



Three Reasons You Should Entice Middle Market Businesses

business customers cash management

Summary: Middle-market businesses (\$10MM to \$1B) may be overlooked by community financial institutions for a variety of reasons. However, now may be the time to reassess these customers. The Harvard Business Review found that many of these companies experience 10% growth YoY. We lay out the profile of this business, the competition, and three reasons why your institution should consider wooing these customers.

Hurling an apple at someone in ancient Greece was an assertion of love. The origin came from a mythological story about Aphrodite, Hera, and Athena wanting a golden apple. Aphrodite won the apple from Paris of Troy and considered it sacred. It was up to the recipient if they wanted to catch the apple and accept that love or not. To pursue someone in those days was simple.

For community financial institutions (CFIs) interested in pursuing middle-market (also called medium-sized) businesses as customers, it is not quite as simple as throwing an apple. However, it may be easier than they think. It is a good time to review your customer base and appeal more broadly to this market. Here is an overview of the middle-market business along with **three important reasons to pursue them**.

Middle-market business profile

Medium-sized businesses are usually considered those with revenues between \$10MM and \$1B. According to the Harvard Business Review (HBR), *"while the middle market represents barely 3% of all US businesses, it's responsible for roughly one-third of private-sector GDP and employment. If it were its own country, it would be the fifth-largest economy in the world!"*

The HBR also found that medium-sized companies that have funding, marketing and communications expertise, long-term strategy, and a desire to invest in the future experience 10% growth YoY in both revenue and employment. This was the case even during the pandemic. In other words, there is a substantial amount of business out there right now.

Competition

With all this business opportunity, competitors abound. The big banks definitely have their eyes on this important market, which can make it challenging to woo them. Case in point, Wells Fargo claims to have the *"highest market share of middle-market company relationships."*

So why should CFIs try to appeal to middle-market businesses?

1. **They're loyal.** According to research from Deloitte, [middle-market companies have long-lasting relationships with their primary banks](#). Their average tenure is nearly 17Ys for deposits and transactional services, 15Ys for credit, and 14Ys for investment banking and other financial services. If CFIs can win them over, these customers will make it worth the effort.

2. **These businesses want a “go-to” provider for all financial services.** Middle-market firms use their primary banks mainly for traditional offerings. Most middle-market respondents to the Deloitte survey say their primary banking needs are in traditional product categories such as deposits and cash management. Ninety-five percent use checking accounts, while 82% use cash management/treasury services, and 72% have a line of credit. That said, if they do need additional services, 86% of those surveyed call their primary bank their “go-to” provider for all their financial needs. CFIs that can capture these customers would not only get loyalty, but also the opportunity to serve all their needs.
3. **Middle-market companies like their CFIs.** According to Deloitte’s survey, “middle-market firms appear to have more product relationships with regional/community banks compared to big banks.” They also seem to view regional and community banks in a more positive light. Hence, [82% of respondents whose primary bank is a regional/ community bank consider them to be a trusted advisor](#) vs. 69% of those whose primary banking relationships are with big banks. CFIs provide the stability of solid relationships and trust in an industry where consolidation and automation are prevalent.

CFIs looking to expand their customer base may want to consider the middle market. Many of these companies are positioned for growth and provide an opportunity for expanded business for CFIs. Not only that, once enticed, these customers have longevity which makes all your efforts worthwhile.

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ECONOMY & RATES

Rates As Of: 12/16/2021 06:25AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.05	0.00	-0.04
6M	0.13	0.03	0.04
1Y	0.26	0.02	0.16
2Y	0.66	0.09	0.54
5Y	1.23	0.07	0.86
10Y	1.47	0.03	0.55
30Y	1.90	0.10	0.25
FF Market	FF Disc	IORR	
0.08	0.25	0.15	
SOFR	Prime	OBER	
0.05	3.25	0.07	

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