

The Buzz of Small Business Payments

by [Steve Brown](#)

Scientists are now saying that honeybees' ability to find flowers could be hindered by a substance in diesel exhaust. A recent study out of Great Britain suggests the need to reduce pollution and improve air quality to protect these pollinating insects and improve human health.

In science, reaching the desired results typically involves a lot of trial and error. To a large extent, banking is no different. If we stay static and don't try new things to see what works and what doesn't, there's never the possibility of progress (or finding new revenue-generating opportunities).

Along those lines, we'd like to suggest an area that's underserved and worthy of consideration - small business payments. There's ample opportunity for community banks to make a name for themselves by serving the payments needs of small business customers. Community bankers are already engrained in the small business market. Why not consider branching out a bit to include the payments space? Banks that excel here have a chance to grow market share, cement existing relationships and foster new ones.

According to a recent white paper by consulting firm Treasury Strategies Inc., there are three main challenges preventing banks from seizing the opportunity in small business payments. The first relates to organizational issues. Many banks service small business customers in a disjointed fashion, as opposed to there being one clear-cut owner of the relationship. To improve, banks could identify someone to take ownership of all small business solutions and then push to get the funding to pay for initiatives to better service this group.

The next challenge, according to Treasury Strategies, is figuring out what small businesses actually need. This is more difficult because customers don't often know what they want or may send you in errant directions. The key is to think about trends, think about what your customers need and then do some trial and error to find your footing with any new product to really create buzz. Asked to rate how well they met small business payment needs, 35% of respondents said they did it well or very well. Yet not a single bank surveyed offered an integrated payments solution to their small business customers. What's more, most banks couldn't easily name a leading provider of small business payment solutions. Clearly something's not quite adding up.

Some banks could under the mistaken impression that small businesses are happy with the status quo. In reality, business owners are busy people and many simply don't have time to research what they could be doing better or what products could be beneficial to their business. Yet, at the same time, they have very specific needs. If you can meet these needs with an integrated payments solution, the research shows they'll pay for it. Customers will pay for products when they perceive they're getting something for their money, so give them value and revenue will follow.

For many banks, actually delivering a solution is the third challenge. Building something from scratch could be an option, though it's expensive and keeping up with ever-changing technology is a challenge. You can also go the third-party route by partnering with payments companies that specialize in small business. Of course, outsourcing requires due diligence and ongoing management, but the revenue possibilities could make the effort worthwhile.

Science shows us that when there's too much smog, bees can't find their way. Banks shouldn't make the mistake of getting lost in a cloud of complacency. There's too much nectar at stake.

BANK NEWS

Esignature Value

Callahan reports more than 10% of credit unions > \$20mm in assets now offer esignature on documents as of 2Q, a 25% increase vs. 1Q. CUs who had launched esignatures for loans report they are closing 20% more business because the customer does not have to appear in person to sign documents or send paper back and forth.

Mortgage Lending

The FFIEC reports the top 25 lenders did just under 30,000 loan preapprovals that borrowers used to buy a home last year vs. nearly 102,000 in 2007. Experts say the decline is mostly due to reduced competition among lenders for new customers and lower than expected appraisals. Lenders have switched to pre-qualifications instead, where borrowers are told the size of a loan they will qualify for.

Taper Timing

JPMorgan reports all the noise around the government shutdown has pushed expectations for the first Fed taper to the Jan meeting now. Yellen's first meeting as chairman will be Mar 18-19.

Risk Reporting

If you are trying to figure out what reports to provide to the board as part of your new enterprise risk management program, a Deloitte Global risk management survey finds the most common are stress testing (83%), risk concentrations (79%), utilization vs. limits (73%), compliance related matters (71%), new and emerging risks (70%), risk assessment results (70%), operational failures (61%), risk exceptions (51%) and new products or businesses (50%).

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