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News Release

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FOR IMMEDIATE RELEASE

The fight for the Australian retail banking customer has never been so strong

2008 looking to be one of the most fiercely contested yet with...

- **Error-free service key to relationship excellence**
- **Demand for new mainstream retail products slowing – as rising interest rates and influence of the US sub-prime crisis bites**

December 4, 2007, Sydney: Overall, main bank customer satisfaction with “the big five” has remained largely static over the past six months, with almost one-in-10 customers not feeling valued by their main bank provider. Also ‘competitive interest rates on credit cards’ are another sore point for many customers, with one-in-eight expressing dissatisfaction with their bank - these and other findings were released today from the The Nielsen Company’s bi-annual *Retail Banking Report**.

Nielsen’s Financial Services Director, Glenn Wealands, says that what is critical, and often overlooked by banks is that by delivering error-free banking to their customers banks can substantially reduce the proportion of their franchise who will, inevitably, consider switching banks.

Our latest report shows that the proportion of banks’ customers who will consider switching their banks increases six-fold when errors have occurred. That equates to 20 percent of all customers who have experienced an error with their main bank in the last 12 months and cited considering switching, versus only three percent for those whose banks have delivered unblemished service.

But the impact of errors doesn’t only have a negative impact on switching intent - it also inhibits banks’ ability to attract new customers by having its existing customers being advocates; willingly recommending their bank.

“It is interesting to note that the leading banks in delivering the highest proportion of ‘error free

relationships’ – such as Bendigo and Suncorp – also are among the highest banks for Net Promoter Scores”, notes Wealands.

While the error sources vary from bank to bank, the main sources of errors come from Internet banking services, incorrect fees charged to account and, not following up on requests.

Wealands also adds that the imperative to deliver top-rate error free service becomes more important given that fewer consumers are looking to take out new banking products in the next 12 months – with the exception being managed funds.

Product Category	Intention to Open Account 2H2006	Intention to Open Account 2H2007
Home Loans	13%	7%
Transaction Accounts	8%	7%
Online High Interest	11%	8%
Managed Funds	6%	8%
Credit Cards	9%	8%
Personal Loans	8%	6%

Broader economics factors could also potentially add another dimension to the retail banking landscape in Australia in 2008.

The impact of even modest increases in interest rates in 2008 will create significant financial hardships for many Australians – with six percent of home loan customers and five percent of credit card holders indicating they would struggle to make their repayments if interest rates increased by up to 0.5 percent.

“The fall out from the mid-year credit crunch is already evident with 29 percent of new mortgage clients using brokers – down from 34 percent six months ago”, states Wealands.

About the Retail Banking Report

The Nielsen Company’s bi-annual *Retail Banking Report* is based on responses from almost 15,000 retail banking customers and provides insights on market share, distribution, service strengths and weaknesses and market dynamics such as trends in future product appetite.

About The Nielsen Company

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