

Media Release

# New Zealand Businesses Looking Beyond Big Banks for FX

(1 December 2014 – New Zealand) Specialist Foreign Exchange providers Western Union and AMEX are challenging the dominance of New Zealand's major banks in business foreign exchange (FX) markets, according to research from industry analysts East & Partners (East).

East's inaugural New Zealand Business Foreign Exchange Markets Program interviewed 409 enterprises within the Micro business, Small to Medium Enterprises (SME) and Lower Corporate segments across the country.

The research reveals that although major banks including ANZ, ASB, Bank of New Zealand and Westpac represent an aggregate market share of more than 80 percent, standalone FX providers including AMEX and Western Union are gaining a stronger foothold, particularly amid Micro and SME segments.

Over 10.6 percent of Micro businesses utilise specialist FX providers, in addition to 6.3 percent of SMEs and 1.8 percent of Lower Corporates. International and regional banks are facing stiff competition for primary Spot FX relationships while the majors are now forced to defend their dominant market share position.

Larger businesses are multi-banking more than smaller businesses in their pursuit of better service and value for money. Lower Corporates average wallet share currently sits at a critically low 39.6 percent, compared to 47.3 percent for SME's and 51.1 percent for Micro businesses.

Business owners are clearly comfortable spreading their business FX spend across multiple providers, emphasising the importance of customer satisfaction in securing stronger wallet share outcomes.

Western Union in particular stands out from its peers in terms of customer satisfaction in the Micro business segment, achieving best of breed Spot FX satisfaction and outperforming all other FX providers, including the majors.

Western Union achieves a market leading satisfaction rating of 2.10 (where 5.0 = dissatisfied and 1.0 = satisfied), well above the Micro business Spot FX customer satisfaction average of 2.38.

Western Union also rates above average in the SME business segment however the quickly growing competitor brand is facing a challenge in replicating its highly rated service offering within the Lower Corporate segment.

Product development and penetration will be the key to specialist providers' momentum as they actively challenge the major banks.

"Securing primary FX Options and Forwards relationships are critical to underpinning stronger wallet share and customer satisfaction outcomes, given these products are generally utilised by a more sophisticated cohort of FX market participants." Market Analyst Jessica Gao stated.

"FX derivative product penetration is essential for obtaining higher margins, yet product penetration in Micro and SME segments is currently half that of the Lower Corporate segment.

"Spot FX offers a foot in the door yet the relationship between Options and Forwards usage with more sophisticated risk management strategies clearly provides inherently stickier business FX relationships.

"It will be very interesting to observe these trends unfolding in upcoming rounds of reporting, providing a clearer indication of where business FX markets are moving in addition to underlying customer sentiment and drivers of customer churn."

## New Zealand Spot FX Primary Market Share

% of Primary Relationships

|                         | Micro | SME   | Lower Corporate |
|-------------------------|-------|-------|-----------------|
| Major Banks             | 80.1  | 81.8  | 85.2            |
| Specialist FX Providers | 10.6  | 6.3   | 1.8             |
| Other                   | 9.3   | 11.9  | 13.0            |
| TOTAL                   | 100.0 | 100.0 | 100.0           |

Source: East & Partners New Zealand Business Foreign Exchange Program

### About East & Partners New Zealand Business Foreign Exchange Program

Designed to monitor competitive performance in this high growth but highly competitive market, the analysis delivers industry wide performance measures across pivotal benchmarks. The biannual program provides a short form monitor of market share, wallet share and customer satisfaction experiences in Spot FX together with penetration analyses in FX Options and FX Forwards markets.

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