

Media Release

Major Australian Banks Face Foreign Competition For Corporate Clients

(19 February 2018 – Australia) HSBC Bank Australia is gaining ground among the middle-market as a preferred transaction banking (TB) provider, as Corporates seek out Cross-Border Payment and International TB capabilities, new research from East & Partners shows.

Over the last five years, HSBC expanded its primary relationship transaction banking market share among the Corporate (annual turnover of A\$20-\$725 million) segment by 17 percent. The only bank to surpass HSBC's growth rate is Suncorp who, over the same period, has expanded by 35 percent – albeit from a small base – and is now recording 2.3 percent of all primary transaction banking relationships among Corporates.

Those figures compare to just two percent cumulative market share increase across the Big Four, who have recorded changes of between -5 percent to 8 percent since 2013.

Based on direct interviews with nearly 900 chief financial officers (CFOs) and corporate treasurers, the research found that Australia's major banks control 84 percent cumulative primary market share, with National Australia Bank the leading provider, accounting for 1 in 4 businesses (25.7 percent).

As Australia's corporate segment looks to overseas markets for revenue growth opportunities, Cross Border Payments and Full Service International Transaction Banking are increasingly "in demand" product lines.

The long running report has found that engagement with these products has increased by 32 percent and 23 percent respectively over the last five years. Currently, half of all corporates utilise Cross Border Payments (51 percent) while just over a third (37 percent) use Full Service International Transaction Banking products.

Further, one in three (33 percent) CFOs report that "pricing/fees" are their biggest challenge when executing cross border payments, while 29 percent nominated "currency forecast inaccuracy".

Despite the marked increase in the use of Cross Border Payments, average wallet share for the product has significantly dropped between 2013 and 2018 as competition between providers mounts. A rise in multi-banking has driven a 24 percent decrease in lenders' Cross Border Payments wallet share, with CBA being the only provider to record growth (two percent) over the last five years. The hardest hit has been international banks, Deutsche (-32 percent) and Citibank (-31 percent).

The research has also found that the middle-market will be on the move more than ever through 2018. More than 29 percent of CFOs say the chances of them switching away from their primary transaction bank in the first half of the year is 'highly probable' or 'definite'.

As with Cross Border Payments, a need for better pricing is evident across the corporate transaction banking market, with nearly 40 percent of CFOs nominating it a key reason for switching. This comes despite banks' overwhelming focus on customer experience, advocacy, cross sell and digital functionality.

For service satisfaction among corporate customers, HSBC achieves the highest overall rating of 1.84 (where 1=satisfied and 5=dissatisfied), outperforming the closest banks (CBA and NAB) by a considerable margin.

An area of increasing importance for Australian corporates is regulation and compliance needs. However, they are generally dissatisfied with banks' regulatory reporting standards (2.60), with domestic lenders Westpac (2.85) and NAB (2.72) performing the worst. In contrast, international banks performed the best, recording an average rating of 2.33.

"There are three clear areas of opportunity for banks to increase their revenue among the lucrative middle-market," said Martin Smith, Head of Markets Analysis at East & Partners.

"As globalisation increases, so too does businesses' need for appropriate banking and payment products. Australian banks are undoubtedly being pressured by international competitors, and need to focus on servicing clients who are targeting the international stage.

"Superior service and pricing and transparency within cross border payments, and international transaction banking will be a key driver for banks' expansion plans.

"Secondly, banks should look to tear down internal silos and encourage closer interaction between business units – particularly transaction banking and FX risk management to help CFOs with currency forecasting management."

"Lastly, it's imperative for providers to refocus on customer needs across all interactions. Despite the major providers accounting for nearly 84 percent of the middle-market, there is a clear call of dissatisfaction affecting their share of wallet.

"Australian corporates have increasingly more options available to them; driven by competition, digital platforms and open banking, all of which are already impacting banks' bottom line," he said.

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About the report

East & Partners Corporate Transaction Banking Markets program provides data driven insights into transaction banking product, service, operational and account manager metrics for enterprises in the A\$20-725 million annual turnover segment based on 897 direct interviews with CFOs and Corporate Treasurers nationwide.

The program provides bank subscribers an analysis of underlying business needs and transaction banking expectations evaluated against competitive market share, wallet share, mind share and customer satisfaction for cash management, payment processing, eBanking and cross border payment metrics.

About East & Partners

East & Partners is a leading specialist business banking market research and analysis firm. The firm's core expertise is in the provision of analysis and advisory services tailored for the commercial, business and institutional banking markets across Asia Pacific, Australasia, Europe and North America

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