

The Road to Small Biz Expansion

by [Steve Brown](#)

Back in May 1942, 17 states began rationing gasoline to help the war effort. By Dec. of that year, rationing was a national phenomenon that stayed in place until the end of World War II, along with a national speed limit of 35 miles an hour. Today, according to the U.S. Census Bureau, there are more than 118,000 gas stations across the country, selling \$360B worth of gasoline and diesel fuel each year.

That's progress for you and it shows how people continue to move forward no matter what.

Small businesses also favor progress, but they aren't seeing a lot of it when it comes to the economy and the political climate. These two areas are repeatedly cited by business owners as reasons for being noncommittal about future expansion plans. Many are simply waiting.

However, based on some favorable economic data, that time may not be too far off. When it does come, small businesses will seek out more capital/loans, additional banking products and assistance for their growing operations. Accordingly, community banks would do well to reexamine service offerings to the small business market to make sure you are prepared. There is no single formula for becoming the bank of choice for small businesses, but there are several things that belong in the mix.

For starters, focus on promoting the bank within the community. It doesn't have to be a hard sell, but at the very least, bank personnel should be mingling in the community, joining local networking groups, attending local business functions and supporting local events. Most community bankers we know already do a great job here, but staying in front of customers is the best way we know to get more business so keep going.

Small businesses are also more likely to come knocking if they know you are helping other entrepreneurs in the community. According to the recently published American Express survey, 96% percent of entrepreneurs said they are committed to supporting their local communities through a variety of activities, including donating to local causes and participating in community projects. Additionally, 83% said they shop at independently owned businesses in their neighborhoods for non-business related purchases. Community bankers fit right into this niche as well, so make sure business owners know it makes sense to help you as you help them to try and stir up more business.

You must also maintain a strong focus on customer service. While differentiating oneself with service is hard to measure, you know when you get good service and you know when it is bad. Always endeavor to deliver face-to-face service with a smile, have a dedicated point of contact to address customer questions or issues and offer flexibility in terms of loans and products to capture business owners.

Small businesses also need to know they'll get the same array of services at your bank as they will if they chose to play with the big boys. It is critical to stay on top of technology trends and invest in the tools needed to service small businesses, even though it comes at a cost.

Although many businesses aren't yet in expansion mode, there are signs that growth is just ahead. So, when it comes to courting small businesses, do all you can to make sure the tools are in place, the

team is trained and customers are the focus.

BANK NEWS

M&A

Investment bank and asset management firm Piper Jaffray said it will acquire Edgeview Partners for an undisclosed sum. Edgeview provides M&A services to middle market clients and private equity firms.

Cyber Risk

Alarmed by the 42% increase in cyber attacks against banks in 2012, regulators announced a new cyber security working group to highlight the problem and more actively coordinate government responses and called on banks to get more proactive in managing this risk.

Muni Risk

Bankers are watching things closely in Detroit as the city teeters on bankruptcy. Managers sent in to fix things are reportedly contemplating defaulting on GO municipal bonds. The move could produce unintended consequences in bank holdings as well if it happens.

Competition

KeyBank has announced enhanced mobile banking products targeted at small businesses that will allow business owners to access account information remotely, approve ACH and wire payments, access reports, respond to fraud detection issues and accept card payments.

Competition

JPMorgan Chase has partnered with Twitter with a program that will offer its small businesses \$1mm in free advertising credits on the social media site. Each business customer that qualifies will get a \$100 credit that can be used on Twitter's Small Business advertising platform.

Regulatory Focus

Research indicates regulators are closely monitoring: core bank earnings, the impact of low rates on margins, the low opportunity for banks to grow fee income, aggressive pricing and relaxed underwriting due to heavy loan competition, overhead expenses, the mark to market/capital impact of longer-dated securities when rates rise, payday loans, deposit advance products, low borrower equity in some loans, cyber risks, model risk management and vendor management. Be sure you have looked at all of these before your next exam to eliminate potential issues from the get-go.

Happy Times

Homebuilder confidence as reported by the National Association of Home Builders surged to a 7Y high, as home strength continued to increase.

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