



Media Release

Bank proactivity fails to stem falling customer sentiment

(27 March 2007 – Australia) Faced with falling customer sentiment, Australian banks are becoming more proactive about keeping in touch with their business customers according to East & Partners' Business Banking Sentiment Index for February 2007.

But smaller businesses are as yet failing to respond to banks' increased overtures towards them.

The Index shows that Australian banks are increasingly interacting with their business customers with 55.4 percent of the businesses spoken to during February saying they have had direct contact with their bank during the month. This has increased steadily since June 2006 when less than 30 percent of businesses were in contact with their bankers.

The latest Index also finds that banks are becoming more proactive when it comes to initiating these dialogues with customers. More than two thirds of customers who were in contact with their bank in February said their bank initiated the contact. But this varies markedly among customers of different banks.

During February, BankWest and Westpac customers were most likely to get a call from their bankers; these banks initiated 84.2 percent and 83.1 percent of all contacts with customers respectively.

HSBC, National Australia Bank and ANZ customers also reported that their banks took the initiative in contacting them first, with 78.6, 72.6 and 63.3 percent of contacts respectively originating from the bank.

In stark contrast to the rest of the market and the other 'Big Four' banks, 94.4 percent of Commonwealth Bank of Australia customers said they had to initiate contact with their bank themselves. Furthermore, only 20.2 percent of CBA customers were in contact with their bank compared to the market average of 55.4 percent.

Despite the improvement in bank to customer interaction, much bank proactivity is targeted at larger customers with smaller businesses less likely to get attention from their banks.

Only 33.9 percent of Micro Businesses (A\$1 to 5 million turnover) and 43.1 percent of SMEs (A\$5 to 20 million turnover) were in contact with their bank during the month, compared to 94.7 percent of Lower Commercial (A\$20 to 100 million turnover) enterprises.

Although business banks are clearly doing more to get in touch with customers, the February Index reveals they are still losing the battle to improve customer sentiment. This is evidenced by the Business Banking Sentiment Score which has fallen each month since June 2006 and reached a new low of 42.2 points (out of 100) in February 2007.

The Sentiment Score is an aggregated score of four different measures of customer sentiment – Empathy, Satisfaction Loyalty and Advocacy. These scores are a rating given by customers, not a response to a Yes/No question.

St George remains the best performing bank in terms of customer sentiment with BOQ and HSBC following closely behind. The St George Sentiment Score rose to 56.1 points, up a full point compared to November/December 2006. Bank of Queensland and HSBC customers also rated their banks higher, giving them scores of 53.1 and 50.4 points respectively.

There was mixed performance on the Sentiment Score among the ‘Big Four’ domestic banks. NAB and ANZ scores were stronger while Westpac and CBA scores retreated.

NAB’s Sentiment Score rose from 46.0 to 46.4 points while ANZ score moved from 43.4 to 43.8. Westpac’s score eased from 37.4 points in November/December 2006 to 37.3 points in February this year while the CBA score fell palpably, declining from 35.7 in the previous Index to 34.1 points in February.

Micro Businesses are the least happy customers, rating their banks a Sentiment Score of just 30.2 points in February compared to 31.1 in the previous Index. SMEs also indicated they were less happy with their banks in February and gave their banks a Sentiment Score of just 35.7 points, down from 36.5 points in November/December 2006.

By contrast, customers in the Lower Commercial segment say they are almost twice as happy with their banks compared to enterprises in the Micro Business and SME segments. These Lower Commercial (or ‘middle market’) customers awarded their banks a sentiment score of 63.9, up from 62.4 points in the previous Index.

Businesses in Queensland once again felt more positive towards their commercial banks with businesses there awarding the banking sector a Sentiment Score of 52.1 points. Business banking customers in Victoria and NSW were less positive, giving the banks Sentiment Scores of 45.1 and 34.0 points respectively.

“Despite the intense competition in business banking and plenty of rhetoric that banks are upping their service to small businesses, customers still feel increasingly estranged from their banks. They are yet to be convinced that the larger commercial banks, in particular, are genuinely interested in them,” East & Partners financial markets analyst Zoran Knezevic said.

“Banks have clearly realised they need to step up their level of interaction with business customers and to make themselves more visible in the market,” he said.

“Being more proactive about customer contact is definitely a step in the right direction but there needs to be more interaction with smaller businesses that display the greatest appetite for additional engagements and yet nurture the most jaundiced view towards their banks,” Mr Knezevic said.

About East & Partners' Business Banking Sentiment Index

The East & Partners Business Banking Sentiment Index is a monthly survey of business customer sentiment towards banks, providing a monitor of customer satisfaction, loyalty, advocacy and empathy towards business banks. Each month East & Partners' research team conducts telephone interviews with a sample of 500 businesses nationally, turning over A\$1 to 100 million per annum, comprising:

- Micro Business 175 (\$1-5m turnover enterprises)
- SME 175 (\$5-20m turnover enterprises)
- Lower Commercial 150 (\$20-100m turnover enterprises)

For further information, please contact:

Zoran Knezevic
Financial Markets Analyst
East & Partners
T: 02-9004 7848
M: 0409 129 599
E: zoran.k@east.com.au