

SME Banking. Where's the Relationship Manager?

(12 November 2013 – Australia) Only one quarter of Small and Medium Sized Enterprises (SMEs) have the services of a dedicated banking relationship manager (RM) and the number is falling, according to the latest research from industry analysts East & Partners.

East's bi-annual Australian SME Transaction Banking Markets (STB) report interviewed 1489 SME businesses with annual revenues of \$1 to \$20 million across all states in October.

The most recent report found that only 26.6 percent of those SME businesses have the services of a dedicated banking RM. Close to three quarters of the SME market currently do not have their banking arrangements relationship managed, a ratio which has actually grown since April by 2.5 percent.

East's STB report also shows that the length of SME banking relationships is getting shorter, with 28.8 percent of SME's reporting that their current RM relationship is less than six months old - 26.0 percent higher than six months ago.

Running a full service RM model across the SME segment has always been economically challenging for Australia's commercial banks and goes some way to explaining why customers aren't yet recognising the renewed focus banks have on them.

From the bank perspective, investing in SME RM's is higher cost – given the large number of individual customers - and delivers lower Return on Investment (ROI) than in the Corporate and Institutional segments, while bankers themselves have traditionally used SME RM roles as “stepping stones” for careers elsewhere in the bank.

Lachlan Colquhoun, Head of Markets Analysis at East & Partners, said the decline in the number of SME's with dedicated relationship officers was indicative of the lack of resources banks were putting into the SME segment.

“Our research shows that there is a moment in the market right now for a bank to step forward and be a real champion for the SMEs,” said Colquhoun.

“SME's are comparatively underserved compared with other market segments, and yet they are showing encouraging signs of new credit demand.

“But given the attention they are getting from their banks, there is little surprise they are the most disgruntled segment in terms of satisfaction levels.”

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Deployment of Dedicated Relationship Manager

	% of Total	
	Apr 2013 (N: 1491)	Oct 2013 (N: 1489)
Yes	29.1	26.6
No	68.5	71.3
Unsure	2.4	2.1
TOTAL	100.0	100.0

Source: East & Partners SME Transaction Banking Markets Program – October 2013

About East & Partners' SME Transaction Banking Markets Report

A detailed analysis of product usage, market share, share of customer wallet, bank by bank customer satisfaction performance, share of mind, account churn and buying characteristics for small to medium enterprises in the A\$1–20 million turnover segment across all core transaction banking products, including Cash, Payments, Deposits, Desktop Banking, Internet Banking, Cross Border Payments and Remittance Processing

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