



Small Businesses

by [Steve Brown](#)

Bodybuilding.com bills itself as the Internet's most visited fitness site. Some 32mm people reportedly visit the site each month for "how to" videos on pumping iron, customized fitness plans and nutritional supplements. As Bodybuilding.com launches their 9th annual spokesmodel contest, we recognize that "bulking up" is very profitable indeed. These days, small businesses are also "bulking up" by looking overseas.

When we think of US exports, the image that typically comes to mind is that of a global corporation exporting something like tractors, farm goods or technology. Historically, international trade has been a business reserved for the big boys, with the scale and expertise to do business overseas. Times have changed.

In fact, small businesses play a sizeable and growing role in US exports. According to the National Small Business Association (NSBA), it is very substantial indeed. Citing data from the International Trade Administration, the NSBA finds small business exporting firms account for 98% of all exporting firms and 34% of US exporting value. Further, 58% of respondents say they have exported goods and/or services, and nearly 50% of those who haven't, said they would be interested in doing so. Some surprises from this survey were that almost 50% of the respondents said that their export deals take only "a little time" (a few weeks) to set up, and 61% found that financing for exporting is "no more difficult to get" than for domestic operations. This demonstrates that there is a great opportunity for community banks here to expand and enhance profitability with small business customers.

Of course, there are things to consider here as well. For instance, global market uncertainties affect export sales and the international regulatory environment can be difficult to navigate for some. That being said, as more small businesses make the international leap, these concerns can be mitigated.

For those taking on some of the issues around exporting, the rewards can be significant. Increased growth from additional markets helps many small businesses survive and even thrive. Here, consider a recent story in the Orange County Register that highlighted a local nutrition bar company. It had turned to exporting because of increasing domestic competition and today boasts customers in more than 20 countries. As a result, exports now account for about a 25% of company sales.

The growth in exporting is affecting many industries. However, the service industry is one of the fastest rising areas due to technological advancements. If you have small business customers who offer services in areas such as e-business, IT, education, tourism, environment or engineering - they most likely have thought about exporting if they don't already.

As small businesses grow through exports, your bank can grow in lockstep. Your customers may turn to you for guidance in the international arena, so being prepared for such discussions is another key step to consider.

Being an international business resource for your small business customers can serve to enhance the business relationship, as well as encourage greater loyalty. By working together, both small businesses and community banks can leverage new sources of growth and value in the exporting game. That should get everyone pumped up!

BANK NEWS

M&A Activity

1) Centennial Bank (\$9.7B, AR) will acquire Landmark Bank (\$462mm, FL) for about \$88.5mm in cash (21%) and stock (79%).

Hacked

UK bank Tesco Bank confirmed 40,000 accounts were subjected to online criminal activity, as hackers seemingly broke into the bank's online banking system and stole money from many of those accounts.

Tech Staffing

Research by Bank Director finds that for banks with assets less than \$1B, about 31% employ a chief information officer (CIO), 30% employ a chief technology officer (30%), about 27% don't have either one and 11% have both positions.

CRE Warning

Rating agency Fitch is warning the commercial real estate (CRE) sector has seen unsustainable growth over the past 5Ys and that a soft commercial mortgage backed securities (CMBS) market and regulatory changes add additional refinancing pressure through 2017.

C&I Lending

A survey of bank loan officers by the Fed finds C&I lending tanked from a 9.0% annual rate in Q2 to only 3.5% in Q3. Banks indicated the sharp decline was due to competition from nonbank sources that were offering more attractive pricing and other terms.

Sky Net

Research by Bank of America Merrill Lynch finds there is a 50% chance of full artificial intelligence (high level machine learning) in the next 25 to 35Ys and a 90% chance in the next 60Ys (by 2075).

Fintech

Research by KPMG finds global venture capital investment in fintech has jumped 400% in the past 2Ys and now sits at over \$19B.

New Tech

Spanish bank BBVA has launched a feature that will allow customers to pay by selfie using a mobile device.

P2P Capability

Research by Fiserv finds 41 percent of households do not know if their bank offers person to person payment capabilities.

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