

# Q2

## The Battle for the Small Business Customer



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## Chapter 1

# A thoughtful small business strategy will bring big returns



Effectively and profitably supporting small businesses is a common challenge for commercially oriented financial institutions (FIs). Most often, the interest and non-interest income opportunities that full-fledged commercial relationships offer leave small businesses as an afterthought by comparison. However, if FIs could attract and serve small businesses at scale and give them the bespoke support they need, without the man-hours that are presently required through traditional channels, the SMB segment could present an untapped treasure trove of revenue.

It sounds too good to be true, but with recent advancements in digital commercial banking technology, it is now attainable. By shifting greater priority to the digital channel, FIs will be in a better position to help small businesses and reach their revenue potential.

What many FIs must understand is the shift to digital comes with greater responsibility to understand small businesses today. In other words, it is not business as usual anymore and strategic thinking is required to attract and develop small business relationships. With a more thoughtful approach FIs can win and serve small businesses better and not at the expense of their other commercial efforts. In turn, they will bolster their bottom line while strengthening the support they offer to their communities.

# Rethinking the small business segment

Traditional go-to-market approaches of leveraging branch and direct sales staffs will not provide the reach required to compete and win in the small business segment. Understanding small business today requires a new perspective.

Since the days of mainframe banking, FIs have perceived small businesses as costly to set up while offering less fee revenue than other segments. Larger FIs, in particular, would rather put their efforts into acquiring large customers. And for many smaller ones, it has been easier to think of small business accounts as consumer accounts, placing them on retail banking solutions that do not meet their financial needs, as opposed to online cash management solutions that are overly complex and full of banking jargon that small businesses don't understand. Without making the effort to understand small businesses or commit to the infrastructure and technology they want, FIs choose a "least bad option" approach to serving this segment.

Even as consumer banking has digitally evolved, many FIs have remained old-fashioned in their approach to business banking. Locked into non extensible technology, poor integration, and lingering preconceptions about small business needs (i.e., a narrow belief that standard checking and deposit abilities are all they want), they have fallen behind the curve in delivering robust, more customized solutions for small businesses, even as these companies are becoming more inclined to choose digital solutions for their financial needs.



As Javelin points out, business owners in 2020 “drastically” altered “their financial habits” to keep up with today’s consumer preferences and the necessities of pandemic shutdown.<sup>1</sup> According to Javelin’s 2021 Small-Business Digital Banking & Payments Trends, “Millions of business owners tried digital banking and payments for the first time, card and digital payment acceptance skyrocketed, and small businesses flooded to third-party tech platforms for point-of-sale and e-commerce solutions, as well as business financial management and credit.”<sup>1</sup>

The fintech adoption going on in 2020 is not without precedent, though. Previous surveys by Aite Group before the pandemic found that 70 percent of businesses believe FIs do not understand their needs.<sup>2</sup> Not only this, 66 percent of them believe FIs are about or exactly the same.<sup>2</sup>

Why would small businesses feel this way? Q2 contends that while a consumer approach may meet some small business’ needs, running any business today requires the choice of middle-ground solutions that address evolving business challenges while removing complexity. In short, small businesses require a blend of consumer and more complex commercial banking functionality – a mix that cookie-cutter online banking solutions has made difficult to deliver and sustain, especially profitably.

In many ways, small businesses’ needs are no different from those of larger ones. Each small business has different challenges and requirements and wants the right financial experiences in a sped-up commercial world.

The financial experiences that small businesses seek today include:

- Automated payments
- Cash flow forecasting
- Real-time balance reporting
- Self-administration
- Accounting and payroll solutions



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**66%**

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# Where should an FI start?

In 2021 and beyond, a “one size fits all” approach lacking segmentation and personalization will no longer meet small business requisites. And any continued inability or slow crawl on the part of banks and credit unions to develop a sound segmentation strategy will only increasingly frustrate small businesses.

Meanwhile, the battlefield for deposits and more profitable lending continues to shrink, making the underserved SMB segment all the more appealing. FIs without a segmentation strategy will lose the opportunity to develop stronger relationships and achieve greater sales in this large, yet underserved market.<sup>3</sup>

This rapid adoption of financial technology solutions in 2020 should raise red flags at many FIs – yours may be one of them. To correct course, gain a deeper understanding of the small business segment, tailor products and experiences to meet specific needs, and promote your solutions aggressively so businesses in your community take notice.

There are three reasons why FIs have not developed the segmentation strategies they need to reach and win small businesses and become their trusted partners. Q2, in our conversations with customers and through market research, has found that many FIs are:

- **Reactive to market need.** Without a proactive Go-to-Market (GTM) approach, one in which small business customers are listened to and can help to guide product development, FIs will fail to provide what small businesses require.
- **Turning-out siloed products and maintaining siloed organizations.** A holistic approach to bringing sought-after financial experiences is lacking at many FIs. Instead, FIs push products to business customers without taking the time to fully understand what they want. Understanding can come by getting everyone at an FI involved.
- **Not using analytics to understand their market and portfolio.** Too many FIs fail to leverage the transaction and behavioral data they have collected to identify customers’ problems or opportunities to expand relationships with smaller businesses. They may have digital banking services for small businesses but lack the means to use data to build better relationships.



Small businesses  
with 20 or less  
employees is a **large  
and underserved  
market**

# Steps to a winning segmentation strategy

To win new and expand existing relationships with small businesses, an FI will need to provide the digital capabilities and experiences that are aligned with the people working in these organizations. After all, businesses are managed and run by people, and the digital technology experiences they have in their personal lives are now expected in their professional lives.

## An FI must ask important questions of itself and its customers.

To move forward with a small business banking strategy, two questions require deep thought and assessment:







- How important it is to the FI's strategy as a whole?
- How can FI help the growth and success of small businesses?

## End organizational isolation and get everyone involved in information gathering.

This process is more than interviewing C-suite members within an institution. It is an FI-wide effort requiring input and advice from those who know account holders and the communities being served. Get staff involved to help clarify problems and provide suggestions to remedy them. They will likely be able to offer answers to the questions highlighted above.



Better understanding of small business customers starts by asking:

-  Who are our small business customers?
-  Who are the most profitable? And what are their needs?
-  How do their needs differ by size or industry?
-  Can we serve their needs well?
-  Do we have the right products and services for them?
-  Can we provide digital experiences that align with their expectations?

The information uncovered will be vital to strategic planning and developing tactical approaches to bring sound, revenue-generating segmentation to small business banking at any institution.



## Leverage data and analytics in determining a segmentation strategy.

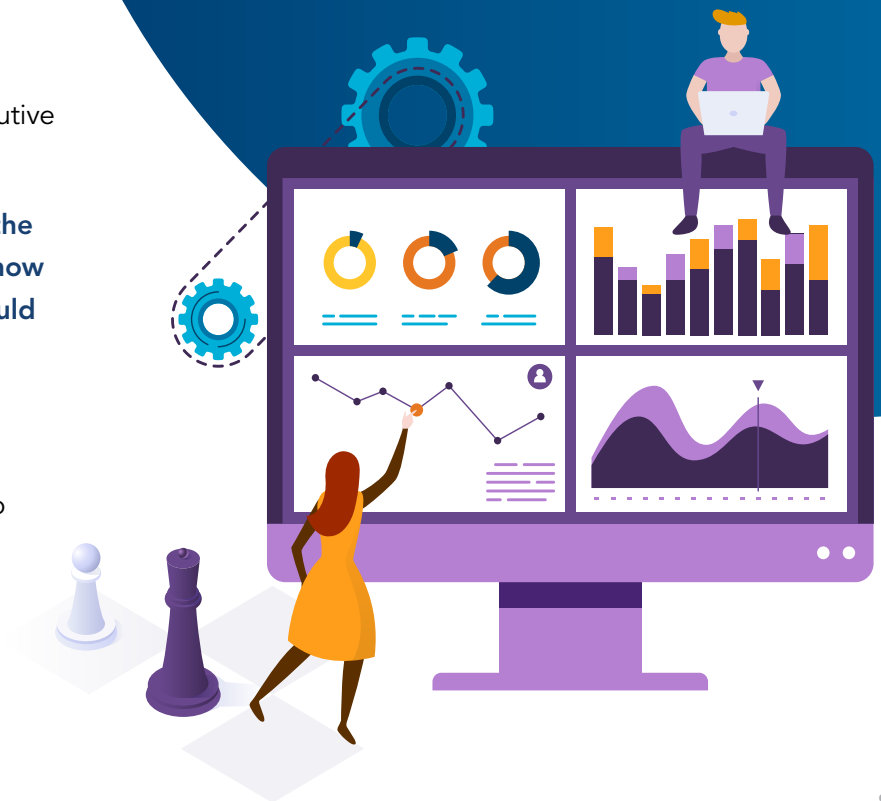
Leverage data and analytics in determining a segmentation strategy. Understand where your FI is winning and where there are opportunities to expand small business relationships and share of wallet using data and analytics. An FI can use data and analytics to:

- Leverage what is discovered about each business to provide relevant content and conversations through the digital channel.
- Discover microbusinesses like moms and pops that may be “hiding” in consumer accounts. This awareness can open more opportunities to provide small business solutions.
- Target audiences that have interest in topics that can lead to cross-sell of deposit, lending, and fee-related products.
- Determine the digital capabilities and experiences best aligned with executive and staff personas within a business.

**In short, the relationship and behavioral data a small business creates in the digital banking channel can allow an FI to make critical inferences about how to serve that business—often more quickly and more frequently than would be possible through traditional relationship banking.**

**In Chapter 2**, we explore how the right technology can help FIs deliver a more tailored experience to business customers, creating happier clients and more profitable relationships. Today, business technology that delivers time to value, speed, and convenience are must-haves and driving forces behind new loyalty in digital banking. Find out why legacy technology cannot produce these experiences.

Using data and analytics can indicate ways to meet a customer's specific needs and build brand loyalty. For instance, a customer's payments pattern may indicate the need for automating payments to bring more convenience and efficiency. Or point out the need to establish a debit card for better cash management. In another instance, data and analytics could reveal a small business customer on the verge of requiring a short-term loan, allowing a conversation to begin and a cross-sell opportunity to emerge.



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## Chapter 2

# Achieving a segmentation strategy requires rethinking technology



The small business market is considerable: companies with 20 or fewer employees account for 89% of all businesses in the U.S.<sup>4</sup> Equally important, small and medium-sized businesses account for roughly 48 percent of the U.S. economy and employ about 60 million people in the United States.<sup>4</sup>

The sheer size and economic importance of this market opens many opportunities to FIs, but traditionally, this market has been difficult to serve both effectively and profitably given small businesses' broad range of varying product and service needs. Too often, FIs have not addressed the technology to adequately meet small businesses changing requirements.

# Small businesses have expectations from FIs

The right technology is key to meeting the banking requirements and providing the user experiences small businesses are seeking. Too many FIs, as pointed out, continue to serve businesses from consumer online banking platforms that do not offer the business capabilities they need.



Small businesses in 2021 and moving forward need positive pay and more sophisticated electronic payments options beyond basic bill pay. Many want entitlement capabilities. Increasingly, many need international payments. And the vast majority of small businesses want easier, yet more robust payroll functions.<sup>5</sup> Each and every FI serving or looking to serve this market should ask themselves,

**“Can we deliver?”**

# Fintech and the customer experience

An FI seeking to make meaningful headway in the small business market should take a page from the fintech playbook. Small businesses want to run their operations by technology that delivers time to value, speed, and convenience. Already, around 140 fintech companies are providing an array of financial-related services and are keen to exploit more opportunities.<sup>6</sup>

Given the dissatisfaction expressed by small businesses about FIs' lack of understanding of their needs (70% of them to be exact<sup>7</sup>), they are increasingly turning to fintech options to keep their businesses functioning effectively. If a small business seeks an accounting solution or real-time means to meet payroll, fintechs are there to make it happen.

Many other solutions are available or coming available. Sensing the opportunity created by the historic underserving of the SMB market, more fintechs are setting their sights on building digital-first products for this segment. A deeply concerning scenario for FIs may play out.

As fintech gains a growing share of the small business market, FIs may become less important in running their banking and other finances. Any loyalty built over time could erode. Many FIs face this possibility, yet fintech technologies are available to help them survive and thrive – and certainly offer lessons that FIs can learn from and implement in their own organizations.



Today, businesses expect the same immediate delivery they experience from their consumer engagements. And they want their FIs to provide the traditional banking, lending, and other financial products they need as soon as possible.

## Gain loyalty with thoughtful digital business banking

McKinsey, for one, believes that a healthy obsession with improving the customer experience is the foundation of any digital transformation today.<sup>6</sup> Because small businesses have a broad range of needs, focus areas, and specialties, personalization of their banking relationship is critical, and to accelerate their acceptance of digital banking will require an FI to reimagine their customer journeys.

Today, businesses expect the same immediate delivery they experience from their consumer engagements. And they want their FIs to provide the traditional banking, lending, and other financial products they need as soon as possible. Digital banking technology provides FIs a new way to segment their SMB customers—and the services they offer them—more efficiently and in a timelier manner than ever possible through conventional, in-branch channels.

## Segmentation with a single platform

Small businesses need what they need when they need it, and the days of rolling out new digital business solutions over quarters or even years is gone. FIs maintaining a legacy technology approach with siloed systems will fall further behind the technology curve and fail to bring must-have banking experiences to small business customers. And they will continue to lose them unless they revisit their technology.



A legacy approach to meeting small business needs today is not only costly, but legacy systems are too complex, siloed, and have less than ideal integration in a time when small business wants to be proactive, not reactive, in meeting market conditions and customer expectation.

Small businesses want to logon one time to one system to access everything about their relationship with an FI – from online banking to loan information, bill pay, and more. FIs can create this in some cases with integration between systems, but integrations are costly and time consuming to deploy, and they can break. And differences in look and feel clue the customer into the fact that it is not all one system.

Business expectations are shifting to predominantly online and mobile interactions, and banks and credit unions must evolve in response. Contactless payment methods are becoming more the business norm and information technology that can aid business planning are more sought after, even by the smallest of small businesses.

True seamless omnichannel small business banking from one platform will be better positioned to deliver the best customer experience. Siloed, disparate systems that are piecemealed together is an approach that leads to errors, data loss, no one source of data, and security worries.

To initiate an effective segmentation strategy, consolidate small business customers and look for solutions that can serve more customized experiences from a single technology, one that embraces the best of fintech. The right platform can bring seamless experiences to small businesses by allowing an FI to:

- Leverage transactional and behavioral data to create a digital experience that anticipates customer activities and provides easy access to digital functionality associated with these activities. For example, if a small business approves payroll every Wednesday morning, provide an easy way for them to approve payroll immediately after login.

## Today, an FI must produce the right customer journeys by providing:



Easy and quick onboarding and seamless integration



System and customer-requested changes without downtime or inconvenience



Personalization that meets a specific business' desires



Flexible payment approaches

- Provide a dashboard that allows customers to see their entire banking relationship – including deposit, lending, and fee products. Around 65 percent of small businesses prefer a consolidated view of their business’ finances without having to go through multiple screens or logging into multiple systems.<sup>7</sup> And 67 percent also want the ability to see money coming into and out of the business to ensure their business can cover needs.<sup>7</sup>
- Extend the digital platform to integrate with innovative fintech solutions that provide adjacent financial products. Imagine the ability to onboard small businesses and offer them.



## Self-service options

While factors such as competitive rates, access to branch locations, and personal interactions still influence small businesses’ decision in choosing an FI, businesses are increasingly placing greater weight on an FI’s self-service digital capabilities. The COVID-19 pandemic has seen an increase in self-service options in consumer areas, and having these options for businesses during this prolonged time of uncertainty will build long-lasting brand strength. Many leading financial services companies already have a customer engagement strategy to foster loyalty with focus on a self-service that prioritizes faster resolution.<sup>8</sup> There is no reason incumbent FIs should not provide similar options to businesses with guided, easy self-service experiences..

Using self-service technology can automate repetitive tasks to reduce costs while enhancing the FI’s ability to get involved in the more strategic areas. As examples, flexible, automated payment offerings with intuitive workflows that can be easily handled by a small business and online account opening that they can do themselves without human intervention are becoming important. Also, a beneficial self-service option would be providing a rules-based engine that helps a business more easily determine the payment type that makes the most sense based on a need.

Because small businesses are increasingly tech savvy, and as more millennials become business owners, new value-added digital tools and solutions – which can be self-service – can help further revenue gains and offer greater cross-sell potential to FIs.

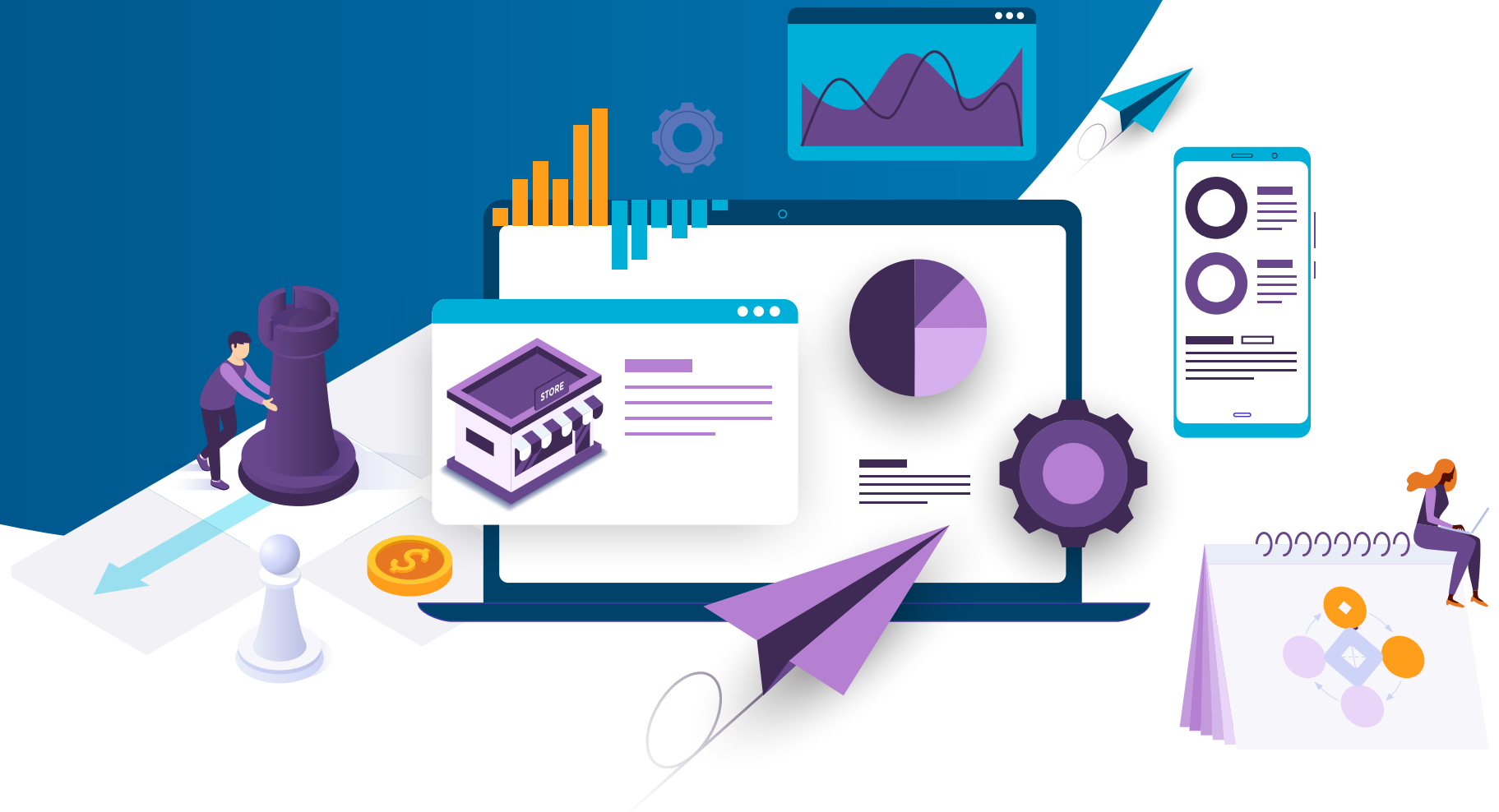
**In Chapter 3, Q2** will delve into another key component to attracting and serving SMBs profitably in 2021 and beyond: user experience, or UX. The ability to provide personalized products, services, and features, along with functionality, can improve the activities of business owners and their staffs and greatly aid the daily financial life of a business. As consumers of world-class experiences in other areas of their lives, they expect the same sleek



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## Chapter 3

# High-quality UX matters to small businesses



While it has taken longer for higher digital expectations to reach the complex business banking segment, behaviors and interactions are rapidly changing. The prolific increase in fintech adoption in 2020 is a case in point.

The use of digital services and solutions is here to stay, particularly given the COVID-related events of 2020, and FIs can no longer ignore the importance of providing exceptional user experiences. Given the acceleration away from in-branch banking, well-designed, frictionless digital experiences will continue to increase in importance to small businesses—and can give FIs a way to differentiate their SMB offerings and an ability to target this underserved and attractive market segment.

# UX designed inside out does not help business clients

Small businesses today simply expect more from their FIs. Business owners and their staffs are consumers of world-class digital experiences in other areas of their lives, and they want the same sleek interfaces, ease of use, and mobile accessibility from their business banking applications.

By providing better experiences and feature packages relevant to each business' needs, an FI positions itself as a trusted expert on business banking and will become an indispensable and ever-present companion throughout a small business' financial journey.

However, more often than should be the case these days, an FI's UX design displays a lack of understanding of business needs.

Many FIs still assume that businesses using a banking system understand banking processes and terminology. Great examples of this are with ACH and Wire transfer payments. Most business banking solutions are laden with banking terminology. With ACH, FIs tend to start by calling it "ACH origination" as opposed to something generic and understandable for small business staff like "making a payment."

And further complicating matters, in order to make payments using the system staff have to learn and understand terms like SEC codes and truncodes. When it comes to wires, they must learn and understand terms like "Beneficiary" and "IMAD."

As the financial services industry shifts to a digital experience-first mindset, it is unsettling to see that just

**48%** of

institutions have a well-designed user journey that facilitates clear communication and seamless interaction.

– Decibel's Digital Experience & Conversion: Industry Benchmarks for 2021



If Netflix had launched with an interface that operated like the average commercial banking entitlements worksheet, it is likely they would have failed miserably, as would Amazon, Apple, or any other provider of best-in-class digital experiences.



Far too often solutions have been designed by banking experts without a clear understanding of what happens before and after a small business executes a banking transaction. Today, solutions must be oriented toward a customer's daily activities and their specific needs.

Based on years of extensive user experience testing and customer feedback, Q2 advises banks and credit unions to focus on how to better help small businesses run the financial aspects of their business through well designed user experiences. When it comes to UX, FIs' designers should focus on taking a customer-centric approach that aligns capabilities and solutions to experiences that delight.

Each customer's experience is important, and well-designed experiences must be holistic. For instance, just because onboarding, lending, and cash management services may be 'owned' by different teams within an FI, they are still part of the same overall experience a business customer has with you.

So finding ways to connect them meaningfully, making sure they can share data so a customer does not have to enter the same information multiple times, even ensuring they share a common look and feel will go a long way in improving the business customer's experience. They will gain the impression that their FI really **KNOWS** them and **UNDERSTANDS** their needs.

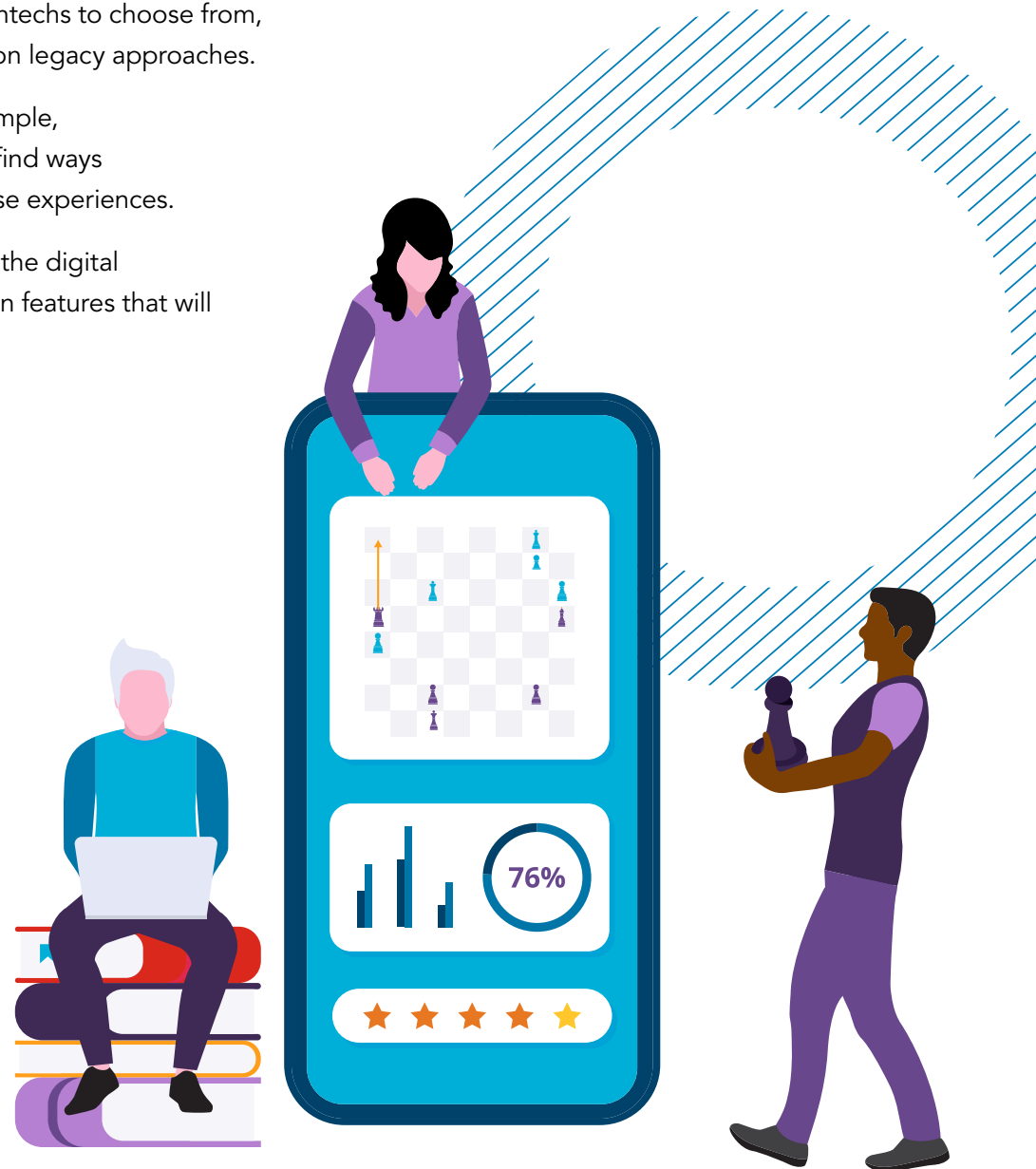
# Eliminate non-intuitive UX

Small business owners and staff have multiple responsibilities and tasks and want quick and easy digital banking. With an increasing number of innovative FIs and fintechs to choose from, they will not accept waiting to move through a banking process based on legacy approaches.

Leaving a person to navigate an entire workflow by themselves, for example, does not get the job done for business customers. Instead, FIs have to find ways to add their insights, advice, and ultimately their value into some of these experiences.

A modern experience is fundamental to businesses and should parallel the digital experiences they have in the consumer sector. Other present-day design features that will retain and gain business clients include:

- Awareness alerts such as when cash flow is low or a tax will need to be paid.
- Dashboards that allow access to other accounts including third-party accounts.
- A unified view into spending patterns to better manage a business.
- Readily available data analysis to aid operations and marketing and growth efforts.



# Design thinking matters in digital commercial banking

The importance of data analytics also plays a significant role in achieving better user experiences for small businesses. Leveraging profile and behavioral data, an FI can initiate design thinking that emphasizes clients' needs, goals, and preferences.

Put another way, design thinking provides a framework of empathy. Using data analytics, along with asking important questions and understanding client problems, an FI can deliver UX to address real needs and solve the deeper issues underlying customers' challenges.



To produce optimal user experiences for small businesses, Q2 recommends an FI:

1. Reorient around the experience of the commercial client. For instance, a client's lending and deposit account interactions come from the same bank, but they are so different and do not share information. Because the bank has made technology decisions based on how their institution works and is structured, a client receives a siloed experience across key interactions and gains only nominal value from the FI.
2. Employ technology that enables a cohesive experience across these interactions. For example, self-enrollment into business services that is simple and easily repeatable in design can meet customer expectation consistently.
3. Take the time to understand what a business does before and after performing each banking function and find ways to better aid their processes. As an example, businesses frequently have trouble staying on top of remittance information when making payments. Today, the FI could improve the payments process by integrating remittance data into business systems.
4. Provide useful, easily understandable information by moving from banking context and terminology to more business-friendly context and terminology. In other words, make banking decipherable and less overwhelming to micro, mom and pop, or another small organization.

# UX in 2021 and beyond

“Banks of all sizes are experiencing spikes in digital payment transaction volumes, mobile usage, and digital capabilities in general, as workforces have gone remote and the paper-based processes that have long plagued the industry are replaced... The increased investment in digital transformation will carry into 2021, as will the rise in digital transaction volumes.”

– Top 10 Trends in Wholesale Banking & Payments, 2021:  
From Disruption to Growth, January 2021

As part of the continuing digital transformation, design thinking and a fuller understanding of what each business wants from and how it prefers to engage with an FI will be critical to retaining and gaining clients. To be as clear as possible, legacy UX will not effectively meet priorities or produce the experiences now expected by digitally progressive small businesses.

**In Chapter 4**, learn ways to find the small businesses to grow with and gain tips to educate them about the offerings to help them. By creating a compelling business case that illuminates the many ways an FI can help small business owners and decision makers, an FI can effectively acquire more small business customers and get a head start on understanding their specific needs.

## Chapter 4

# A compelling business case centers on value





To the growing disappointment of small companies, many FIs are failing to create deeper value for them. Small companies, in fact, are leaving FIs or seriously considering switching from their current ones largely because of FIs' inability to fully provide what they want: Banking experiences and solutions in the digital channel that not only delight but help run their businesses more effectively.<sup>9</sup>

At the same time, many of these businesses "would consider obtaining accounting and payments services from a bank—as would many that don't currently use third-party services and, instead, incur internal expenses for their accounting and payments functions."<sup>10</sup>

To attract and keep small businesses today, a compelling business case must be made to them. When it comes to winning and sustaining customer loyalty, Amazon, Uber, and other leading digital services providers have committed to creating positive experiences and delivering value for each customer. These companies are in touch with their customers' needs. An FI, likewise, must convince small businesses that it "gets them" and is prepared to do what is required to meet their growing list of digital banking must-haves.

# What is Value Banking for Small Business?

An approach to serving small business customers with a personalized banking experience through a strategic blend of digital and relationship-driven capabilities that result in more business benefits such as efficiency and profitability. Over time, the value a small business receives will lead to more engagement with an FI and more fee- and interest-generating activities.



Many small businesses are now finding the value they seek in fintech solutions. They can choose accounting, payroll, and other financial management tools from an array of providers. According to Cornerstone Advisors, small and medium-sized businesses today “spend roughly \$225 billion on accounting/bookkeeping, invoicing, bill payment and payment acceptance services from third-party providers.”<sup>2</sup> And the “average spend on third-party support for accounting and payments functions ranged from \$21,600 for businesses with less than \$250,000 in revenue.”<sup>10</sup>

# FIs are underserving today's tech-oriented small businesses

Most small businesses are becoming tech-savvy and the shift to the gig economy is well underway. Global innovation firm Doblin, a Deloitte company, has pointed out that small business segment growth is increasingly driven by the gig economy, with gig workers accounting for 36 percent of the U.S. workforce today and forecasted to surpass 50 percent by 2027. And like many other financial services researchers, Doblin found the needs of this segment to have been traditionally underserved by financial services.<sup>11</sup>

Doblin's findings should be considered a foghorn to FIs. An FI that continues to consider its business customers in terms of "traditional" activities may be heading into the rocks – i.e., hurting more immediate and future earnings. The world is not the same one as even a few years ago and as fintechs and digital companies like Google enter into financial services and become more appealing to today's small businesses, competition is a real threat to the wellbeing or even survival of many FIs.

The wider acceptance of digital financial tools and solutions by small businesses amid the ongoing COVID-19 pandemic continues and expectations are rising for more customized digital financial services. In 2021, any FI currently supporting small businesses or planning to do so must dedicate themselves to providing tailored commercial banking experiences in the digital channel – along with relationship management that is helpful in meeting a small firm's future circumstances.



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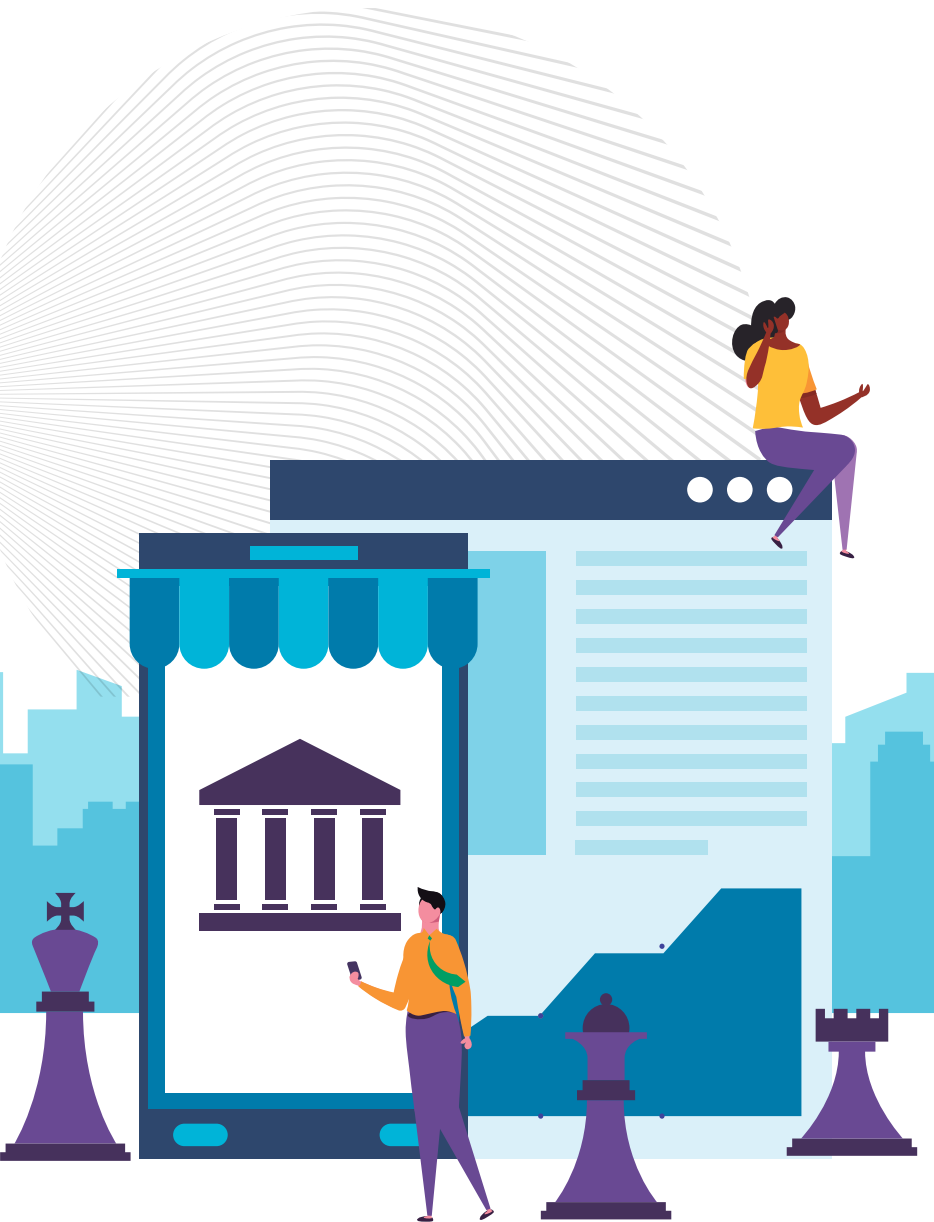
# FIs with purpose-built solutions will stand out

FIs failing to continuously invest in their online and mobile capabilities have less chance to retain existing business account holders or attract new ones. As a result, these institutions may lose higher value customers and find themselves with a higher percentage of less valuable ones. Without a course correction, an FI's small business revenue probably will decline.

As pointed out in this eBook, more businesses are looking for FIs that are partners willing to prioritize the digital channel for the benefit of commercial customers. Those FIs open to investing in digital banking realize small businesses today are adept at putting technology to work for them and that millennial-run businesses are on the rise. At the same time, they understand the digital channel has enabled fintechs and big tech firms to compete with FIs for primary financial relationships with small businesses.

Most of these market entrants offer solutions that solve specific business problems with purpose-built digital banking functions and solutions. However, this should not be their exclusive domain. An FI – even a smaller community bank or credit union – can deliver the same functions and solutions by committing to a thoughtful partnership with small businesses to meet their digital expectations.

In taking steps forward, an FI must be able to very specifically and deliberately segment. The effort is worth the outcome. An FI will become a more value-driven partner to a business and open more selling opportunities – even through fintech partnerships. After all, it is important to remember that small businesses are willing to pay for value from their FI.<sup>9</sup>



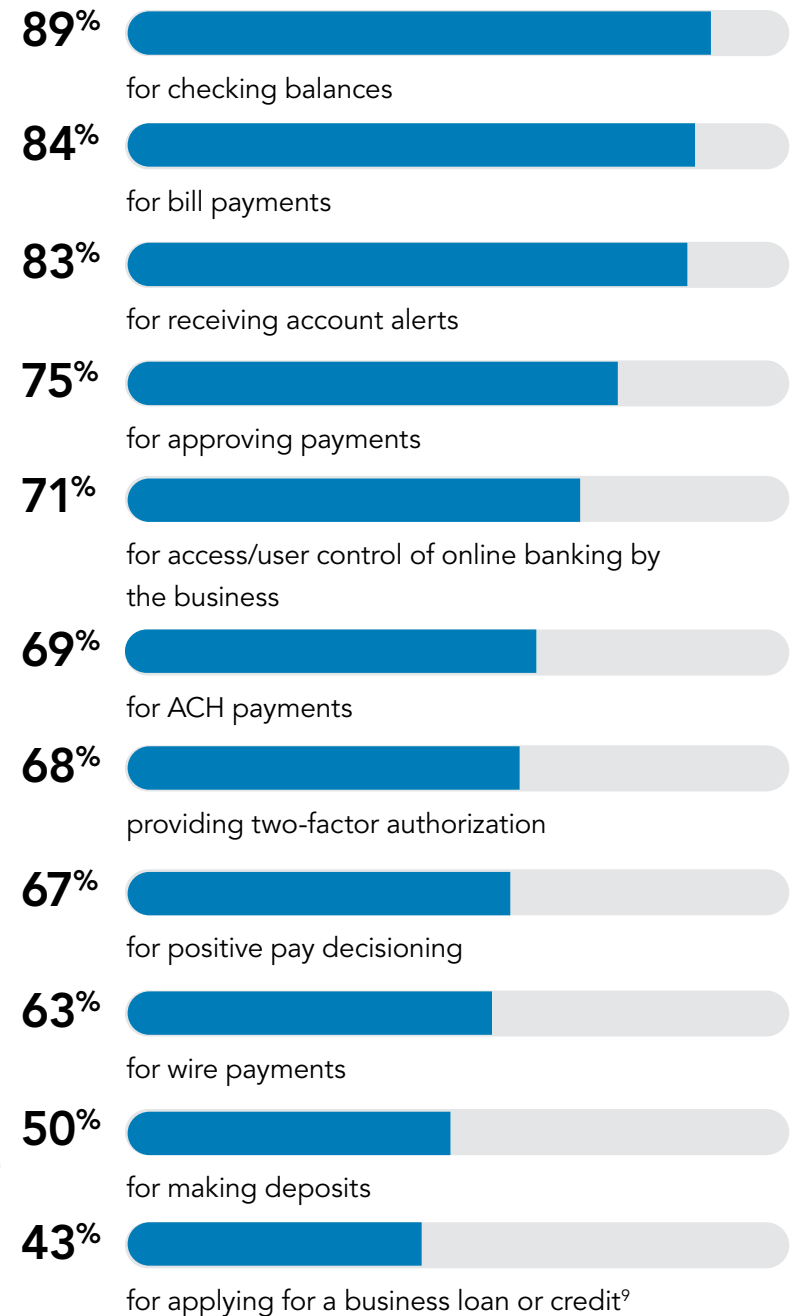
# Flexibility, extensibility help meet digital preferences and deliver more value

Q2 believes the value sought is best served through a flexible, extensible digital platform – one that can easily be configured to meet the needs of small businesses as they require.

In 2019 – well before the wider adoption of digital banking tools to meet the challenges of the pandemic – small businesses showed a growing preference for conducting banking in the digital channel.



Digital preferences included:



# 57%

of small businesses would be willing to pay for a product or solution to better manage finances.<sup>9</sup>



# 75%

would if they could accurately forecast cash flows.

# 71%

would if they could collect money owed to the business without spending a lot of time following up.

# 65%

would if it could pull data from internal processes in an automated way rather than manually.

# 51%

would if enabled to more quickly collect on outstanding receivables and money owed to it.

These responses are persuasive and clearly convey that small businesses are opportunities for FIs if more value is delivered through more dynamic technology approaches. However, online platforms must be flexible enough to meet the needs of all businesses, with particular focus on offering an easy-to-use interface for those requiring scaled-down product bundles at an affordable price point. A key takeaway for an FI should be: By better understanding the needs of each small business in context of modern technology and data analytics, it is inevitable that a bank or credit union will uncover more opportunities to cross-sell and upsell solutions and provide fee-generating services.

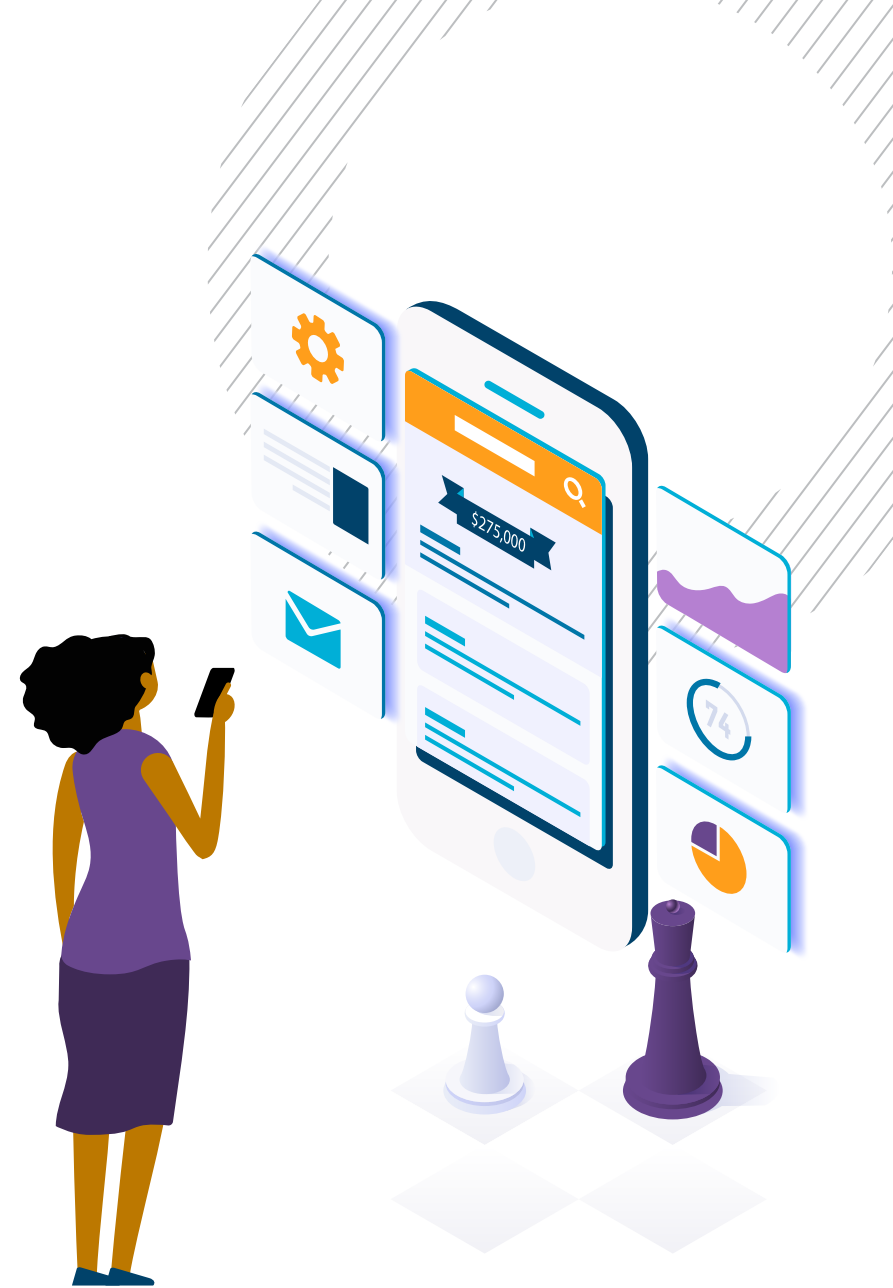
# Digital with the human touch is beneficial to both businesses and FIs

Small business banking can be digital but not lose the human touch. The pain points felt by a small business can be alleviated with purpose-built digital solutions, along with an FI relationship to gain a greater understanding of a small company's needs as it grows or when it faces unforeseen circumstances. In this relationship, an FI should:

- Provide consistently sound advice and solution recommendations to lessen aggravation and cost.
- Address problems and issues promptly.
- Share information to aid growth and prevent setbacks.
- Determine the types of activities that are appropriate to make digital or self-serve for the small business customer.

Easily accessible relationship managers who can identify, create, and match product and service bundles that make sense for each small business customer will play a decisive role in bringing profitability to an FI. Furthermore, an FI's relationship management effort, when linked to a modern banking platform with easy connections to data and analysis solutions, will produce even better customer relations and solution adoption outcomes.

And when deciding the types of banking activities that are appropriate to make self-serve, relationship managers should consider using a framework to decide which ones are monotonous, low value, and do not require bank guidance or intervention. At the same time, complement that self-service capability with the guidance and expertise that make the FI uniquely valuable to the small business customer.



# Getting the word out about value banking

An FI moving to value-driven digital banking must deliver an engaging business case to small businesses. To be successful, an FI must find those businesses that will benefit, and then fully educate them on available digital services and solutions. When presenting to them, digital content and other means of information sharing should be provided that focuses on tangible value and demonstrates how digital solutions will save time, money, and improve efficiency.

And for an existing small business customer, they need to be kept up to date on what is newly available through digital banners, helpdesk scripts, ATM messages, and other means. Besides prospects, customers may not even be aware of all that can be provided to them. Even tasks that small businesses are focused on day-to-day conceivably can be addressed by an FI today.

When the time is taken to deliver a business case centered on effective innovation and ongoing value, small businesses will respond favorably. Owners and their staff will become excited about the possibilities of tailored banking solutions, bundle options, and 21st century relationship management aided by useful data analytics.

**In Chapter 5**, the final chapter of our eBook, we will take a deeper dive into the lasting benefits of using digital and human channels to maximize benefits for small businesses. Today, digital and human channels are not mutually exclusive and both should be part of the overall commercial customer relationship. Also, read why folding digital interactions into a meaningful view and understanding of small business customers can be a game changer for FIs seeking growth.





## Chapter 5

# Technology can enhance the banker-to-customer relationship



Too often, the digital and human channels are thought not to be intertwined. This is not the case. The data insights coming from the digital channel can greatly enhance the human interaction between an FI and a small business.

What FIs and their technology vendors have struggled to do is create a unified view or understanding of customers that merges in-person and digital interactions. Once accomplished, an FI can leverage the strengths of both channels in order to maximize engagement and value delivered to the small business customer.

Today, the technology exists to do just that. By achieving a comprehensive view of the customer relationship, an FI can secure more fees, extend offerings to existing small business customers, and make transactions simpler, easier, and more intuitive. At the same time, human interaction will remain important to nurturing these relationships.

# Achieve a meaningful 360-degree customer view

Today, FIs must find ways to fold digital interactions into a meaningful view and understanding of commercial customers. This includes small businesses. As this e-book has pointed out, small businesses are underserved. They also expect not only personalized digital experiences when it comes to financial services, but hands-on assistance to help solve problems and challenges, gain efficiencies, and guide their growth.

By piping key digital interaction data, both from online and mobile banking, into primary customer relationship management (CRM) tools, a unified customer view emerges that will aid relationship managers in bringing even more of a personalized touch to all sizes of commercial customers. Creating this flow of data and enabling the ability to share information allows for more targeted conversations. This can happen when an FI shares customer profile, transaction, and behavioral data across all channels.

This approach will produce a 360-degree view of the account holder relationship and let customer service representatives (CSRs) quickly and simply troubleshoot customer issues. Customer information can easily be found in CRM systems to conduct informed conversations and enable helpful actions such as unlocking user logins and resetting passwords. But so much more is possible.



As an example, Q2 Human Digital Experience, or HDX, provides back-office data and servicing capabilities to Salesforce Sales, Service, or Financial Services Cloud clients through a managed package. This provides a single, comprehensive CRM interface to manage commercial account holder relationships. Today, back-office data from online and mobile banking can be used in a CRM system to unify interactions and produce more direct engagement. The data also will uncover new leads and opportunities and can become a more straightforward way to handle service cases, even the most complex ones.

## Connected Customer 360°



# Data drives more personalized engagement

Cornerstone Advisors estimates that the revenue opportunity for banks from providing accounting and payments services to SMBs is roughly

**\$370** billion per year<sup>12</sup>

The insights shared throughout **The Battle for the Small Business Customer** clearly show that small businesses want their FIs to help them meet their financial challenges and are receptive to fintech-type solutions that can facilitate this. If FIs can offer adjacent financial solutions with easy access and integration with traditional banking services, small business owners will likely turn to them for purchasing these products and services, creating a better financial experience for the small business and a higher value relationship for the FI.

Important opportunities lie waiting. As pointed out earlier in the eBook, smaller businesses have no problem paying for what they perceive as valuable. Cornerstone Advisors estimates that the revenue opportunity for banks from providing accounting and payments services to SMBs is roughly \$370 billion per year<sup>12</sup> and breaks down into four components:

- \$85.8 billion from small businesses that are “definitely” interested in getting accounting and payments services from a bank and currently outsource (i.e., use a third-party provider) some or all of their accounting and payments services.
- \$77.4 billion from small businesses that said “maybe” to the question regarding their interest in obtaining accounting and payments services from a bank and currently outsource some or all of their accounting and payments services.
- \$78.8 billion from small businesses that are “definitely” interested in getting services from a bank but do not currently outsource (i.e., use a third-party provider) accounting and payments functions.
- \$127.5 billion from small businesses that might be interested in bank-provided services and do not currently outsource.<sup>12</sup>

When an FI has the capability to identify and target small businesses within their markets by leveraging profile and behavioral data, they can determine the relevant fintech solutions they may need and begin the persuasive conversation to provide them. Not to mention, using basic behavioral data to identify saving and spending patterns for specific business customers more likely to need a core banking product like a loan or a new credit card.

# Larger patterns of opportunities will also emerge

On a one-to-one level, data can inform relationship management with individual businesses. On a more macro level, data sets can be obtained to inform relationship managers of the types of businesses that will need loans within six months or even a year, or show the spending patterns of businesses that would benefit from debit cards or a different cash management approach. Also, those lending during these times of uncertainty can improve their loan portfolio quality by identifying the borrowers least or most harmed by the COVID-19 pandemic, and improve decisioning making.

Having the data on hand to make good decisions will allow an FI to broaden their small business offerings. And having the right technology platform and access to digital business tools will bring valuable experiences to small businesses.



An FI can provide small businesses:



Online business account opening



Lending through cloud technologies



Digital marketplace experiences in which fintech vendors partner with an FI to offer needed business tools



Transaction and cash management that is fast, efficient, and secure

Today's small business will need these all or in part—but in their own chosen way. With the right human digital approach, an FI can help them choose well.

# Conclusion/Summary

## Digital is Banking

Digital is banking today—it's your brand, it's your new branch, it's where your customer relationships unfold. And small businesses are no exception—their digital expectations will continue to change, so FIs have to remain flexible in their technology and their strategy.

The good news is, technology gives FIs an ability to segment and provide tailored business services more effectively than ever before – leading to happier commercial clients and more profitable relationships. Those banks and credit unions that can respond to small businesses' challenges and needs will become industry leaders, while others will struggle to remain competitive.

### **Here are critical takeaways we hope you have gained from the eBook:**

- A one-size-fits-all approach to commercial banking doesn't work. By not really understanding their needs, FIs are likely missing out on all kinds of chances to expand small businesses' relationships with them and uncover income, both fee and interest, opportunities.
- The digital experience for small business is critical. Businesses are managed and run by people; the valuable and usable technology experiences from their personal lives often influence their professional expectations. And more and more, the experience a commercial client has is happening in the digital channel. Today and moving ahead, digital is largely responsible for your FI's brand.
- To win new and expand existing relationships with small businesses, provide the digital capabilities and experiences that are aligned with the purposes and personas of these businesses. Not all small businesses are alike, which means each one requires its own mix of products and services.
- FIs need to determine what kinds of small businesses they really want to serve – so a refreshed go-to-market strategy can help determine the products, services, and technology needed for success.
- FIs must be able to identify and target small businesses within their markets by leveraging profile and behavioral data in order to offer relevant solutions. This will allow you to proactively target prospects and customers – here and now – with digital self-service solutions tailored to their needs.
- The right solutions matter and each should drive value: online business account opening, self-enrollment in business services, lending, transaction management, cash management, and partner marketplaces with fintech vendors. Today's small business will need these all or in part—but in their own chosen way.

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