



Media Release

Australian SMEs still underdone in Trade Finance

(31 October 2006 – Australia) Australia’s banks are still struggling to grow the number of SMEs engaging Trade Finance services, East & Partners’ Trade Finance Report finds.

East’s latest six monthly report exploring Trade Finance uptake and satisfaction among major corporates, middle market companies and SMEs reveals that less than 20 percent of SMEs currently engage Trade Finance services from their banks.

For the most part, SMEs continue to use simple lending products such as overdrafts and term loans to underpin their trading activities.

But those SMEs which do currently use Trade Finance services are not happy with the service they are being provided. Customer satisfaction ratings in important factors such as Speed of Query Response, Knowledge of Customer’s Industry, Professional Competence, Bank’s Trade Account Officer, Risk Management and Advice, and Value for Money have all decreased over the past six months.

As a result, the report shows that more than 46 percent of the SMEs indicate they are “very likely” or will “possibly” look at changing their trade financier over the next 12 months.

“SMEs are palpably not very impressed with the service they’ve been receiving in Trade; it’s the relationship issues, the people they’re dealing with inside banks, and the lack of advice that’s dragging the banks’ overall performance down,” East & Partners principal analyst Paul Dowling said.

“The deterioration in customer satisfaction can be attributed to lack of relationship banking to SMEs in general and certainly a lack of conversation around Trade with these customers,” he said.

“Given the high and increasing level of churn that’s occurring in this SME segment, there’s a big opportunity for providers that can connect with the segment. There are big origination connections into Cash, Payments and FX for Trade providers executing successfully with SMEs which are importing and exporting.

“With their large customer bases, the Big Four domestic banks are best placed to achieve this but it’s internationals such as HSBC and Citigroup which are making the biggest market share gains,” Mr Dowling said.

“There’s a great deal of upside on offer in Trade for banks in Australian, particularly those with an Asian and international footprint, and not surprisingly it’s a part of the business that has been receiving considerable attention of late,” he said.

Forecast SME Churn in Trade Finance

**% of SME Customers Likely to Look at a Change in
Trade Financier in the Next 12 Months**

	February 2006 (N: 137)	August 2006 (N: 149)
Very Likely	19.0	19.5
Possibly	23.4	26.8
Unlikely	35.8	34.2
Definitely No Plans	16.7	12.8
Not Sure / Don't Know	5.1	6.7
TOTAL	100.0	100.0

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