

## CFO Advocacy of their banks

### Are banks unleashing their most potent marketing assets?

Banks and financial services companies have spent heavily on advertising, marketing and sponsorship initiatives this year in ever more aggressive attempts to reach new corporate and business customers. But East & Partners' research has consistently demonstrated that the first place a CFO turns to a business colleague or trading partner when searching for new banking solutions. This is particularly true in Australia, where enjoying the business relationship is almost as important as the service a customer receives.

Given that a word of mouth referral brings with it considerably more power to change than a thousand word article or advert in a financial publication, banks must continue to ask themselves whether they're doing enough to leverage their existing customer base – the most potent marketing asset they have.

Once a year, East monitors this formally by asking Corporate, Commercial and SME CFOs, Treasurers – or in the case of smaller businesses, the owner – what they personally think of their primary bankers.

In the case of SMEs, which have been back on the banking radar for the past two years, there are signs that long standing jaundiced views of their banks have yet to turn around. In fact, the results illustrated in the exhibits below indicate that views are becoming polarised. On one hand, the number of SMEs happy to regularly refer their banker to a colleague has increased over the past year, yet at the same time, those saying they'd never recommend their bank has also grown. More worrisome for banks trying to connect with this segment is the fact that the number who express antagonism towards their bank has also increased since the question was posed in 2004.

Much of this is being translated into a greater willingness to review and shift banking relationships, partly caused by banks' own customer hunting activity. This dynamic is also borne out in the final exhibit showing that the number of SMEs inheriting their banks has fallen while the amount who selected their bank has increased, another indication of the levels of churn occurring in the segment.

Better news for banks is found among middle market business customers, with more than 36.6 percent saying the relationship with their bank is empathetic compared with 30 percent the previous year. At the same time, the number indicating they "enjoy" an antagonistic relationship with their bank has dropped markedly. Further, 30.5 percent say they regularly recommend their bank to colleagues, considerably more than are doing so in the SME markets. This demonstrates that relationships in the middle markets are maturing and can also be viewed as a response to investments being made by commercial banks in their relationship management platforms and capability.

Corporate customers remain quite static in their referral behaviour and the relationships they enjoy with their bankers appear to be more harmonious given their propensity to recommend their bank. Less than 10 percent describe their banking relationship as antagonistic with 57 percent overall referring their banks to colleagues and associates. A high proportion of CFOs in this segment inherited their banks, and seem to be content with the relationship – an indication of the amount of work banks have historically put into relationships with the top end of town. These dynamics demonstrate the untapped value waiting to be extracted from stimulating positive advocacy and referral behaviour by business customers.

### Have you ever recommended your primary bank to business associates / colleagues?

	% of Enterprises					
	SME		Commercial		Corporate	
	2005 (N: 1407)	2004 (N: 1297)	2005 (N: 833)	2004 (N: 803)	2005 (N: 451)	2004 (N: 456)
Yes, regularly	18.9	16.9	30.5	26.3	40.8	38.6
Yes, occasionally	16.0	20.7	24.4	29.3	16.2	13.3
No, never	65.1	62.4	45.1	44.4	43.0	48.1
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

### Do you and your bank enjoy an empathetic or antagonistic relationship?

	% of Enterprises					
	SME		Commercial		Corporate	
	2005 (N: 1407)	2004 (N: 1297)	2005 (N: 833)	2004 (N: 803)	2005 (N: 451)	2004 (N: 456)
Empathetic	13.6	16.2	36.6	30.0	38.6	37.1
Antagonistic	73.0	70.9	12.7	18.6	9.3	10.3
Both over time	13.4	12.9	50.7	51.4	52.1	52.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0

### Did you "inherit" your primary bank or did you choose to engage the relationship?

	% of Enterprises					
	SME		Commercial		Corporate	
	2005 (N: 1407)	2004 (N: 1297)	2005 (N: 833)	2004 (N: 803)	2005 (N: 451)	2004 (N: 456)
Inherited	38.3	43.9	74.5	76.7	80.9	80.9
Chose	48.5	44.3	17.8	19.6	13.5	14.5
Reviewed and kept	13.2	11.8	7.7	3.7	5.6	4.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0