

# The Advocacy Monitor

Market Analysis Report





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## Introduction

### East & Partners Business Banking The Advocacy Monitor (BBSI)

The East & Partners Business Banking Advocacy Monitor is a bi-monthly Index of business customer advocacy and sentiment towards banks, based on interviews conducted Australia-wide with a structured sample of +/- 775 companies turning over A\$1 to 100 million per annum, some 4,650 direct interviews with business banking customers annually. The Index provides a monitor of several key drivers of customer engagement behaviour with their banks including advocacy, detraction, empathy, satisfaction, loyalty and mind share.

This Index is a stand-alone initiative and is not related to East's other research programs.

### Important Enhancements

In line with East research findings released in several advisory and research notes to clients over the past 12 months, we have added significant new core content to this program measuring customer advocacy of business banks. Customer satisfaction measures have become increasingly disconnected from customer engagement and buying behaviour and no longer have actionable predictive power of future changes in output measures such as market share, share of customer wallet and cross sell performance. Advocacy has become a more valuable view of likely customer engagement with their banks, especially in combination with other existing East measures of customer-bank empathy, bank loyalty experiences, contact frequency, proactiveness of bank engagement, mind share and advertising recognition.

These enhancements are being delivered to clients at no incremental cost during current-term subscriptions and we look forward to exploring the impact of these five additional questions to the program with our clients.

### Monitor Methodology

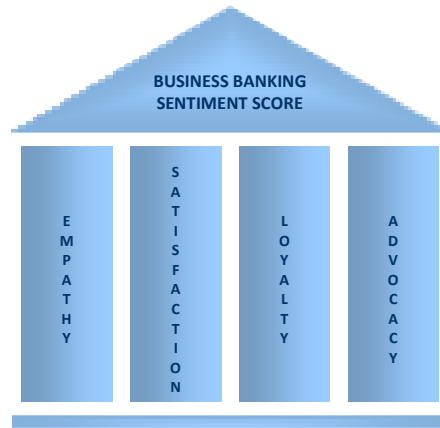
This month, telephone interviews were conducted with 800 businesses based on a structured sample frame of the target population nationally, comprising:

- Micro Businesses ..... 249 .....(A\$1-5 million turnover enterprises)
- SMEs..... 295 .....(A\$5-20 million turnover enterprises)
- Mid Corporate..... 256 .....(A\$20-100 million turnover enterprises)

This sample size allows the data to be segmented by the business customer's State, enterprise segment and principal bank, presented as standard analyses within this client report.

## Index Results – Applications

Each two months, East releases the top line Business Banking Sentiment Score to media and other public stakeholders together with overall business customer advocacy. These findings are also reported in East publications and on the firm’s website. The Business Banking Sentiment Score is a deep measure of customer sentiment encapsulating the key associated dynamics of empathy, satisfaction, loyalty and advocacy.



Responses collected for these four sentiment constituents are aggregated in an unweighted manner, to construct the Business Banking Sentiment Score, taking on values from 10 (low) to 100 (high).

The Business Banking Sentiment Score is the only metric containing individual bank performance reported to external audiences following the release of each monthly Index. East may from time to time release other information contained in the Index, however full access to the data remains only available to clients.

## Business Banking Customer Advocacy

Customer perceptions regarding access to constrained, expensive or difficult credit may have created a singular event in the way in which businesses think about and interact with their banks.

Experiences over the past three years have been fractious for both banks and their customers; the latter sensing that longstanding, positive relationships have not helped in their debt funding needs and that new rules of engagement have been deployed by banks which run counter to their attempts to manage customer relationships with a service and added value ethic.

At the same time, banks continue with an increasingly strident customer satisfaction based mantra, and indeed have made it their new public battle ground, even though customers appear to have walked away from such claims as having little to do with their real banking experience.

### Standalone Customer Satisfaction now De-Coupled from Bank Performance

The majority of East's demand-side analytics over the past two years show numbers across the board have fallen:

- Deteriorating customer satisfaction
- Falling customer loyalty

And yet customer switching has dropped to historical lows. Driven by credit experiences and a strongly perceived lack of provider choice and competition for their business, customers appear to have de-coupled their engagement behaviour from holistic measures of customer satisfaction. "Are you or are you not satisfied with your business bank" just isn't predicting engagement (see Table 1).

### New "Customer Experience" Predictors

Alternative measures of business customer experience with their banks seem to hold much stronger influence over engagement and buying behaviour, in particular measures of customers acquiring more from their incumbent provider.

Predictive Strength of Non-Satisfaction Drivers		
Performance	Driver	Correlation
Wallet Share Outcomes	Customer loyalty	0.69
	Customer channel used	0.77
	Bank mindshare	0.73
Cross-sell Outcomes	Customer loyalty	0.58
	Customer channel used	0.71
	Bank mindshare	0.76
Customer Acquisition (relationship share)	Customer loyalty	0.44
	Customer channel used	0.70
	Bank mindshare	0.79

The framework leading to this program's enhancement is therefore essentially: underlying customer sentiment (loyalty, empathy, etc.) and mind share acting as drivers of customer advocacy in turn leading to improvements in financial performance based on measures of market share gain, firstly with existing customer relationships and secondly with customer acquisitions.

# Appendix I

Methodology

# Appendix II

Questionnaire



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The delivery of accurate quantitative analysis on the region's exploding demand for sophisticated transaction, debt, treasury, investment and advisory banking services and products has been uniquely addressed by East's "bottom up" research methodologies for 15 years, based on many thousands of customer interviews annually in Australia, China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.

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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