BANKING • RESEARCH • ADVISORY • STRATEGY

east&partners

Media Release

Big businesses less happy with debt offering

(10 November 2008 – Australia) At a time when top 500 businesses are becoming more reliant on banks for funding, the lenders' efforts to meet the growing demand are failing to meet customer expectations.

According to East & Partners' Institutional Banking Markets report there has been a twofold increase in the share of Australia's top 500 businesses which are planning to raise more bank debt.

In April this year, only 16 percent of Institutional businesses had definite plans to raise more debt in the coming six months. This number increased to 38.1 percent in October.

"The surge in the appetite for bank debt does not come as a surprise," said East & Partners' financial markets analyst Zoran Knezevic.

"Big businesses have in effect been pushed back to bank debt as the capital markets froze in the wake of the US sub-prime mortgage crisis," Mr Knezevic added.

"What is surprising is that these businesses, which are increasingly drawing on credit lines from their bank, have become less satisfied with the debt products offered to them," he continued.

"This is the first market-wide decline in customer satisfaction with debt products in the six years East has been monitoring these metrics," Mr Knezevic added.

Customer satisfaction has fallen visibly in both the short term and long term domestic debt product markets, even as the importance of these products to top 500 businesses continued to climb.

The drop in customer satisfaction with domestic debt products coincides with a decline in satisfaction in some of the most important areas of service delivery, including loyalty to the customer and value for money.

Better pricing has jumped visibly as the primary driver of customer churn with nearly a third of the businesses in the Institutional segment saying that better pricing is their primary motive for changing banks. Similarly, satisfaction with banks' loyalty to the customer relationship has fallen, amid growing customer calls for greater flexibility on product terms.

"Due to the higher funding costs experienced by banks and the general shift to risk aversion in the credit market, it is clear that the pricing and the terms on debt are not what they used to be one year ago."

"The top 500 businesses are seeing this as a drop in loyalty and competitive pricing being offered by their lenders," Mr Knezevic said.

"What this means is that there are growing opportunities for lenders which are daring enough to break the ranks and offer competitive pricing along with more flexibility on terms," he concluded.

About East & Partners' Australian Institutional Banking Markets Program

Australian Institutional Banking Markets is an ongoing six-monthly research program delivering detailed analysis of the demand for debt, treasury and corporate advisory banking services among Australia's top 500 companies by revenue. The program is based on structured interviews with some +/-450 enterprises every six months and includes a range of analytics such as product engagement, market share, wallet share, mind share and panel positioning. The program also monitors customer satisfaction experiences across a range of product and relationship banking attributes.

For more information, please contact:

Zoran Knezevic
Financial Markets Analyst
East & Partners
t: 02-9004 7848
m: 0409 129 599
e: zoran.k@east.com.au