



**Media Release**

## **Micro businesses want more attention from their banks, or they go elsewhere**

(8 September 2006 – Australia) The average Australian micro business owner is tapping their foot and waiting for their bank to contact them; they are waiting for their bank to show that they understand micro business issues and to convince them they are getting value for money; they continue to wait, and their patience is running out.

The latest report by East & Partners finds that micro businesses (enterprises turning over less than \$5m pa) want a more proactive approach from their bankers. They want their bankers to understand the issues facing micro businesses and, in an increasingly competitive marketplace, they want value for money from their banks.

While there are signs that banks have been successful in meeting the expectations of micro businesses when it comes to product design, there is a continuing mismatch between the relationship services customers expect and what they are experiencing on a daily basis.

These results suggest that Australia's micro businesses are getting ready to take their first steps down the path of multi-banking. For banks, the stakes are high.

In particular, micro businesses are increasingly likely to change their principal bank with 14.4 percent saying they are definitely planning to change their principal banker in the next six months, and a further 25.7 percent indicating it is highly probable they will change to another bank.

The "Big Four" banks dominate this segment but they face a number of competitive hurdles.

NAB is the established leader in the micro business segment with 27.1 percent of primary transaction banking relationships, followed closely by CBA with 21.9 percent. Westpac and ANZ follow at some length with 12.3 and 9.7 percent of transaction banking relationships, respectively.

With the exception of CBA, all of the "Big Four" banks have seen their relationship shares increasing, albeit slowly, as they execute a collective "fight back" after several years of market share attrition. While the market share may be growing for the "Big Four", micro businesses are increasingly likely to engage with more than one bank, reflected in falling wallet shares in key product lines.

Although CBA experienced market share erosion in a number of product markets over the past six months in this segment, its small business customers rate the bank relatively strongly, ahead in many instances of NAB, Westpac and ANZ. East has demonstrated many times that customer satisfaction performance is the leading predictor of market share change, suggesting CBA may be well placed to grow in the micro business segment. However, NAB has a telling lead in a number of key product markets including lending, where it enjoys a 31.7 percent market share nationally that has recently started climbing again and growing customer satisfaction.

Moreover, none of the “Big Four” banks has a decisive advantage in the field where the main battle will be fought, namely customer service. When it comes to satisfaction with relationship issues amongst small business customers, all “Big Four” banks ‘play second fiddle’ to the regional players including St George, Bendigo Bank, BankWest and Bank of Adelaide.

BankWest has established itself as a serious player in several product markets including Cash Deposits where it has a fast-growing share of increasingly satisfied customers. St George has left a mark in various product markets, typically trailing in the fifth spot and growing on the back of an enviable customer satisfaction record.

So while the “Big Four” vie for micro business customers among themselves, their customer retention propositions will also have to overcome continuing competition from the regional banks as well as niche market specialists such as Travelex in FX and GE Commercial in specialist lending.

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