# How To Persuade Businesses To Pay for Financial Services

small business digital banking

**Summary:** Many small businesses that use a small financial institution for their needs typically do not pay for non-interest-bearing banking services. This is not the case for larger financial institutions. How can CFIs create offerings that business clients will buy? We discuss 4 key areas to pay attention to.

When you were a child, you may have received a small gift bag when you attended a friend's birthday party. It may surprise you to find out that the Oscars does the same thing for their nominees, with a much heftier price tag. Oscar nominees, whether they win or lose, are given gift bags full of spa services, beauty products, jewelry, vacation vouchers, and more, in the hopes that those celebrities would talk about or endorse those products or places later on. In 2016, the value of these bags amounted to $232K of free items.

While small businesses are not given gifts that tally up to those kinds of prices, they have typically enjoyed discounted or free financial services and products. Their financial institutions don't charge them anything for those offerings, under the assumption that those businesses won't pay, anyway. That could change.

Recent Aite-Novarica Group research indicates that 20% of businesses that use a community financial institution (CFI) spend nothing at all for non-interest-bearing products and services. Another 21% of CFIs' business customers pay less than $25 a month for those products and services.

That's a marked contrast to businesses that have primary financial relationships with one of the big four banks: Bank of America, Citibank, JPMorgan Chase, and Wells Fargo. According to research by Aite-Novarica Group, just 7% of those businesses pay nothing for financial products and services, and 13% spend less than $25 a month. We also see a big difference when we compare CFI clients to fintechs, which more than 60% of small businesses use — businesses that pay for their fintech product offerings.

Only about 15% of small US businesses use a CFI, though 60% of this group say they'd be happy to bank with a CFI — if that CFI offered them experiences and capabilities that they value, particularly online and digital services. In many instances, these businesses already pay for these products at larger banks. It stands to reason that they would pay CFIs for similar offerings.

Developing those offerings involves directing energy and attention to **four key areas**.

### 1. A More Connected Experience

Small businesses want to interact online with their financial service providers, and the quality of that interaction is vital to both attracting and keeping those customers. Glitch-free online capabilities should be one of your priorities. Instead of having customers log into multiple systems, give them capabilities that align with their workflow, from which they can see personal and business accounts, transfer funds, make loan payments, or apply for credit from a single online interface.

### 2. Analytics-Driven Personalization

If you're a size 12 and your friend is a size 6, then neither of you has any use for products that are only available in a size 10. That's the problem with cookie-cutter financial services — they don't take individual needs into account.

Investing in analytics and use cases (beyond fraud prevention) and embedding analytics in portal navigation, account initiation, product bundling, and cross-selling can help you better understand your customers. That can, in turn, improve your ability to recommend the right products and services to clients, making your staff partners and advisors instead of just transaction portals.

See your customers as something more than statistics and they'll return the favor by offering their loyalty. A personalized experience is integral to keeping their business, as 48% of small businesses noted. Good advice is another: Aite-Novarica's research shows that 46% of firms that pay $100 or more every month for fee-based financial services say that sound advice is part of what they're paying for.

**3. Relevant products and services**

Some CFIs offer small businesses a version of personal financial services, but that doesn't meet their growing needs. Small firms are increasingly sophisticated and want positive pay, entitlements, invoicing, international payments, business-specific bill payments, cash-flow forecasting, and receivables collection. Offering products that help owners run their businesses more effectively makes those owners feel seen and valued.

**4. Partnerships with Fintech Companies**

You probably can't directly provide every service that small businesses want. That's okay. Partnerships with fintech companies, which 45% of businesses want their financial institutions to consider, can help you offer such key financial capabilities as cash flow management, financial reporting, and digital invoicing, which many CFIs have been slow to offer.

About 60% of small businesses are already working with fintech companies and paying for the services they offer. Getting those services through a CFI relationship consolidates a business' financial life while increasing CFI revenue.

By offering a more connected experience, stronger personalization, better products and services, and partnerships with fintech companies, CFIs can create products and services that business clients will pay to get.

## DISCONTINUATION OF FEDGLOBAL® ACH

Your CFI doesn't have to be impacted by the discontinuation of FedGlobal® ACH Payments Services to Canada and Europe. PCBB offers a variety of foreign payments services. Visit our website to learn more and call your relationship manager to get started.

## ECONOMY & RATES

Rates As Of: 04/10/2023 08:15AM (GMT-0700)

| Treasury | Yields | MTD Chg | YTD Chg |
|---|---|---|---|
| 3M | 4.95 | 0.10 | 0.53 |
| 6M | 4.95 | 0.01 | 0.19 |
| 1Y | 4.63 | 0.03 | -0.08 |

| | | | |
|---|---|---|---|
| 2Y | 4.00 | -0.03 | -0.43 |
| 5Y | 3.53 | -0.05 | -0.47 |
| 10Y | 3.43 | -0.04 | -0.45 |
| 30Y | 3.64 | -0.01 | -0.33 |

| **FF Market** | **FF Disc** | **IORB** |
|---|---|---|
| 4.83 | 5.00 | 4.90 |
| **SOFR** | **Prime** | **OBFR** |
| 4.81 | 8.00 | 4.83 |