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Business Banking Customer Report 2024

The SME opportunity: Business Banking in Australia





About the report

This report explores how Small to Medium Enterprises (SMEs) engage with their business's banks.

The findings offer valuable insights into the business banking behaviours and expectations of SME customers regarding their use of various channels and services.

This report aims to:

- 1 Examine SME customers' expectations of their banks.
- 2 Identify opportunities for competitive differentiation of banking services.
- 3 Determine triggers which may encourage customers to switch providers.

Business Banking - The Customer Perspective

A shift in focus for Australian banks

Profitability has declined in Australian mortgage lending thanks to years of intense competition and margin erosion. In turn, this has led banks to revisit their growth strategies, putting more emphasis on areas where they may be able to build more predictable revenue streams. Business banking has seen growing interest in the last five years, with the segment promising higher margins and resilience to market volatility.

Within the business banking market, the SME segment has been somewhat under-researched, despite representing a third of GDP and almost 98% of all Australian businesses. Currently, most Australian banks' service for SMEs is little more than a rebadged retail offering, rather than a compelling, data-driven business solution. Yet competition is likely to increase rapidly to attract these customers, both from existing banks and new market entrants.

With 10,000 more SMEs set to be included under the expanded definition in the 2025 Banking Code, and with the increased opportunity to access customer data through Open Banking, now is an especially important time to understand the SME customers better and provide fit-for-purpose solutions.

A fresh perspective on business banking

Earlier in 2024, Publicis Sapient published the Customer Banking Report, looking at attitudes to banking services among more than 5,000 Australian consumers. We are now pleased to launch its follow-up, our Business Banking Pulse Report. This new research surveyed over 2,000 financial decision makers at Australian SMEs, to identify their priorities and preferences, as well as the triggers that may cause them to switch banks.

We believe this research offers a fresh perspective on the SME sector, and more importantly, on how banks can develop their offerings to improve market

appeal. It reveals a surprisingly open field for a market leader to emerge. The findings emphasise the importance of differentiated, customer-centric, digital experiences, while also highlighting the ongoing need for personal service across all channels – including physical branches. It suggests a potential tipping point in attitudes to traditional banking, where an increasing cohort of SMEs are open to new experiences, as long as they maintain the quality of service that underpins their current positive sentiments.

The team at Publicis Sapient are excited to publish these insights. We look forward to engaging in productive conversations about the implications for the Australian banking industry in the coming months.



Tales Sian Lopes

Managing Partner,
Head of Financial Services
Publicis Sapient, Australia

Report contents

Key findings

40%

of SME customers are only **'somewhat positive'** about their bank, with no market leaders performing better.

There's an open field for banks to differentiate their experiences and grow market share.

79%

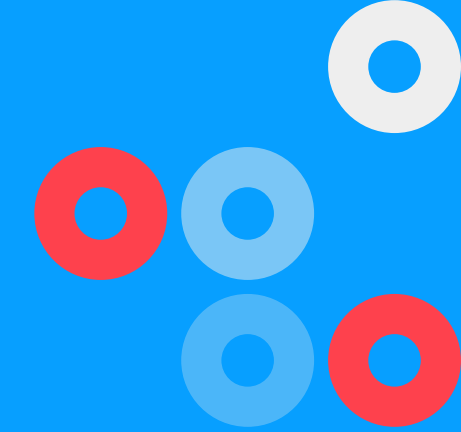
of SMEs prefer digital banking, but 59% still want access to local branches.

To avoid churning unsatisfied SME customers, banks must ensure that digital channels offer at least equivalent levels of personal service as physical locations.

78%

of SMEs would rather be paid digitally, yet 49% oppose the elimination of cash services.

Banks can address this paradox through omnichannel experiences, which meet SME needs regardless of their diverse payment preferences.



Part 1.

Satisfaction and loyalty in an undifferentiated market

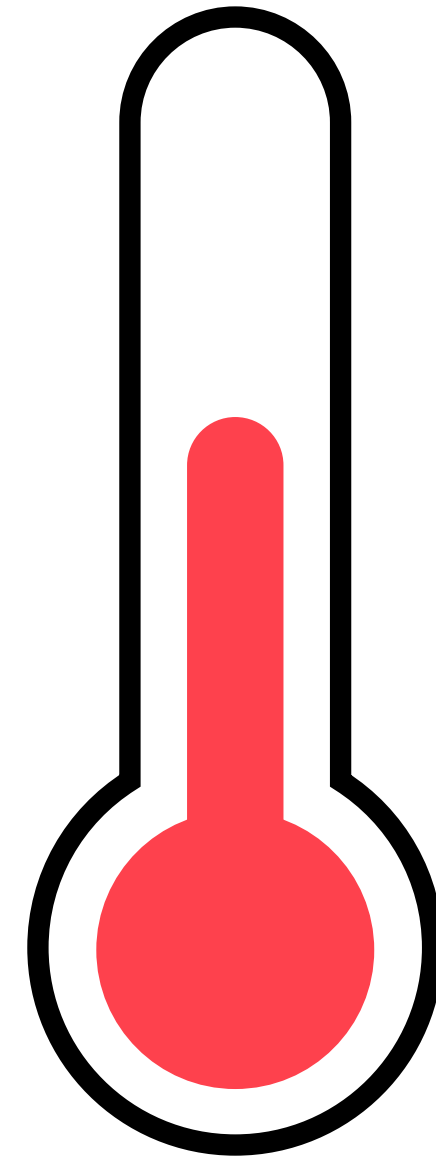


Satisfaction and loyalty in an undifferentiated market

Customer satisfaction levels in SME banking are good, but with very little differentiation between providers.

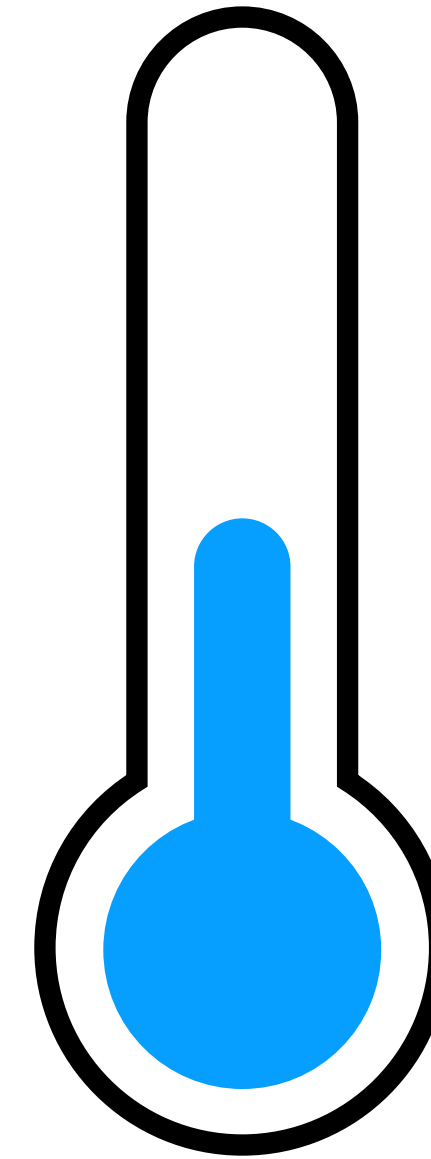
55% of respondents are very positive about their bank, citing trust, reliability and customer service as the major factors for this sentiment.

After this large group of advocates though, a further 40% of SMEs describe themselves as only 'somewhat positive' about their bank. This group are satisfied, but lukewarm in their praise.



55%

of respondents are **very positive** about their bank.



40%

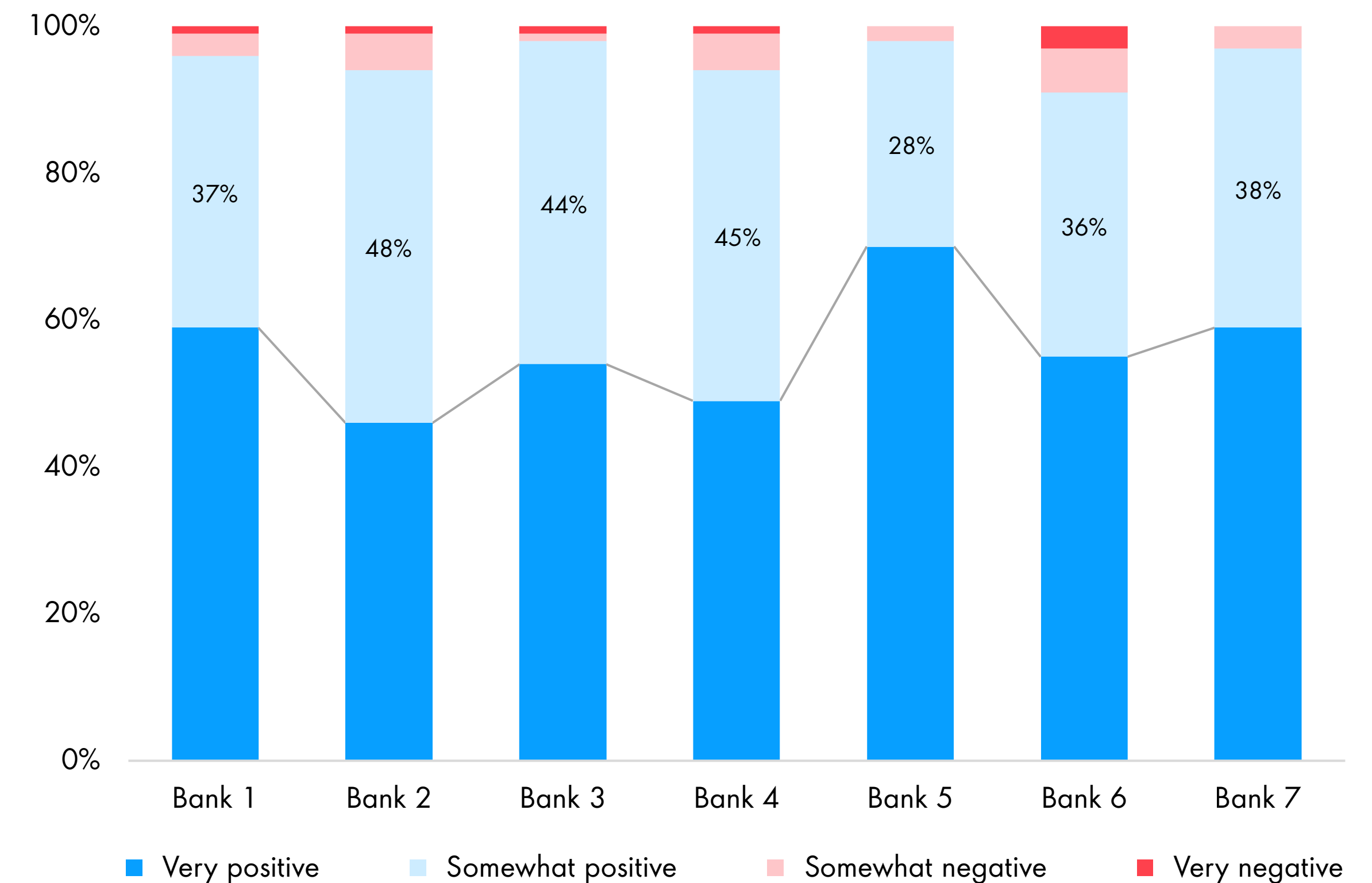
of respondents are only **somewhat positive**.

While the lack of outright detractors is a good outcome, banks should reflect on the uniformity of responses across the industry.

Every bank has a large vanguard of happy customers, a second cohort of somewhat satisfied 'fence sitters', and a small trailing group of detractors, in almost identical proportion. This means that, although 95% of SME customers are nominally satisfied, it is not necessarily due to the quality of any individual bank's products and services. It shows that average maturity levels across the board are good, but also that there is a sense of inertia in the industry.

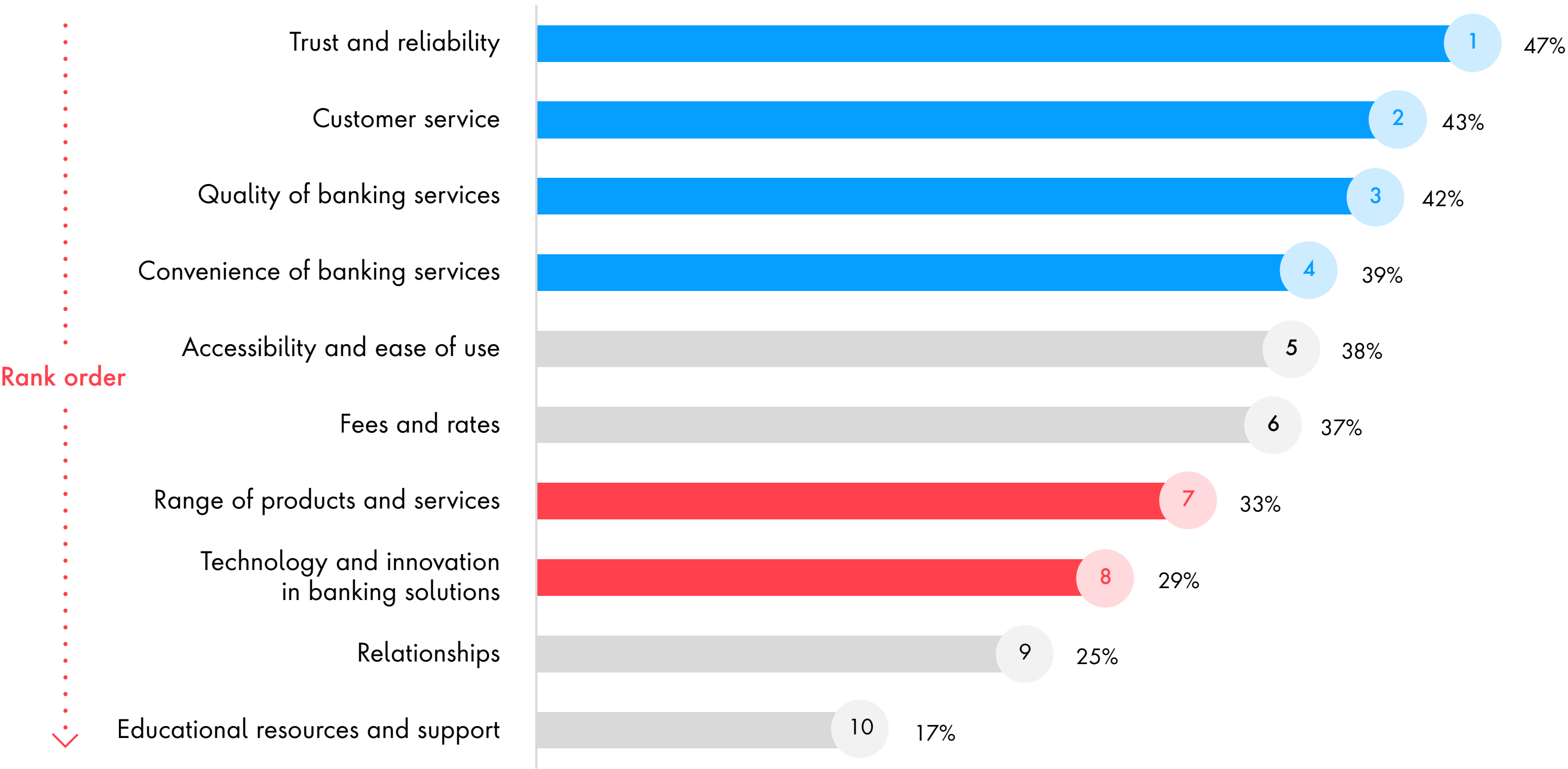
Most banks offer indistinguishable services and customers see little difference or reason to switch. Indeed, 41% of survey respondents said they have perceived no improvements in their relationship with their bank since the Royal Commission, rising to 75% among sole traders. As a market segment that most banks are targetting for growth, this apathy should be a concern.

Q. Overall, what is your opinion of your main business bank?



(Note: Banks included in the analysis have a statistically significant sample size ($n \geq 66$))

Q. If you expressed a positive opinion about your main business bank, what are the key reasons you say this?



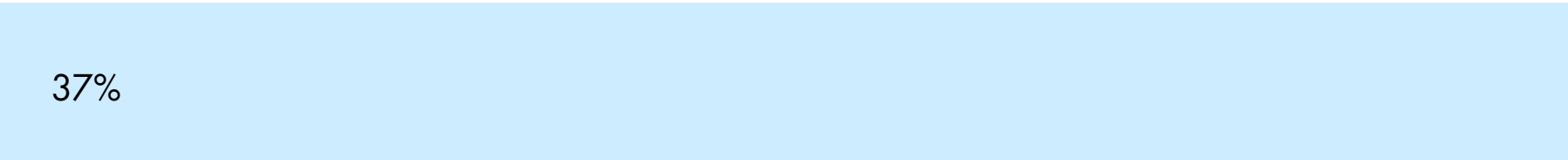
SME customers care most strongly about the trustworthiness of their business bank, and the overall quality and convenience of services.

Despite the pervasiveness of digital banking today, technology and innovation still rank low in shaping SME customers’ opinions of their business bank.

Traditional customer experience factors are the predominant drivers of positive opinion and higher customer satisfaction. These SME responses may explain why banks are competing on customer experience, while products and services remain undifferentiated due to lower emphasis on digital innovation.

Q. Overall, how helpful was your bank when you had the most recent cyber-attack?

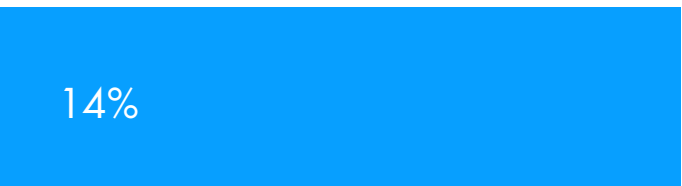
Bank was completely helpful



Bank was helpful, I did a fair bit of running around



Bank did the minimum I expected



It was hard to get help from the bank / I received no help



60% of SMEs found that their bank was not completely helpful following a scam event.

Had nothing to do with the bank

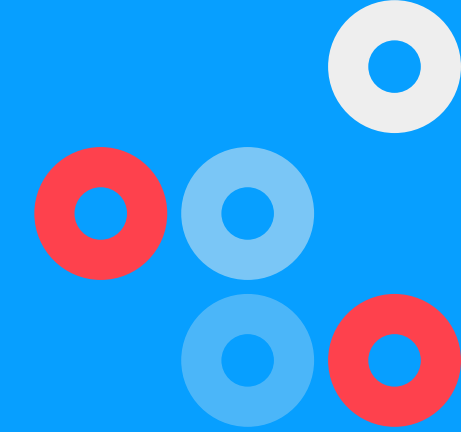


Australian banks are offering SMEs an adequate but undifferentiated service.

This leaves banks in a precarious situation, where any perceived damage to service quality – such as a cyber-attack, system outage or poor customer experience – could quickly lead to customer churn. For example, 60% of cyber-attack victims found their bank to be less than completely helpful in the aftermath.

Banks who can build a more compelling, secure and supportive experience have an opportunity to make themselves the primary destination for SME switchers.





Part 2.

Can digital
channels replicate
personal service?



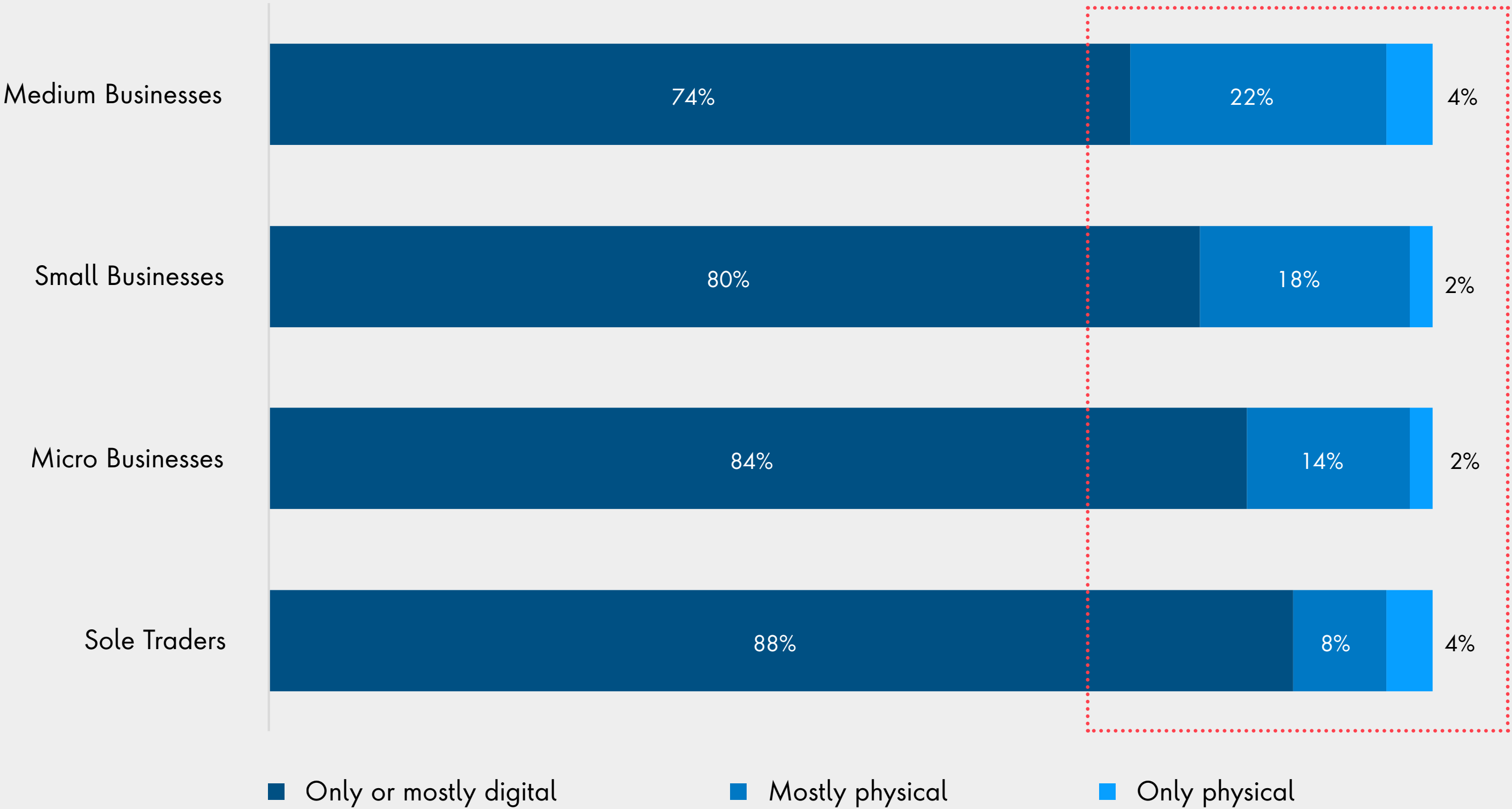
Digital banking channels have proliferated in recent years, with a corresponding decision from most banks to reduce the number of physical branches in their networks.

The Australian Prudential Regulation Authority (APRA) recorded a reduction in physical branches of 37% between 2017 and 2023, with regional and remote areas being most affected. There has been plenty of coverage of these closures and the public response, including in our Customer Banking Report from earlier in 2024.¹

Digital channels are the clear preference for SMEs, with 79% preferring only or mostly digital banking. This correlates to business size, with the smallest businesses having an even greater preference for digital (88% of sole traders). Nearly half of all SMEs log onto their digital banking services at least weekly (45%).

¹Customer Banking Report, Publicis Sapient, 2024

Q. What would be your preference for your business banking?



Banks should not take the preference for digital payments as a green light to shift exclusively to digital channels.

Even among those SMEs who favour digital banking, 59% still recognise the importance of physical branches for certain services. What's more, 54% of SMEs would consider switching bank if their local branch closed. A further 28% indicate that they would stay, but would be unhappy about the change.



Q. What would happen if your local branch closed?

Switch

18%

Consider switching

36%

Stay, but unhappy

28%

82% are effectively 'at risk'

Continue as usual

17%

I do not use a local branch

1%

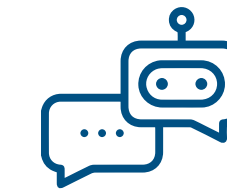


Physical reliance poses a significant risk for banks.

The reluctance to give up in-person banking services should be a concern for banks who don't balance their branch closures with an adequate digital business transformation program. Customer retention in the SME segment is not based on deep loyalty, but on convenience.

One of the reasons why branch closures are so emotive for Australian customers is the sense that they are losing the option of 'personal service'. To address this tension, banks must successfully recreate the benefits of personal service – authenticity, humanity, flexibility and active listening – on digital channels.

For example, 68% of SME customers report having sometimes used their bank's chatbot service, with 91% finding it helpful. Artificial Intelligence can play a role here, helping banks to deliver convenient, accessible customer experiences across channels and at scale, while remaining cost-effective.



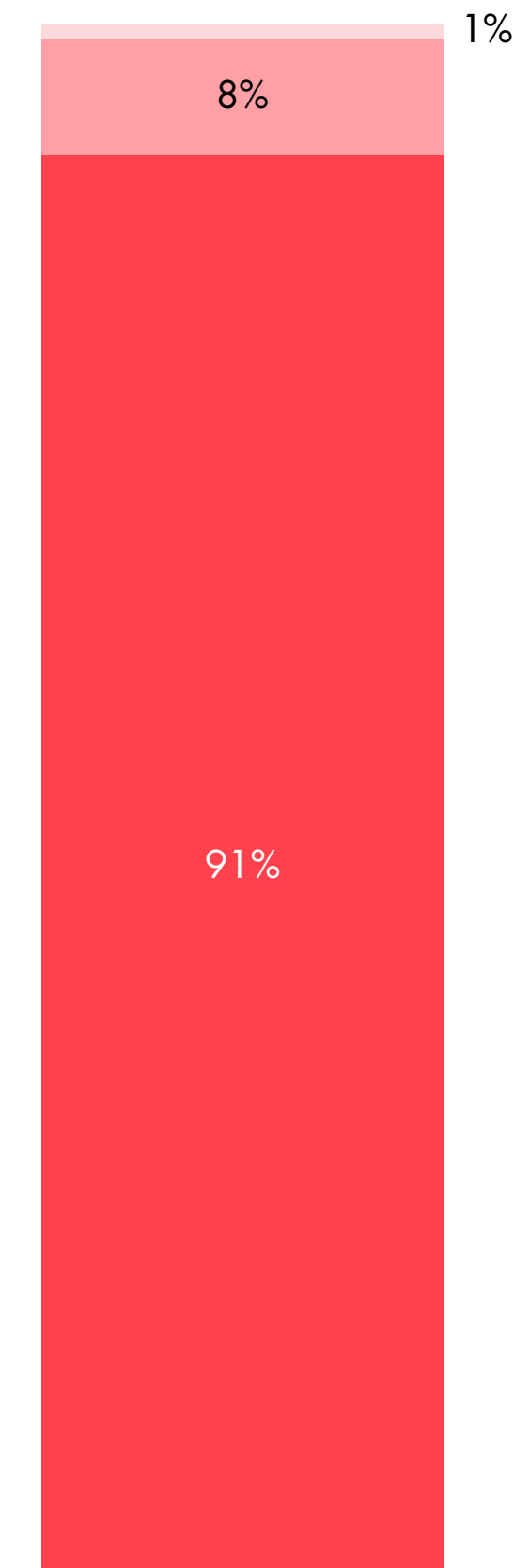
Q. How often do you use the chatbot provided by the bank?



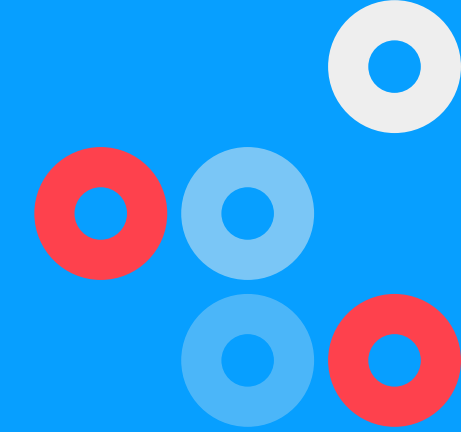
Never
Rarely
Sometimes



Q. How helpful is the chatbot?

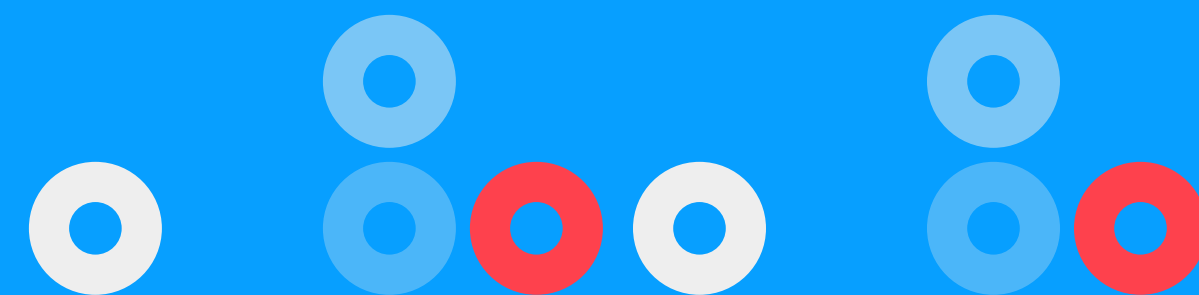


Not at all helpful
Not very helpful
Helpful



Part 3.

Cash attitudes and flexible payment experiences

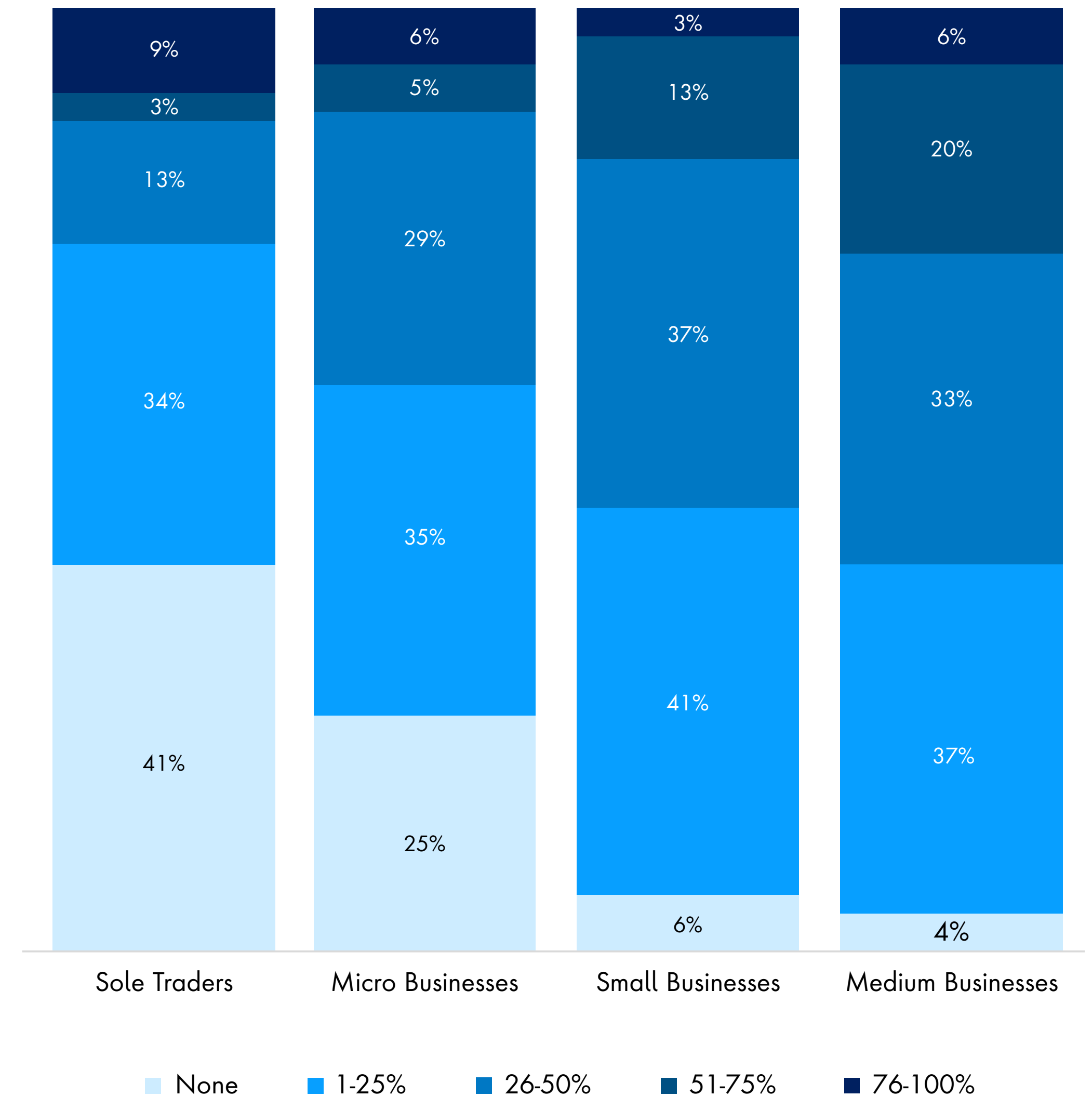


Retaining choice through omnichannel experiences

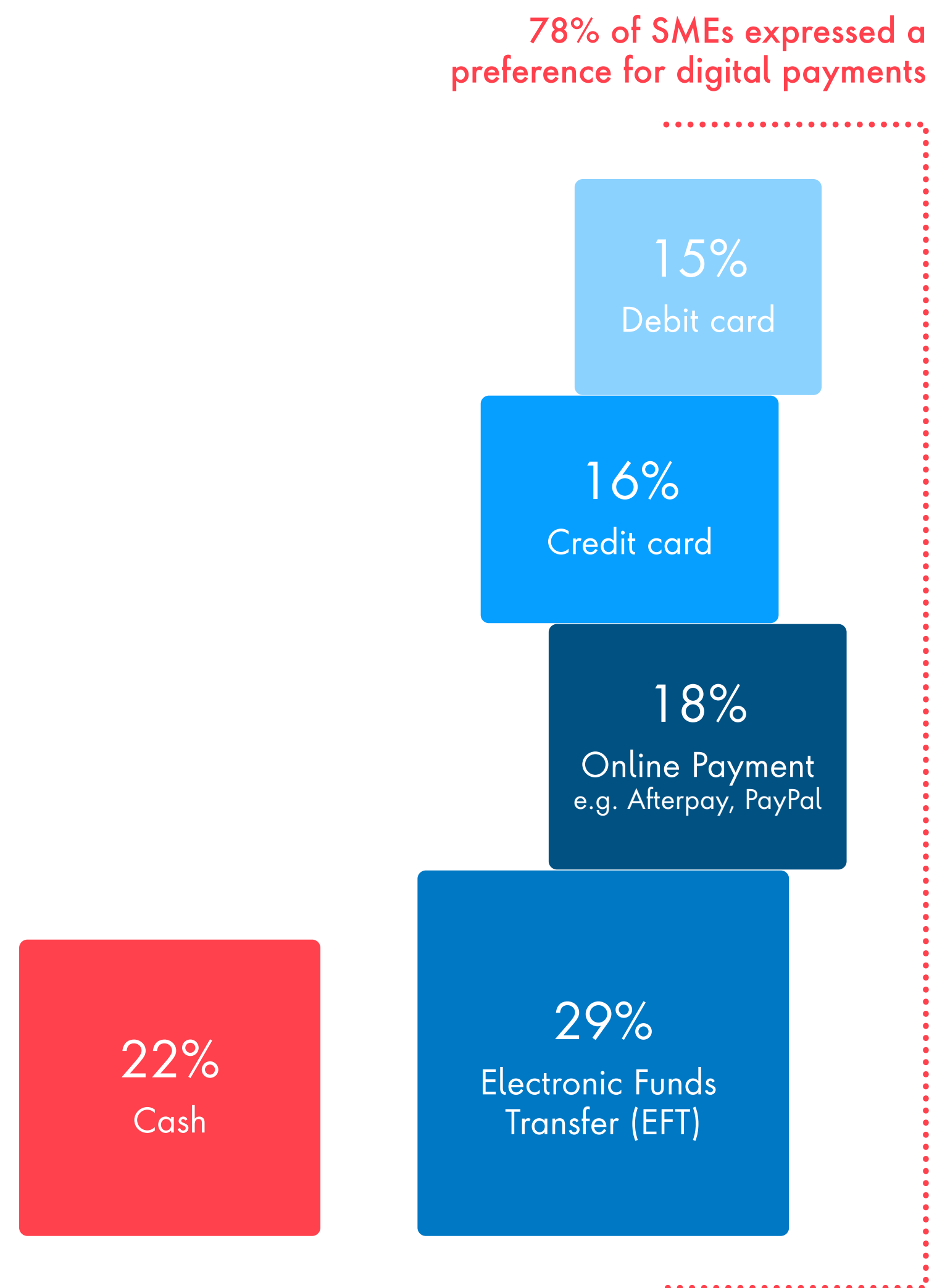
The other element of traditional banking which still has a strong emotional resonance with customers – including SMEs – is access to physical cash. Half of SMEs (49%) receive more than a quarter of their revenue in cash.

Somewhat counterintuitively, cash intake as a percentage of revenue was higher for larger businesses. This cash turnover is consistent with the services that SMEs use in physical branches too, where cash deposits and withdrawals (57%) and ATM services (38%) are the most common reasons to visit in person. More than half of SMEs (52%) also expect banks to continue offering cash services for at least another 10 years.

Q. About what percentage of your revenue is paid in cash?



Q. How do you prefer your customers to pay?

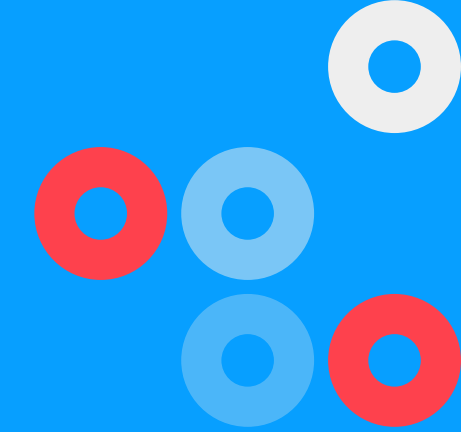


When it comes to eliminating cash services from bank branches, the picture becomes a bit blurrier.

SMEs are almost evenly split in their attitudes, with 51% supporting and 49% opposing any move to stop offering cash services. We also know that, despite a desire for cash services availability to continue, most SMEs prefer to be paid via digital channels (78%). In fact, businesses who receive a higher percentage of their revenue in cash are more likely to prefer digital payments.

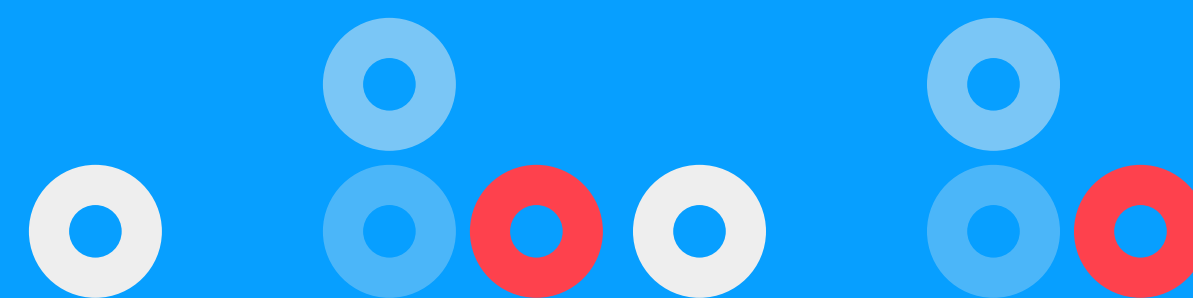
This inverse correlation suggests that the concept of cash – especially the physical security that comes with it – is still strong, although perhaps in a nostalgic rather than practical sense. The more businesses are exposed to the operational burdens of managing cash, the more likely they are to recognise it as a challenge. But while digital channels may represent the future, it's still important for banks to cater to all SME preferences, giving them the choice to bank however they prefer.

Cash services should be part of an omnichannel banking experience, even if actual usage continues to decline. This would promote a 'channel of choice' service strategy, help avoid any reputational damage to banks from prematurely removing popular services, and ultimately support customers to transition to payment methods that are more effective and efficient for everyone.



Part 4.

Putting this research into action



Putting this research into action

We conducted this research into Australian business banking to help organisations like yours get a better understanding of your SME customers' behaviours and attitudes. The next step is turning these insights into actionable strategies.

The insights shared in this report are just a few of the highlights from our research. To find out more, book a workshop with one of our financial services experts, who can share a deeper cut of the findings and provide analysis on how these trends specifically relate to your bank. We'll also help you to identify the actions you can take today to begin building a differentiated competitive advantage through digital banking, AI and omnichannel experience transformation.

Publicis Sapient can support you to build a strategy for the future, invest ahead of the curve, develop and deliver innovative experiences, and position yourself for a competitive edge.

Book a deep dive session

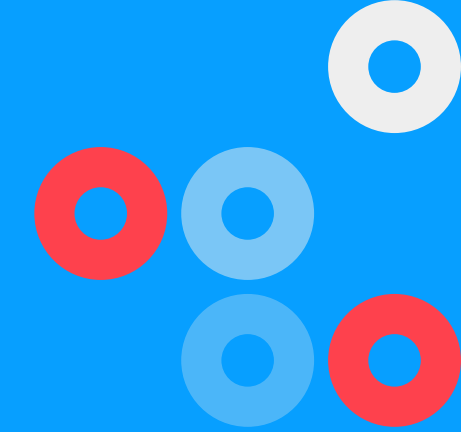


Tales Sian Lopes
Head of Financial Services
Australia & New Zealand
e: tales.sianlopes@publicissapient.com



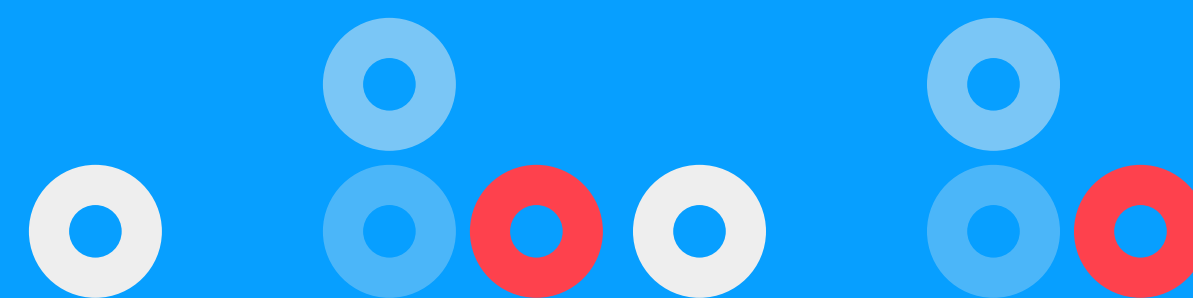
Andrew Lam-Po-Tang
Managing Director, Management Consulting
Australia & New Zealand
e: andrew.lam-po-tang@publicissapient.com

For more information, get in touch:



Part 5.

Methodology and research demographics



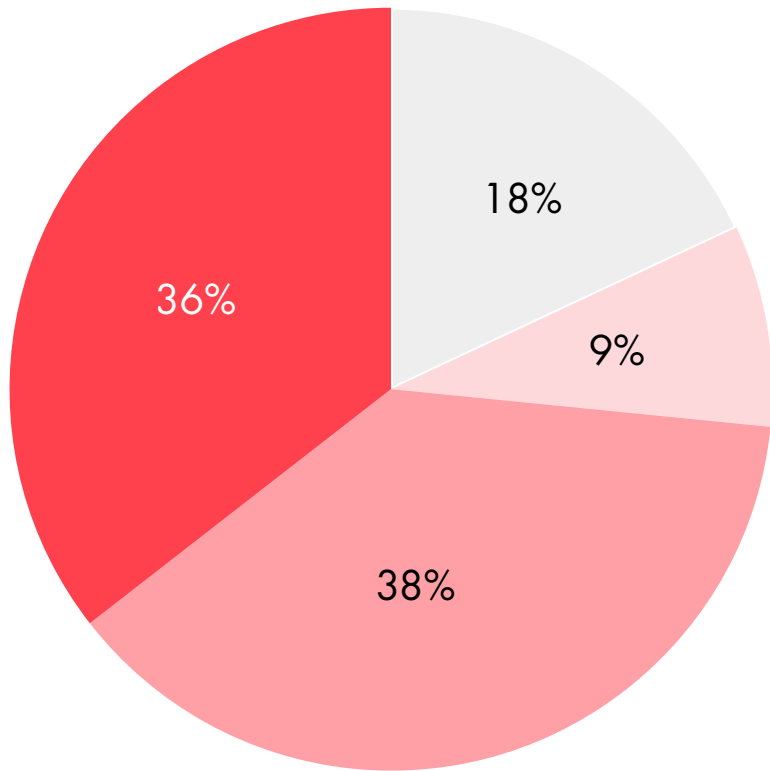
Methodology and research demographics

Our survey collected perspectives on the Australian banking industry from small- and medium-sized enterprises (SMEs) in July 2024. The survey covered 2,013 primary financial decision-makers, with either a controlling ownership or an equal partnership stake in the company, and a management role.

All figures in this report are rounded to the nearest digit. This rounding means some charts do not sum to exactly 100%.

Business size breakdown

Classification of survey respondents based on the number of full-time employees and their turnover

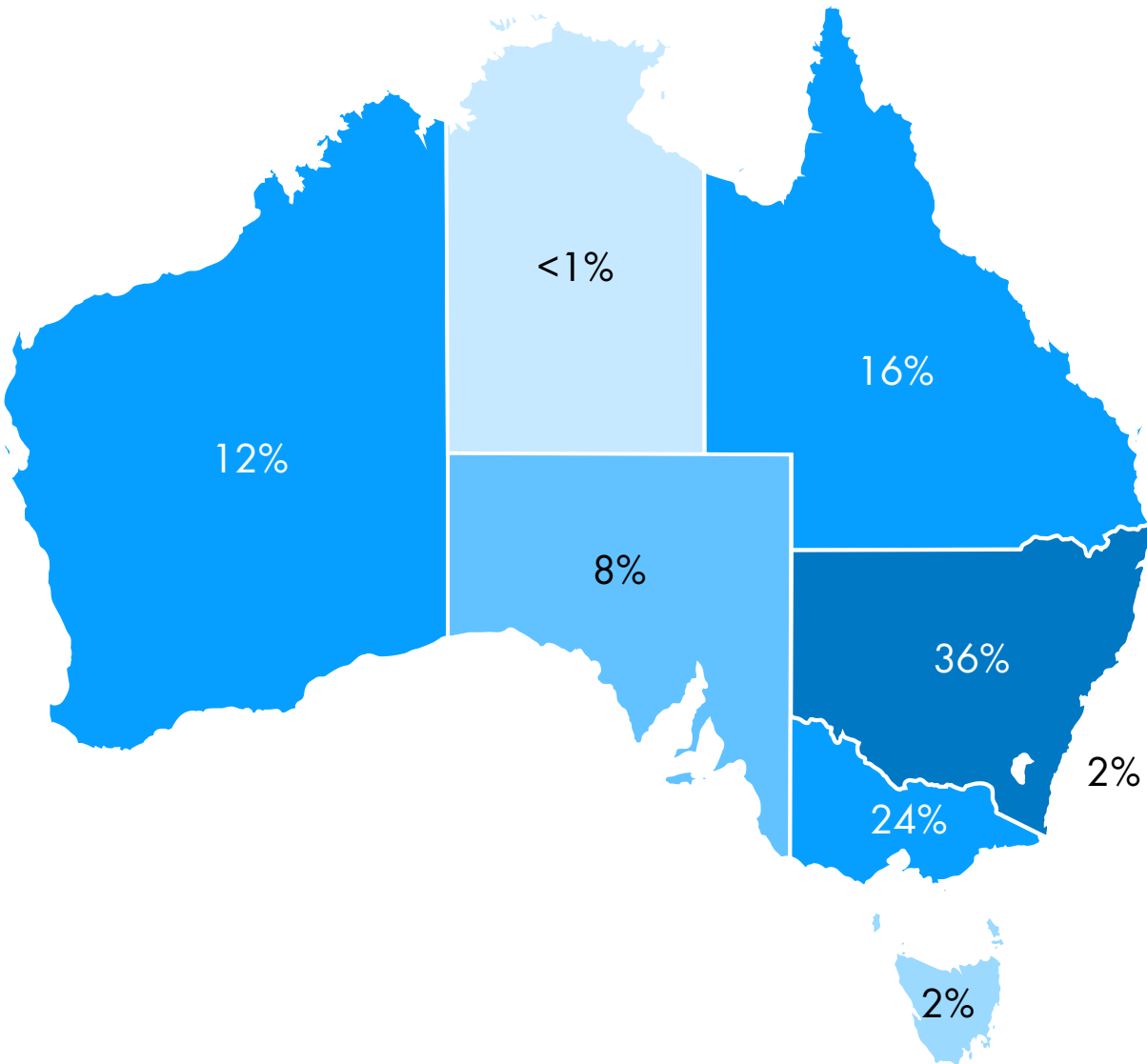


All figures in this report are rounded to the nearest digit. This rounding means some charts do not sum to exactly 100%.

■ Sole ■ Micro ■ Small ■ Medium

State breakdown

Distribution of respondents by state or territory



FTEs	Turnover		
	<\$320K	\$320K - \$2.2M	\$2.2M - \$15M
1	Sole Traders	Micro Business	Micro Business
2-5	Micro Business	Small Business	Small Business
6-19	Micro Business	Small Business	Medium Business
20-199		Small Business	Medium Business

Methodology and research demographics

Industry split

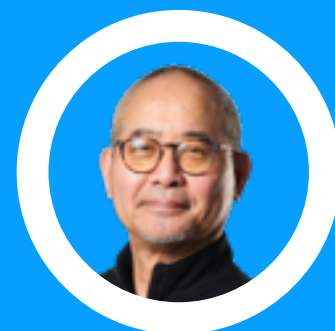
¹ Building/renovations, construction, carpentry, roofing, flooring, painting, plumbing, electrical, HVAC, window/door installations, appliance installation/repairs, general handyman services.

Report contributors: Tales Sian Lopes, Andrew Lam-Po-Tang, Jessica Lynch, William Connelly, Vincent Natalizio, Dan Hews and Florence Tan.

Book a deep dive session



Tales Sian Lopes
Head of Financial Services
Australia & New Zealand
e: tales.sianlopes@publicissapient.com



Andrew Lam-Po-Tang
Managing Director, Management Consulting
Australia & New Zealand
e: andrew.lam-po-tang@publicissapient.com

For more information, get in touch:

