



The Big Success Checks for 2009

Getting it right in an entirely different business banking world

Big turns in credit cycles bring major challenges for bankers and 2008 / 2009 has certainly done that. Seemingly limitless availability of low cost credit has fuelled one of the longest and strongest periods of prosperity in the Asia Pacific region for generations. Contagion sparked by the so called sub-prime crisis in the United States, however, has changed life for the current generation of business bankers and introduced challenges many have never encountered before. The party has slowed dramatically and 2009 will be a year of re-grouping



and re-growing with quite different parameters to those used by banks over the past decade.

East & Partners is now addressing the second full credit cycle turn in the firm's history with our clients and helping navigate profitable pathways through these rapid shifts in provider capabilities and appetite for business on the one hand and customer expectations and needs on the other.

For those of us who survived 2008 intact, the following seven strategic tasks in East's view will determine competitive success in 2009:

- **The flight to safety and bank balance sheets**
and the industry's ability to support thinning customer margins, surprisingly strong capital expenditure and continuing strong growth expectations especially amongst SMEs and Middle Market customers with cost effective credit and improved margins.
- **Responding to provider consolidation**
and the impact of a combined Westpac and St George on the market's landscape, HBOS/BankWest's place in the Australian sun being subsumed by CBA, any real continuing role for regional banks in the business markets and the internationals finally achieving a natural home in the region in 2009.
- **The importance of market segmentation**
the end of a "one size fits all" proposition and the linkage between truly meaningful customer segments and differentiated provider propositions has now become critical.

- **Cross sell and wallet share**
existing customers provide by far the greatest growth opportunity for business banks and the biggest such opportunity in our view lies in the powerful linkage between business banking, through private banking to wealth management relationships – no one is getting this right.
- **The Payments market is going to move through unprecedented change**
debit is rapidly outstripping credit as the preferred card payment tool, the regulator remains unhappy with the state of balanced competition in the Australian markets and the merchant is now Choir Master.
- **Customer satisfaction has got to be monetised**
Huge investments in improving competitive customer satisfaction are not connecting with customer referral and advocacy anywhere in the region, so called "net promoter scoring" is not providing insights to action and banks' single biggest asset – the customer – continues to be under leveraged as the source of business growth.
- **Distribution and the channel mix have become mission critical**
Business customers want to be relationship managed but banks can't afford to RM every customer, there are commodity and value customers who generate entirely different profit outcomes and third party origination is moving quickly beyond commodity lending.

These are challenges for business banks requiring fundamental reassessment of their core customer propositions.

We are enjoying the challenges that our clients and these industry changes are placing on us and look forward to an exciting year ahead, fortunate in the client company we are keeping.

