

Big 4 share of SME market under threat

(22 November 2004 – Australia) Australia's Big Four commercial banks' share of the small to medium enterprise (SME) segment is steadily being eroded by regional and international banks, new research by East & Partners has found.

East's latest SME Banking Markets report, which covers all core product banking experiences of companies turning over A\$5 to 20 million, shows the collective share of the Big Four has dropped to 67.5 percent of primary transaction banking SME relationships from 68.2 percent six months earlier.

The report shows that St George Bank, BankWest and Bank of Queensland have all gained customers over the past six months while Westpac and ANZ's share has slipped slightly.

Of the other regionals, Bendigo Bank's share of this segment has remained static while Suncorp has shed customers since the previous report.

The report also reveals that 23 percent of SMEs will "definitely" or "probably" change primary service provider within the next six months – compared with 21 percent six months earlier. A further 20 percent say it's "possible" they will look to engage another primary bank.

"The SME market segment is extremely dynamic right now with some 43 percent of small businesses saying they are seriously considering or at least contemplating moving to another bank," East & Partners principal analyst Paul Dowling said.

"Our research shows that about six to eight percent of these small businesses will churn their banks over the next six months, or an annualised churn rate of twelve to sixteen percent" he said.

"The eastern seaboard is particularly dynamic. You have regionals such as Bank of Queensland, BankWest and Suncorp all heading interstate in search of small business customers. St George is increasing its focus beyond New South Wales, and the majors are all putting business bankers back into the branches.

"The major banks have been restructuring internally to better target these small businesses and looking to overcome cynicism from a segment of the market that has felt forgotten by them for a long time," Mr Dowling said.

“Historically, SMEs have not been big buyers of service and product but they’re gradually becoming more sophisticated and they’re certainly seeing a lot more of banks – both their incumbent and other banks pitching for business – than ever before.

“There is a huge opportunity for banks that are able to engage with these small businesses and stay with them while they grow, providing advisory services as well as products,” Mr Dowling said.

East’s report shows that Commonwealth Bank of Australia is the leading transaction banker to SMEs with 20.6 percent of primary relationships, followed by National Australia Bank with 19.9; Westpac has 14.9 percent of primary relationships in this segment; ANZ has 12.1 percent; and St George has 7.1 percent.

Likelihood of Changing Primary Banker in the Next Six Months

N: 1313	% of SMEs	
	October 2004	April 2004
Definitely making a move	9.0	8.6
Highly probable	14.4	13.0
Possible	19.8	18.2
Unlikely / improbable	27.2	26.0
Definitely not	29.6	34.2

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