpac and National Australia Bank have all experienced large improvements in Value for Money performance from their service providers.

“The only way a bank is going to grow its share of the overbanked and very visible Top 500 segment is to pinch a customer from a competitor. Given there’s little to choose between the various banks’ products, some service providers are choosing to differentiate on price as well as their service propositions,” Mr Dowling said.

“Being competitive on price is of course necessary but it has to be reinforced by a strong relationship management platform otherwise it’s simply not sustainable in the long term,” he said.

The report finds that St George, CBA and NAB have all improved their Relationship Management performance while ANZ and Westpac have deteriorated.

CBA tops the Customer Satisfaction – Total Market performance ratings and has also leapfrogged Westpac and ANZ to become the leading bank in terms of share of primary transaction banking relationships of Australia’s Top 500 corporate.

“There’s no doubt Commonwealth Bank has got its act together in transaction banking services over the past couple of years, and customer focus efforts coming through from the Which New Bank reengineering program have patently played a large part in the bank’s improvement in this latest report,” Mr Dowling said.

“Once a bank has its service and relationship management platform working well, it’s pretty simple to start leveraging this with pricing.”

“National Australia Bank has clearly started to re-grow its share of primary customers and has improved its relationship management performance quite significantly in this report, which would seem to indicate that the bank’s less centralised strategy is gaining traction,” Mr Dowling said.

The report shows that CBA has 22.1 percent of primary transaction banking relationships compared with 21.4 percent six months earlier.

Westpac has dropped to 21.9 percent from 23.2 percent in the last report; ANZ’s share has decreased from 22.1 percent six months ago to 21.3 percent this time around. NAB has grown its share from 16.0 percent to 16.3 percent; and St George has improved to 5.2 percent in this latest report from 5.0 six months earlier.

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