

## **Big Four banks Sentiment Scores drop in September**

(19 October 2006 – Australia) Australia’s major domestic banks appear to be losing the battle to improve customer sentiment among their smaller business banking customers with all Big Four banks posting weaker Sentiment Scores in East & Partners’ Business Banking Sentiment Index for September 2006.

East’s monthly Business Banking Sentiment Index, which monitors businesses turning over A\$1 to 100 million, reveals that business banking customers rated commercial banks more poorly in September than in August.

Businesses awarded their business banks a Sentiment Score of just 43.7 (out of 100) compared with 43.8 in August. It is the third consecutive month the Sentiment Score has dropped – from its highest point of 45.0 in June.

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

St George was the best performing bank in terms of overall customer sentiment, receiving a Sentiment Score of 55.0 compared with 54.9 in August.

By contrast, the Big Four banks – ANZ, Commonwealth Bank, National Australia Bank and Westpac – were not rated as highly by their business banking customers in September as they were in August.

CBA saw its Sentiment Score drop for the third consecutive month to a new low of 39.8.

ANZ improved its Sentiment Score in August but slipped backwards in the September Index to 44.4 from 45.1 last month. NAB also decreased slightly to 45.5 in September compared with 45.6 in August. Westpac slipped backwards to 39.8 from 40.5 last month.

Bank of Queensland and HSBC continue to improve their Sentiment Scores; albeit only slightly in the case of HSBC which moved to 48.2 from 48.1 last time. BOQ saw its Sentiment Score improve to 50.8 compared with 50.4 in August.

Micro Businesses (A\$1 to 5 million) are the least happy customers, rating the banks a Sentiment Score of just 33.7 for September compared with 34.7 last month. Again, this is a continuing trend.

SMEs (A\$5 to 20 million) also rated their banks less highly in September, giving their business banks a Sentiment Score of just 38.4 in this September Index, down from 39.2 last month.

Lower Commercial (middle market) companies (A\$20 to 100 million), on the other hand, rated their banks more highly for the third month in a row, awarding banks a Sentiment Score of 60.9 compared with 59.3 in August.

Businesses in Queensland once again felt the most positive towards their commercial banks with businesses there awarding the banking sector a Sentiment Score of 50.7 in September, up from 50.3 in August.

Business banking customers in Victoria and NSW were less positive, giving the banks Sentiment Scores of 46.3 and 37.1 respectively.

“If things don’t improve the overall Sentiment Score will be in the 30s within a few months which is further evidence, if any were needed, that the relationship between banks and their customers is becoming shallower and more tenuous,” East & Partners senior consultant Paul Bartholomew said.

“It’s Micro Businesses and SMEs which are dragging the scores down, indicating that the smaller the business the less happy they are with what banks are offering. A large proportion of these companies do not view themselves as having a relationship with their bank.

“Interestingly, the Satisfaction component of the Sentiment Score improved in September but the Advocacy ratings continue to deteriorate, meaning that customers might be relatively satisfied with their banks but they certainly wouldn’t go as far as recommending them,” Mr Bartholomew said.

“We’ve been hammering this point for some time, but it’s patently clear that a great deal of effort’s going into acquiring new business customers at the moment, but less in keeping existing ones happy. That’s a very expensive business model, especially if smaller business customers are being lured on price,” he said.

### **Business Banking Sentiment Score by Bank**

10 (low) to 100 (high)

<b>BANK</b>	<b>AUGUST 2006</b>	<b>SEPTEMBER 2006</b>
ANZ	45.1	44.4
BWA	39.4	38.5
BOQ	50.4	50.8
CBA	40.8	39.8
CITI	37.3	36.4
HSBC	48.1	48.2
NAB	45.6	45.5
SGB	54.9	55.0
SUN	39.1	37.8
WBC	40.5	39.8
OTHER	49.1	49.0
<b>OVERALL</b>	<b>43.8</b>	<b>43.7</b>

## Business Banking Sentiment Score by Enterprise Segment

10 (low) to 100 (high)

SEGMENT	AUGUST 2006	SEPTEMBER 2006
Micro Business	34.7	33.7
SME	39.2	38.4
Lower Commercial	59.3	60.9
<b>OVERALL</b>	<b>43.8</b>	<b>43.7</b>

## Business Banking Sentiment Score by State

10 (low) to 100 (high)

STATE	AUGUST 2006	SEPTEMBER 2006
NSW	38.1	37.1
VIC	46.7	46.3
QLD	50.3	50.7
OTHER	49.0	51.7
<b>OVERALL</b>	<b>43.8</b>	<b>43.7</b>

## 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 will conduct telephone interviews with a sample of 500 businesses nationally, turning over A\$1 to 100 million per annum, comprising:

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

For further information, please contact:

Paul Bartholomew  
Senior Consultant  
East & Partners  
T: 02-9004 7848  
M: 0410 400 156  
E: paul.b@east.com.au