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Media Release

Cross Sell in Banking a Tough Act

(12 August 2013 – Australia) Australia's Big Four banks are struggling to improve their cross-sell ratios of banking products to the Top 500 institutions, according to new research from industry analysts East & Partners.

East has analysed cross sell ratios for ANZ, CBA, NAB and Westpac over the last five years, and found that the average cross sell of products in the institutional market for the Big Four has only improved from 9.01 products per primary lending relationship in 2008 to 9.06 products in 2013.

The research was presented at East's quarterly Open Markets Briefing event in Sydney on Wednesday 7 August.

East analysed a suite of 19 products, from cash management, debt and bonds to treasury and financial markets and corporate advisory, and calculated how many of those 19 products each of the Big Four is selling to Top 500 institutions to which they are the primary lender.

Topping the cross sell table is ANZ, which is selling an average of 10.9 of the 19 products to customers to which it is primary lender. However, this number for ANZ has fallen from a high of 11.78 in 2008, a decline over five years of 7.47 percent.

ANZ's closest rival is Westpac, which has gone from selling 9.25 products per relationship in 2008 to 9.6, a 3.8 percent improvement. The biggest improver has been CBA, which has moved from 7.77 to 8.87, a 14.2 percent gain, while NAB's cross sell has stayed flat, falling marginally by 1.4 percent from 7.27 products per relationship to 7.17.

Other banks, largely major international players such as Citi, HSBC, JP Morgan and BNP Paribas, are well ahead in cross sell, and have improved their average number of products per primary lending customer by 27.5 percent since 2008.

The cross sell numbers are contained in a new East Cross Sell report, which looks at the cross sell ratios for each of the 19 products by primary lending relationships.

Lachlan Colquhoun, Head of Markets' Analysis at East & Partners, said cross sell was a vital metric in an environment of low credit growth.

"The Big Four have been investing in lifting their cross sell performance for some time now, but this analysis shows that despite these efforts cross sell is improving only incrementally, at very best," says Colquhoun.

"One reason for these flat outcomes may well be the diminishing demand for additional product that East's Business Banking Sentiment Index (BBI) has identified for some time coming from business customers – big and small.

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"The demand headwinds Australia's commercial banks are encountering in generating top line revenue growth have clearly had a braking effect on their ability to encourage institutional customers to take additional products within their "home" lending relationships – these customers are acquiring additional product at modest levels but are often doing so with providers other than their principal lenders.

"Nevertheless, cross sell is a vital strategy in this current market. With borrowing intentions still low, improving cross sell presents as a key strategy for banks to shore up their institutional business."

Average N Products / Primary Lending Relationship

Bank	2013	% Change 2008-2013
ANZ	1st	(7.47)
WBC	2nd	3.78
CBA	3rd	14.2
NAB	4th	(1.38)
TOTAL MARKET	9.10	(1.41)

Sources:
East & Partners Institutional Banking Markets report
East & Partners Cross Sell report

Market Segments:
› Institutional – (A$725+ million turnover enterprises)
› Corporate – (A$20-725 million turnover enterprises)
› SME – (A$5-20 million turnover enterprises)
› Micro – (A$1-5 million turnover enterprises)

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