



Four Strategies to Attract Small Business Customers

◆ small business business customers customer experience

Summary: There are 32.5MM small businesses in the US, generating 44% of economic activity — an attractive opportunity for financial service providers of all sizes. CFIs have a strong connection with small business customers and could leverage their understanding of the customers' unique needs in order to create compelling propositions for them. We give you four strategies to help get you off to a good start.

According to the National Day Calendar, the US observes 1.5K different national days, weeks and months. These include National Learn About Butterflies Day on March 14, and National Weed Appreciation Day on March 28 (when we remind ourselves that some weeds are beneficial to our ecosystem). One of the potentially more notable celebrations for community financial institutions (CFIs) is Small Business Week. Occurring in the first week of May, we recognize the fundamental contributions that entrepreneurs and small business owners make to our national and local economies.

During the most recent Small Business week, the US celebrated all [32.5MM small businesses that employ 46.8% of the private workforce](#) and generate 44% of US economic activity. Given these economic contributions, it should come as no surprise that small business deposit accounts are [top priorities for 41% of CFIs in 2022](#)—almost twice as important as other retail deposit accounts.

CFIs are a natural fit for small businesses on account of their community connections, local knowledge, small business understanding, and ability to offer a fast and personalized service. These attributes served institutions well during the pandemic, when they were instrumental in helping small businesses weather the storm. Indeed, within the first three weeks of the pandemic, CFIs originated more than [\\$210B in PPP loans](#), saving an estimated 20MM jobs — compared to just \$104MM issued by other institutions. The data suggests that community institutions used their local economy expertise and small business relationships to deploy PPP loans more effectively.

As competition for small business accounts grows more intense, your institution may want to capitalize on the goodwill you've built with small business customers. Here are four strategies to allow your institution to be best positioned to win and retain this market segment.

1. Provide an omnichannel experience. Business customers now expect a high level of digitalization from their financial service provider. A user-friendly online experience, along with mobile account opening, remote deposit capture capabilities, contactless payments, and mobile transfers and check deposits are no longer optional service offerings.

BAI's 2022 survey of business owners found that about 67% would rather [open a deposit account online](#) and 56% would prefer to take out a bank loan online. That said, most still use branches for complex transactions. Similarly, many small business customers still require quality and personal interaction, with expert advice on hand to help them achieve their financial goals.

As branches remain central to your strategy, your institution needs to ensure you're providing seamless, customer service across all the channels – branch, online, and mobile.

2. Offer personalized products. Small businesses have unique requirements, and it is essential that your institution understands each customer's needs by building a holistic view of the relationship. Nearly nine in 10 business customers use the same institution for their personal and business banking. Connecting data between the two accounts will add another layer of value for the customer and understanding for yourself. Most businesses require basic services, such as a checking account, credit cards, payroll services and loans, but finding the right product for each is key, and customers expect their CFI to help them do that.

For example, a New York CFI created a new microloan program designed to provide unsecured commercial loans of less than \$25K to small businesses. *"If you look at the gamut of lending that needs to be done, from the tiny microloans to large commercial loans, you have to serve that entire spectrum with different products that allow the institution to grow,"* says the CEO.

3. Keep fees low and offer the best rates. Offering the lowest fees and best rates are still [ranked by business owners](#) as primary reasons for choosing a new financial institution. Investing in technology, streamlining processes, and offering digital options will allow your institution to keep your fees low and remain competitive.

4. Partner to expand your service offering. In a drive to reduce administration time, small business owners are increasingly looking to their CFIs to provide a host of integrated services, such as accounting, invoicing, bill payment, payroll processing and cash flow management. In 2020, the opportunity for providing accounting and payment services was valued at \$370B. Partnering with a fintech to offer some or all of these integrated services would enable your institution to tap into this growing trend and increase customer stickiness.

An exec of a West Coast CFI partnered with a fintech to provide an invoicing and payment solution. This exec said, *"Small businesses should not have to look outside their financial institution for their financing and accounting needs."* Another CFI in the Midwest comments, *"Since launching [our integrated service solution] we are seeing business owners that had accounts at other financial institutions actually bring their business over to us."*

Small businesses can be a great source of revenue for your institution. Leveraging your core strengths in relationship management and community connections, while bridging the digital gap, will enable you to deliver a compelling proposition to attract and retain small business customers.

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ECONOMY & RATES

Rates As Of: 06/23/2022 12:23PM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	1.61	0.45	1.55
6M	2.40	0.76	2.21

1Y	2.75	0.67	2.36
2Y	3.01	0.46	2.28
5Y	3.14	0.32	1.87
10Y	3.08	0.23	1.56
30Y	3.19	0.15	1.29
FF Market		FF Disc	IORR
1.58		1.75	1.65
SOFR		Prime	ORER
1.45		4.75	1.57

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