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Media Release

Big Business Expecting More from their Bank

(27 January 2015 – Australia) Australia's Top 500 enterprises by revenue not only want better value from their bank, they're prepared to walk out of long standing relationships to get it according to proprietary research conducted by banking analysts East & Partners (E&P).

When surveyed by E&P for the firm's Institutional Banking Program in 2007, 40.8 percent of CFOs identified their primary lending relationship lasting for six years or longer. Traditionally customer churn has been limited at the big end of town.

Jump forward seven years to 2014 and this figure has tumbled to a startlingly low 3.5 percent.

Almost three quarters of all institutional sized enterprises, those turning over more than A$725 million per annum, currently maintain a primary lending relationship of less than two years.

The report details which banks are suffering the most pronounced rates of customer attrition however shifting product demand and service expectations emerge as key drivers of customer acquisition and retention.

Although the majors are deemed to be generating innovative solutions and a better understanding of institutional customer's underlying business, perceived value for money has dropped to a record low.

On a scale of 1 to 5 where 1 = satisfied and 5 = unsatisfied, overall value for money has spiralled lower since 2007, from a rating of 2.38 to 2.83.

The Commonwealth Bank of Australia (CBA) has successfully bucked the trend however, achieving a market leading value for money score of 2.22. The Bank's performance ranks CBA ahead of National Australia Bank (NAB) at 2.39 and HSBC at 2.59.

Australia's Big Four represents a combined 82.7 percent combined share of primary lending relationships, driving competitive propositioning almost exclusively between the majors. 27.7 percent of the Top 500 seek particular industry expertise when selecting another provider.

"Big business displays distinctly less loyalty to their primary provider than in previous years, evidenced by 32.1 percent declaring better pricing as a key motivator for changing bank," commented E&P's Head of Markets Analysis, Martin Smith, on the results.

"Market wide product engagement reveals divergent priorities for the institutional segment relative to smaller businesses. Unsecured debt used for short-term financing requirements such as commercial paper has significantly declined in precedence for example, with product engagement dwindling from 91.4 percent in 2007 to a current record low of 52.3 percent.

"New strategic leadership from NAB's Andrew Thorburn and Westpac's Brian Hartzer will drive ANZ and CBA to compete strongly and maintain their market share as all of the majors aim to prevent a rising incidence of customers switching for better pricing and value for money," added Smith.

Market wide Satisfaction Ratings – Institutional Segment

Average Rating Reported

	2H 2007 (N: 441)	2H 2014 (N: 453)
Innovative Solutions	2.12	1.96
Understanding Customer's Business	2.00	1.89
Particular Industry Expertise	1.99	1.69
Value for Money	2.38	2.83

Source: East & Partners Institutional Banking Program

About the East & Partners Institutional Banking Program

East & Partners Institutional Banking Markets program provides leading research and analysis covering strategic product and service objectives of Australia's Top 500 enterprises by revenue with turnover greater than $725 million per annum. Competitive market positioning is monitored by means of Market Share, Wallet Share, Customer Service Performance and Mind Share ratings. Trending continuously for over fifteen years, the in depth findings provide detailed analytics of Individual Relationship Manager Performance, Borrowing Intentions, Panel Positioning and Customer Churn.

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