

## INTERNET BUSINESS BANKING

**MISC Global**  
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**Market  
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Strategy Centre**



**Computer Literate SME's wooed by Banks.  
Active SME Business Customers Leap 15% in the June Quarter  
- Growth Surpasses All Active Internet Banking Growth as  
SME's Embrace New Functionality of Internet Banking Sites**

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## Active SME Business Customers Leap 15% in the June Quarter - Growth Surpasses All Active Internet Banking Growth as SME's Embrace New Functionality of Internet Banking Sites

The Politically sensitive SME sector (i.e. Small Businesses) which have been the subject of considerable media attention this year has also been the subject of considerable Banking focus as Australian Banks have sought to woo these valuable customers not so much in a traditional way but "virtually". Leading industry analysts MISC (Market Intelligence Strategy Centre) today released figures from the March 2003 quarter on behalf of the Internet Banking Pool members that show the recent rapid growth of SME's that use Internet Banking for their business. The recent quarter record growth rate of 15% compared to 9.5% in the previous year's March quarter, well exceeds growth rates for all Internet Banking, as the channel entered a new phase of maturity. All Active user growth, by comparison, recorded 10.75% compared to 13% in the same period last year. SME's says MISC have traditionally showed a predisposition to virtual business. Research by MISC and others show SME's have high Internet connectivity and are computer literate.

### SME Table of Growth Rates for Business Banking show SME growth now leads

		Quarter's growth March 2003/Dec 2002	Quarter's growth March 2002/Dec 2001
<b>Active Internet Banker growth - SME</b>	↑	14.63%	9.52%
<b>Active Internet Banker growth – All Internet Banking</b>	↓	10.75%	13.00%
<b>Active Internet Banker Account Volume Growth - SME</b>		16.06%	18.26%
<b>Active Internet Banker Account Volume Growth - All Internet Banking</b>		12.00%	13.85%
Source: Market Intelligence Strategy Centre (MISC) Internet Banking Data Pooling Facility March Quarter 2003 Pool Member supplied data			

The MISC co-operative Bank pool results released by Pool members, including BankWest, NAB, Commonwealth Bank, Westpac, and Bendigo Bank, with assistance from Suncorp\* and Citibank\* show that it is not just SME users that have grown but their account activity as well, with account activity rising by 16% in the quarter. This compares to account volume for all active Internet Bankers, which grew 12% in the March quarter. Account Volumes are particularly important for the Banks as they reflect multiple services being accessed and the effect of cross selling strategies that Banks have been employing through the Internet Banking channel aimed at this SME market.

\*Friends of the Pool

This recent evolutionary step compares to earlier simple business registration options that offered SME users little more than Consumer directed Internet site functionality (common a year ago).

**Current Internet Banking Website Business Banking Functionality**  
(Selected core elements)

		Adelaide Bank	ANZ Bank	Bank of Queensland	BankWest	Bendigo Bank	Citibank	CBA	National Australia Bank	St George (Advance & Bank SA)	Suncorp Metway	Westpac (Bank of Melbourne)
Download to Software (Export)	MS MONEY											
	IQUICKEN											
	MYOB											
	CSV (Excell)											
Business Banking Features Website & Internet Banking Site Functions	Link to personal accounts											
	Dual authorisation of transactions											
	View summary balances for all your linked accounts											
	Business Payment Payroll and Creditors Payment											
	Foreign exchange rates											
	Access control - different people have different levels of access											
	Telegraphic Transfer								soon			
	TAX payment direct to ATO (icon) not incl BPAY											
	Upload transaction data from accounting software into payroll system											
Cashflow forecast/management - on the website												

Yet to Introduce

Separate Business Internet Site functionality and/or Business Internet Site Functionality

Source: MISC (Market Intelligence Strategy Centre) Electronic Banking Research Series Monitor 4 - Internet Uptake & Attitude Monitor

MISC, on behalf of its Bank pool members, reports that in the past 12 months these significant developments have been the result of steps made by most Banks to woo the valuable SME Internet Banker with dedicated business tools in addition to focussed transactional offerings (eg. creditor payments, payroll, risk management products, service-related software etc.). Some Banks have even gone one step further in providing attractive financial incentives by means of flat fee offerings for unlimited activity, while others, such as Westpac, have developed BAS statement service assistance for SME's. The Quarterly Monitor of Bank Web Site offerings that is undertaken by MISC in addition to the Pool collection reveals that by March 2003, 71% of Banks had a focused SME business transaction functionality, offered either through dedicated Business Banking Sites (some where special software had to be leased such as NAB's National Online Business) or SME services offered as a compliment to their Internet Banking function offering.

**As Growth Measures are Fuelled by Dedicated SME Function Offerings**

	March Quarter 2003
Share of Bank Website SME dedicated functionality – Core functions* (*Site must offer business-dedicated functions, eg. Payroll and Creditors, Summary balance for linked accounts)	71%
Separate Business Banking Link – separate Internet Banking website for registered customers	28%

Source: Market Intelligence Strategy Centre (MISC) Internet Banking Data Pooling Facility March Quarter 2003 Pool Member supplied data



MISC says that while most Banks offer some SME centric functionality, a host of exceptional functions are now on offer. This ranges from SME centric information on business news and economic reports, even credit check links (Westpac), to dedicated online application facilities for business financial products, eg Leasing or Overdrafts and applications for Business Credit Cards. Particularly noteworthy among these innovations, says MISC, are upload accounting functions provided by BankWest, St George, Westpac, Bank of Queensland and even newcomer Bendigo Bank (released May 2003). In less frequent instances, Business-to-Business e-Commerce systems have been provided e.g. purchasing office supplies from the Westpac website. In addition, NAB and Westpac provide cash flow management systems.

## The Future of SME Banking

### (Selected Examples of Advanced Business Banking & Business Support Functionality)

Category	Product/Service	Examples
Transactional Advances Banking	Cashflow assistance	cashflow forecast/management
	Accounting software upload	upload transaction data from your accounting software
Non-banking	Ecommerce Business to Business	sell your product online through EFTPOS EFTPOS Solution credit check your customers purchase office supplies online
	Taxation/GST calculations	tax toolkit
Intelligence - Support	Business news/ information/ economic reports	industry reports/news economic reports
	Business Planning Advice	business location planning franchising guide business planner - planning tools business scenario tester business produce selector business needs analysis
	Business Buying Advice	buying an existing business buying a franchise
	Business Starting Advice	create a business/marketing plan starting a business
	Business Running Advice	business finance assistance running your business
	Business Products	Online business insurance
	Online business loans	small business loan or overdraft business finance commercial bills business loan
	Lease quotes/ vehicle finance	leasing quote vehicle and equipment finance
	Business Credit Cards	apply online for a business credit card
	Business Accounts	open a Term deposit account online

Source: MISC (Market Intelligence Strategy Centre) Electronic Banking Research Series Monitor 4 - Internet Uptake & Attitude Monitor