EAST & PARTNERS
PTY LTD

Media Release

Opportunity going begging in SME Trade Finance markets, report finds

(29 March 2005 – Australia) Banks in Australia are struggling to deliver high quality Trade Finance services to SMEs and are consequently undermining their ability to carve out greater share of a market forecast to be worth more than A$155 million in 2005, according to East & Partners.

East's latest six monthly research into Australia's Trade Finance markets reveals that SMEs (companies turning over between A$5 and 20 million per annum) are reporting deteriorating levels of service from their banks.

Customer satisfaction ratings have dropped in Knowledge of Customer's Industry, Value for Money, Professional Competence, Innovative Solutions, General Trade Advice and e-Trade Solutions.

"Although uptake of Trade Finance services among SMEs is still relatively low compared to corporate and commercial companies, there is a huge opportunity here if providers can lift their service game," East & Partners principal analyst Paul Dowling said.

"We estimate the market for SME Trade Finance to be worth about 15 percent of Australia's total 2005 Trade Finance market. It's a segment that is set to grow at a faster rate than the market at large and one that offers deeper margins to banks than those available in the middle or corporate markets," he said.

Not surprisingly, poor customer satisfaction experience is being reflected both in decreasing uptake of Trade Finance overall and in banks' individual market share of primary Trade Finance relationships with SMEs.

The latest report reveals that 15.5 percent of banks' transaction banking customers are engaging Trade Finance services from them compared with 15.6 percent six months earlier.

"The SME Trade Finance market is stagnating because banks for the most part aren't delivering the quality of service and advice that these businesses are looking for," Mr Dowling said.

"Given the global nature of Australia's trading environment and the fact that usage of Trade Finance is growing across nearly all industry sectors, there would appear to be a clear market opportunity here for the domestic commercial banks or other service providers to engage with small to medium sized businesses in trade," he said.

"Although most banks have refocussed on small to medium businesses over the past 12 months, and indeed on Trade Finance, somehow there's a disconnect between the two and SMEs are less than impressed with what banks have been delivering," Mr Dowling said.

"As a result, the number of SMEs saying they will 'very likely' switch their Trade Finance banks over the next 12 months is edging towards 20 percent. Historically, almost half of this number will in fact churn their banks, so there are customers out there to be won by service providers with a compelling proposition," he said.

Commonwealth Bank, Westpac and ANZ have all shed market share over the past six months, while National Australia Bank, St George, BankWest and Bank of Queensland are the only banks to have moved in a positive direction.

All the international banks have lost market share in the SME Trade Finance segment.

Forecast SME Churn in Trade Finance

	% of SME Customers Likely to Look at a Change in Trade Financier in the Next 12 Months	
	February 2005	**August 2004**
Very Likely	18.9	17.6
Possibly	20.7	22.2
Unlikely	39.6	38.9
Definitely No Plans	12.7	12.0
Not Sure / Don't Know	8.1	9.3
TOTAL	100.0	100.0

Source: East & Partners Trade Finance Markets Report – February 2005

For further information, please contact:

Paul Bartholomew
Senior Consultant
East & Partners
Tel: 02-9004-7848
Mob: 0410 400 156
paul.b@east.com.au