



Can a Back-to-Basics Sales Approach Help You Gain SME Loans?

small business lending business customers

Summary: In the competitive small business lending market, a clear understanding of business owner needs can go a long way to drive an institution's loan portfolio growth. Gaining that edge takes hard work and sophisticated data mining. Here are four steps to make your SME loan strategy more holistic, ultimately resulting in increased revenue.

Homework has been a hot issue in the US since the 1800s, when [Horace Mann brought the idea back](#) from a trip to Germany's "People's Schools." Over the next century, homework faced bans in certain states or for younger children. At one point, it was even deemed child labor, likely due to its impact on children's ability to devote enough attention to household chores and farming due to piles of assignments. Homework came roaring back in the late 20th century, but its value is once again being questioned.

One instance where "*doing your homework*" is never a bad idea is when it comes to lending to small businesses. Small business loans are the bread and butter of most community financial institutions (CFIs), but these loans are also in a very competitive market. One way to stand out to these small and medium enterprise (SME) borrowers is to do your research and [tailor your offerings to the unique businesses and local conditions](#). That means using a holistic approach to the local small business scene — take time to assess the local market, its customers, and its unique challenges to paint a clearer picture of what these local business borrowers actually need, as opposed to what you think they need.

Even CFIs that pride themselves on working well with their SME customers may not prioritize the extra legwork to fully understand their local markets, business climate, and the individual needs of their SME clients. This might seem like "Sales 101" advice, but a return to basics is sometimes what's needed to refresh your strategy. To make this targeted approach work for your CFI, you'll need to get inside the heads of local small business owners.

Here are **four steps to reinvigorate your SME loan strategy**:

1. **Study local market trends.** Take a close look at all the variables and issues in your local market that small businesses confront. This can include anything from unemployment rates to transportation issues to industry-specific challenges. From there, you can narrow down a few common pain points that local SMEs are experiencing that may prevent them from seeking loans.
2. **Pinpoint your best bets.** Define the types of businesses in your market that could make good loan candidates. Make sure you thoroughly understand those businesses. This will help you anticipate what their lending needs might be before reaching out to them. You may be able to identify these at a glance — look at who your top customers are and search for nearby "lookalikes" to target. They'll likely have similar needs to the ones who are already your best relationships. Be careful not to pick direct competitors of your best clients, though, as that can harm your partnership. Instead, target similar businesses that complement the ones on your books — if you have good rapport with medical providers, then seek out dental practices or physical therapy offices.

3. **Mine your current SME borrowers for data.** CFIs collect more data than they often realize. Understanding what this data is, where to find it, and how to analyze it can not only provide a much clearer idea of the needs of your customers, but also provide clues about the broader SME market in your area. It will show you the industries, geographic areas, and assets of your average SME customers. You can ultimately use this information to be more competitive by targeting new, profitable customers, cross-selling effectively to existing customers, and migrating existing customers to more profitable products.
4. **Customize your products for common market needs.** It's invaluable to craft lending solutions that effectively respond to the unique needs of your current and prospective clientele. Keep in mind that cost remains a major consideration for small businesses. The right lending product at the wrong price might not win your CFI new business. Also, loans are only one part of the financial needs of a small business. Deposit and payment services offered in conjunction with lending programs can not only help boost loans, but also generate other fee income, all while responding to specific needs of SME customers.

A carefully constructed SME lending strategy that effectively identifies local economic and employment trends, offers loan products that correspond with local business owners' needs, and is priced appropriately can help a CFI grow its small business loan portfolio. Take stock of your best customers and the market's current needs, then use that data to build solutions to attract local small businesses and strengthen your relationships with your current customers.

If you'd like to optimize your loan pricing and aren't sure where to start or just need an extra hand in the process, we're here for you. We've built a [customer profitability](#) tool to help you determine the best loan price for a customer, based on your relationship with them. Get in touch with our sales team for a demo.

COMPETITIVE AND CONSISTENT LOAN PRICING

Achieve a 360-degree customer relationship view so you can determine the best loan pricing based on your customer data, while driving higher bank profitability. Learn more about our solution for customer [profitability to give you that comprehensive perspective](#).

ECONOMY & RATES

Rates As Of: 08/24/2022 07:58AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.80	0.39	2.74
6M	3.21	0.30	3.02
1Y	3.30	0.37	2.91
2Y	3.37	0.48	2.63
5Y	3.23	0.56	1.97
10Y	3.11	0.46	1.60
30Y	3.31	0.30	1.40
FF Market	FF Disc	LOBB	
2.33	2.50	2.40	
SOFR	Prime	OBFR	
2.27	5.50	2.32	

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