



Westpac and St George Merger

Acquiring Satisfaction

The tabled merger of Westpac and St George clearly represents a wealth of complimentary strengths, none more so than market share and customer satisfaction.

While St George has tried to punch above its current weight and establish itself as one of the "majors" in terms of its footprint, Westpac, along with its Big 4 peers, continues to strive to make inroads in improving customer satisfaction. East & Partners' research provides many examples of where Westpac has a far greater market share in key banking products relative to St George. Conversely, when it comes to customer satisfaction, St George outperforms Westpac in almost all areas.

Market Share

Figure 1, an extract from East's 2008 Corporate Banking Markets Program, shows the respective market shares of Westpac and St George in what business banking customers identify as the key banking products. This clearly illustrates Westpac's dominant market share when compared to St George. However, St George typically occupies the fifth place in market share across most products, which will certainly provide Westpac with a useful 'nudge up' in its footprint while not causing untoward concerns for the ACCC.

Customer Satisfaction

Figure 2 illustrates that when it comes to customer satisfaction, St George is clearly the dominant player. During her time at St George, Gail Kelly firmly made customer satisfaction a priority for the bank. The initiatives Kelly undertook visibly resonated with business customers who rewarded the bank with loyalty and high satisfaction.

With Kelly now at the helm of Westpac, a merger with St George would bring together a plethora of experience and best practice to support the bid to transform a Big 4 bank into a market leader in customer satisfaction.

However, high customer satisfaction can sometimes be a numbers game i.e. the smaller the bank, the easier it is for a bank to service customers on a more regular basis through smaller

portfolio sizing. The Westpac and St George merger would create the biggest bank in Australia compounding the dilemma Kelly already faced when she took charge of a bigger bank with more customers to please.

Why Westpac

What is particularly interesting about the proposed merger is that while the relative strengths and weaknesses of Westpac and St George seem to compliment each other, the same could be said of St George and any of the four major banks. Melbourne based NAB and ANZ, in particular, have been very active in extending their reach via strategic acquisitions and could complicate matters for Westpac by putting in a bid for St George.

But all of this speculation and activity lends itself to a bigger question, namely, is this the spark that will set off another round of consolidation in the Australian banking industry?

Figure 1
Primary Market Share in Key Product Markets

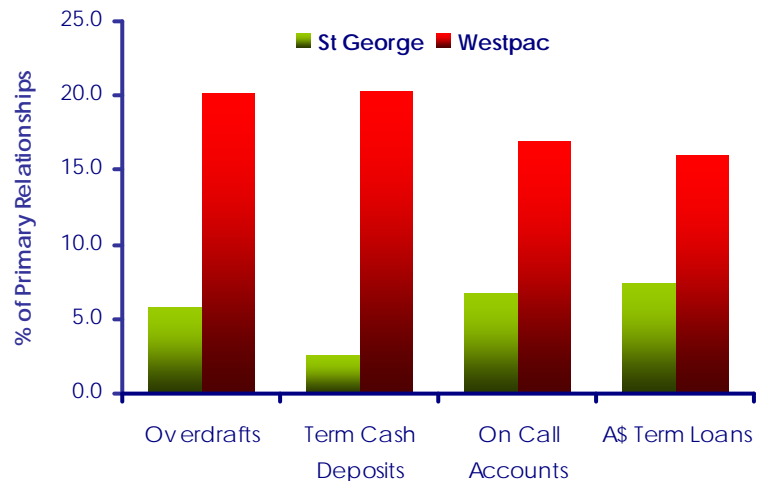


Figure 2
Customer Satisfaction in Key Product Markets

