

Australian SME Banking Markets

Market Analysis Report
April 2011



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Contents

Introduction.....	1
Methodology	2
Detailed Data Analysis.....	4
Bank Positioning with Australian SMEs.....	4
Market Share and Share of Wallet.....	16
Importance of Key Banking Products.....	49
Customer Satisfaction with Key Banking Products	50
Importance of Key Relationship Issues	65
Customer Satisfaction with Key Relationship Issues.....	66
Relationship Manager Performance Benchmarks	82
Broker Origination	93
Churn Levels and Futures.....	96
Interest Rates and Fees.....	105
Bank Mind Share in the SME Market	108
Other Bank Provided Services.....	115
Appendix I – Questionnaire.....	118

List of Tables

Methodology

A	Market Geographical Distribution	2
B	Interviewee Distribution	2
C	Industry Sector Distribution	3

Detailed Data Analysis

1	Current Primary Transaction Banks to SMEs	4
2	Length of Primary TB Account Life	5
3	Transaction Bank Churn – Previous Bank	6
4	Current Secondary Transaction Banks to SMEs	7
5	Current Primary Corporate Banks to SMEs	8
6	Length of Primary Corporate Banking Account Life	9
7	Corporate Bank Churn – Previous Bank	10
8	Current Primary Lenders to SMEs	11
9	Length of Primary Lending Account Life	12
10	Lending Bank Churn – Previous Bank	13
11	Current Secondary Lenders to SMEs	14
12	Perceived Primary Banking Relationships by SMEs	15
13	Banking Product Usage within the SME Market	16
14	Primary Supplier Shares – On Call Accounts	17
15	Weighted Average Percent of Business – On Call Accounts	18
16	Primary Supplier Shares – Term Cash Deposits	19
17	Weighted Average Percent of Business – Term Cash Deposits	20
18	Secondary Supplier Shares – Term Cash Deposits	21
19	Primary Supplier Shares – Commercial Bills / CDs	22
20	Weighted Average Percent of Business – Commercial Bills / CDs	23
21	Primary Supplier Shares – Overdraft Facilities	24
22	Weighted Average Percent of Business – Overdraft Facilities	25
23	Primary Supplier Shares – Australian Currency Term Loans	26
24	Weighted Average Percent of Business – Australian Currency Term Loans	27
25	Secondary Supplier Shares – Australian Currency Term Loans	28
26	Primary Supplier Shares – Leases	29
27	Weighted Average Percent of Business – Leases	30
28	Secondary Supplier Shares – Leases	31
29	Primary Supplier Shares – Invoice Discounting	32
30	Weighted Average Percent of Business – Invoice Discounting	33
31	Primary Supplier Shares – Inventory Financing	34
32	Weighted Average Percent of Business – Inventory Financing	35

33	Primary Supplier Shares – Account Services & Cash Management	36
34	Weighted Average Percent of Business – Account Services & Cash Management	37
35	Primary Supplier Shares – Payment Processing.....	38
36	Weighted Average Percent of Business – Payment Processing.....	39
37	Primary Supplier Shares – Remittance Processing.....	40
38	Weighted Average Percent of Business – Remittance Processing.....	41
39	Primary Supplier Shares – Internet Banking	42
40	Weighted Average Percent of Business – Internet Banking	43
41	Primary Supplier Shares – Fixed Interest Rate Products.....	44
42	Weighted Average Percent of Business – Fixed Interest Rate Products.....	45
43	Primary Supplier Shares – Spot FX.....	46
44	Weighted Average Percent of Business – Spot FX	47
45	Secondary Supplier Shares – Spot FX.....	48
46	Importance of Banking Products to the SME Customer	49
47	Overall Satisfaction with Banking Products – Whole of SME Market.....	50
48	On Call Accounts Satisfaction Ratings.....	51
49	Term Cash Deposits Satisfaction Ratings	52
50	Commercial Bills / CDs Satisfaction Ratings.....	53
51	Overdraft Facilities Satisfaction Ratings	54
52	Australian Currency Term Loans Satisfaction Ratings.....	55
53	Leases Satisfaction Ratings	56
54	Invoice Discounting Satisfaction Ratings.....	57
55	Inventory Financing Satisfaction Ratings	58
56	Account Services & Cash Management Satisfaction Ratings.....	59
57	Payment Processing Satisfaction Ratings.....	60
58	Remittance Processing Satisfaction Ratings	61
59	Internet Banking Satisfaction Ratings	62
60	Fixed Interest Rate Products Satisfaction Ratings	63
61	Spot FX Satisfaction Ratings.....	64
62	Importance of Relationship Issues to the SME Customer.....	65
63	Relationship Satisfaction Ratings – Whole of SME Market.....	66
64	Relationship Management Satisfaction Ratings	67
65	Understanding Customer’s Business Needs Satisfaction Ratings	68
66	Proactivity Satisfaction Ratings.....	69
67	Innovation Satisfaction Ratings.....	70
68	Loyalty to the Relationship Satisfaction Ratings	71
69	Quality of People Satisfaction Ratings	72
70	Pricing Competitiveness Satisfaction Ratings	73
71	Value for Money Satisfaction Ratings	74
72	Back Office Efficiencies Satisfaction Ratings	75
73	Documentation Quality Satisfaction Ratings	76

74	Knowledge of Customer’s Industry Sector Satisfaction Ratings	77
75	Understanding SME Issues Satisfaction Ratings	78
76	Customised Banking Solutions Satisfaction Ratings.....	79
77	Economic Information and Analysis Satisfaction Ratings	80
78	Customer Support Satisfaction Ratings.....	81
79	Deployment of Dedicated Relationship Manager.....	82
80	Length of Relationship with Current Relationship Manager.....	83
81	Importance Ratings of Relationship Manager	84
82	Satisfaction Ratings of Relationship Manager – Whole of SME Market.....	85
83	Business Maturity and Acumen RM Satisfaction Ratings	86
84	Product and Solution Knowledge RM Satisfaction Ratings.....	87
85	Understanding of Customer’s Business RM Satisfaction Ratings	88
86	Proactivity and Innovation RM Satisfaction Ratings	89
87	Responsiveness RM Satisfaction Ratings	90
88	Understanding of Customer’s Industry Sector RM Satisfaction Ratings.....	91
89	Advocacy for Customer inside the Bank RM Satisfaction Ratings	92
90	Broker Utilisation	93
91	Products Sourced via Broker.....	94
92	Key Reason for Broker Utilisation	95
93	Products Most Commonly Increasing in Terms of Customer Need	96
94	Likelihood of Changing Primary Bank in the Next Six Months.....	97
95	Preferred Method of Interacting with Bank	98
96	Competitor Bank Solicitations Experienced in the Past Six Months.....	99
97	Sources of Advice Used on Financial Management and Banking Matters.....	100
98	Planned Lending in Next Six Months	101
99	Reasons for Planned Lending in Next Six Months.....	102
100	Stimulants to Increasing the Use of Cash Flow Style Financing	103
101	Non-Cash Flow Borrowings Applied to Supporting Working Capital Needs	104
102	Interest Rate Change in Last Six Months – Loans	105
103	Interest Rate Change in Last Six Months – Deposits.....	106
104	Transaction Fee Change in Last Six Months.....	107
105	Share of Mind – Transaction Banking & Cash Management	108
106	Share of Mind – Foreign Exchange Services.....	109
107	Share of Mind – Derivatives.....	110
108	Share of Mind – Debt	111
109	Share of Mind – Deposits & Investments	112
110	Share of Mind – e-Banking Services.....	113
111	Share of Mind – Cash Flow Financing	114
112	Private Banking Primary Provider	115
113	Corporate Superannuation Primary Provider	116
114	Business Insurance Primary Provider.....	117

Introduction

This is the fifteenth report in a six-monthly series of market monitors examining and forecasting demand for banking service and product within Australia's Small to Medium Enterprise (SME) markets. The SME segment remains numerically the largest battleground for revenue and profit growth, and it is firmly on all banks' radars, particularly as providers look to replace slowing volume and margins in the retail mortgage markets.

Significant effort is being invested in building service propositions to this historically under-banked segment of the market at the same time as the state of the credit markets is driving many SMEs back to the large commercial banks. Credit, its availability, conditions and pricing, has become and remains the dominant issue for SMEs in their banking relationships and we expect this to remain so for the near term as banks continue to re-price their books for risk.

This research and analysis program is designed to deliver quality market intelligence to bank clients for application in account management, business development, service delivery and market strategy formulation. This report delivers key findings from the latest round of customer interviews executed during March 2011, along with presentation of detailed, supporting data.

Also included in the report for the seventh time are additional analytics on broker activity, Relationship Managers, borrowing intentions, and SMEs' preferred means of interacting with their banks. Importantly also the program continues to incorporate coverage of the A\$1–5 million turnover business customer segment, previously run as a separate, standalone research program. Clients have increasingly adopted a common segment approach in their customer relations and business development strategies to this combined sub-A\$20 million segment and this program has now integrated both previously separate segments into the one coherent view.

In addition to the core multi-client content of the program, our clients are able to add proprietary questions to each six-monthly interview sweep, using the vehicle of this ongoing research as a means of both adding valuable supplementary material to their use of the service and the generation of timely tactical information solutions. All client proprietary analysis is subject to separate reporting with individual clients.

We trust that this enhanced report continues to deliver real value to our clients and we look forward to discussing the contents of this latest round together.

Methodology

The fieldwork for this fifteenth round of East & Partners' Small to Medium Enterprise (SME) Banking Research Program took place in March 2011 with a structured sample of 1,493 enterprises in the A\$1–20 million annual turnover segment being interviewed.

This fifteenth research round achieved another very pleasing completion rate of 89.4 percent (only 177 enterprises approached declining to participate) – a direct reflection of the strong level of interest in their banking arrangements and services by businesses within this SME segment.

TABLE A
Market Geographical Distribution

	% of Total	
	Oct 10 (N: 1497)	Apr 11 (N: 1493)
New South Wales	35.2	35.4
Victoria	29.4	29.1
Queensland	12.8	12.8
Western Australia	9.2	9.4
South Australia	4.7	4.6
Other	8.7	8.7
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 the business' banking relationships.

TABLE B
Interviewee Distribution

	% of Total	
	Oct 10 (N: 1497)	Apr 11 (N: 1493)
Finance Director	32.2	32.6
Chief Financial Officer	19.5	19.9
Group / Corporate Treasurer	19.3	19.2
Finance Manager	18.1	18.3
Group Accountant	10.9	10.0
TOTAL	100.0	100.0

East's research sample in this program mirrors distributions reported by the Australian Bureau of Statistics commercial census data to ensure a true and natural representation of enterprises in terms of geographical location and industry sectors. The industry sector distribution of the 1,497 SME interviewed during March 2011 thus directly reflects the segment's population/universe distribution.

TABLE C
Industry Sector Distribution

	% of Total	
	Oct 10 (N: 1497)	Apr 11 (N: 1493)
Agriculture, Forestry and Fishing	8.5	8.6
Mining	2.3	2.3
Manufacturing	12.3	12.2
Electricity, Gas and Water Supply	0.6	0.6
Construction	12.9	13.1
Wholesale Trade	12.0	12.2
Retail Trade	17.8	17.9
Accommodation, Cafes and Restaurants	2.3	2.4
Transport and Storage	3.6	3.5
Communication Services	0.6	0.6
Finance and Insurance	5.0	4.7
Property and Business Services	20.8	20.6
Government Administration and Defence	—	—
Education	0.3	0.3
Health and Community Services	0.3	0.2
Cultural and Recreational Services	0.3	0.3
Personal and Other Services	0.4	0.5
TOTAL	100.0	100.0

Appendix I

Questionnaire



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