

Australian Corporate Transaction Banking Markets

Market Analysis Report
February 2011



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Introduction

These middle or corporate banking markets continue to be a critical segment of competitive focus for banks in Australia. Increasingly sophisticated in their requirements for banking service, these customers are being subjected to relationship-based business development initiatives from banks looking to build their product cross-sales in a segment of the market variously dealt with by business banks as “commercial” or corporate and well above the more portfolio style management accorded customers in the SME and Micro Business segments. In particular the GFC related impacts on market behaviour over the past three years have focussed bank efforts on lifting customer cross-sell in return for continued access to credit funding. The increasing incidence of these businesses having CFOs and Treasurers is a further reflection of their increasing financial management sophistication.

This corporate segment continues to be the focus of much restructuring internally within the multi-service banks who are aggressively coming down the scale ladder in offering products, especially transaction banking and risk management products, historically the domain of the institutional customers. At the same time, many of the major traditional bankers to this segment have been reviewing their credits and exposures to accounts over recent times and have become even more focussed on the “growth” customer, within the context of often quite complex credit situations. The recent credit environment is also delivering an unusually strong cross-sell opportunity into those middle market businesses rolling over or extending their credit lines at the same time as having these lines re-priced.

Transaction banking generally over recent years in these markets has become the “bellwether” definition of a corporate’s primary relationship banker and e-Banking services have served to accelerate this trend, notwithstanding the current issues around credit “availability” and pricing. It has now become central to the way corporate customers are looking to engage with their bankers and delivers the “stickiest” platform from which to cross-sell additional products for the bank. This has been again explicitly tested and reported on in this current round of the program.

The program covers the A\$20-530 million turnover market, closing the coverage gap up to the bottom of the Institutional (Top 500) market.

Designed to provide our clients with clear measures of both competitive market share, share of wallet and customer satisfaction performance, the program runs every six months across a structured ten percent sample of the original \$20-100 million turnover marketplace and a 50 percent sample of enterprises residing in the \$100-530 million turnover segment. Again, over half the interviewees participating in this round as “owners of the enterprise’s banking relationships” were CFOs – a measure of the increasing sophistication of these middle market businesses.

In addition to the core multiclient content of the program, clients are also able to add proprietary questions to each six-monthly interview sweep, using the vehicle of this ongoing research program as a means of both adding valuable supplementary material to their use of the service and the generation of tactical information solutions as required.

Proprietary questions placed by clients in this program are the subject of private reporting separately from this core market analysis report.

Methodology

The fieldwork for this nineteenth round of the Corporate Transaction Banking Research Program took place in January 2011 with a structured sample of 887 enterprises in the A\$20-530 million annual turnover segment being interviewed. This represents a substantial 7.9 percent sample of the combined segment's total enterprise population.

TABLE A
Geographical Distribution

	% of Total	
	Aug 10 (N: 883)	Feb 11 (N: 887)
New South Wales	43.6	43.9
Victoria	29.2	29.1
Queensland	13.8	13.9
Western Australia	9.7	9.8
South Australia	3.2	2.9
Other	0.5	0.4
TOTAL	100.0	100.0

All enterprises were interviewed on a direct basis using the structured Interview Questionnaire, reproduced here as Appendix I, through the individual holding primary responsibility for decision making over the organisation's transaction banking relationships.

TABLE B
Interviewee Distribution

	% of Total	
	Aug 10 (N: 883)	Feb 11 (N: 887)
Chief Financial Officer	59.1	59.5
Group / Corporate Treasurer	17.1	17.4
Finance Director	8.3	8.5
Group Accountant	8.5	7.8
Finance Manager	7.0	6.8
TOTAL	100.0	100.0

Industry sector distribution of these 887 Corporates interviewed directly reflects the population/universe distribution. This research round achieved a very pleasing 90.8 percent completion rate (only 90 enterprises approached declining to participate) - a direct reflection of the strong level of interest in their transaction banking by these middle market businesses, particularly given the credit tightening experienced over the past 36 months.

TABLE C
Industry Sector Distribution

	% of Total	
	Aug 10 (N: 883)	Feb 11 (N: 887)
Agriculture, Forestry and Fishing	4.2	4.4
Mining	6.9	7.1
Manufacturing	17.9	17.8
Electricity, Gas and Water Supply	2.5	2.5
Construction	8.7	8.8
Wholesale Trade	12.0	12.1
Retail Trade	12.1	11.9
Accommodation, Cafes and Restaurants	2.5	2.4
Transport and Storage	5.0	5.2
Communication Services	2.0	2.1
Finance and Insurance	7.5	7.4
Property and Business Services	14.9	15.0
Government Administration and Defence	0.3	0.5
Education	0.3	0.5
Health and Community Services	0.6	0.5
Cultural and Recreational Services	0.3	0.3
Personal and Other Services	2.3	1.5
TOTAL	100.0	100.0

Appendix I

Questionnaire



East & Partners Pty Ltd, a leading specialist market research firm in the business, corporate and investment banking markets of Asia Pacific, works across 11 countries in the region delivering both multi-client and proprietary market analysis services to financial services providers.

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East's multi-client demand research and consulting work has enabled the firm to work with virtually every major bank within the region and international clients based in North America and Europe.

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