



Become Your Business Customers' #1 Choice

small business business customers customer retention

Summary: Business banking is most CFIs' bread and butter. But many businesses have more than one banking relationship. To become a customer's primary provider, CFIs will have to develop the ability to provide full cash visibility, multibank reporting, and multibank transactions.

Everyone has a favorite grocery store, but it's rare for one store to carry everything shoppers are looking for. Rather than trying to stock every item shoppers might want to buy, a better strategy is to strive to be the favorite grocery store, where customers do the bulk of their shopping. Then, customers can seek out specialty stores for the more niche items. Financial institutions can use this same strategy to entice business customers to consider them their "main bank."

Retail banking customers and [sole proprietors](#) typically have relationships with a single financial provider. But when businesses grow, they often have multiple banking relationships.

A Deloitte report found that one-third of companies with \$1B or more in annual revenue had banking relationships with at least [10 financial institutions](#). The trend is accelerating, with smaller firms increasingly using multibank strategies.

Within these multi-bank relationships, however, one provider can still stand out. A community financial institution (CFI) can establish itself as a business customer's primary banking relationship, becoming the financial institution that "owns" the relationship and receiving the lion's share of what the customer spends on financial services.

To accomplish this, a CFI will need to do more than simply provide standard banking services. It will need to help its business customers improve their own bottom lines. Through comprehensive service offerings and clever strategy, you can make sure you stand out from the other financial relationships your customers have.

Prioritize your best customers.

Look at your business customers' accounts, transactions, and product use, then prioritize the businesses for which you would most like to be the primary financial institution. Focus on customers that have a history of positively affecting your CFI's bottom line. For instance, a business that relies on your CFI for [treasury management](#) and a primary operating account might offer 3x the return of a business with a standalone loan. Consider reducing the capital you devote to the businesses that are less likely to bring revenue so you can [direct more to your best clients](#).

Use open banking to help customers understand their total financial position.

A customer with multiple banking relationships is the opposite of consolidated, with cash, debt, and fee commitments to a variety of financial institutions. This complicates their view of their business' finances and leaves them reconciling accounts manually. You can [use open banking](#) to help clients see a holistic view of their financial situations.

Leverage data to recommend other financial services.

Analyze customer transactions and use that information to recommend new financial services, including those that might be new to the client. Be sure to highlight the recommended services your CFI can provide. You might also partner with one or more fintechs that offer services that are useful to your priority business customers.

Make payments happen faster and more reliably; help customers manage cash flow.

CFIs can buy or create their own automated invoicing, payments, and cash flow prediction products, or give their customers access to their products by partnering with fintechs. They can also offer commercial customers quick, competitively priced clearance on Automated Clearing House payments and use their own resources or those of a correspondent bank, like PCBB, to send payments quickly and accurately via FedNow® Service.

Many businesses have multiple banking relationships. You probably can’t win every bit of your customers’ business. But you have a chance to become their primary banking relationship by working to give them a better view of their finances, suggesting products relevant to their needs, and helping them speed up payments and manage their capital.

BUILDING THE FEDNOW SERVICE WITH SHEILA NOLL

As the FedNow Service gains momentum, we sat down with **Sheila Noll, a payments expert and PCBB’s COO, to understand how the service came to be, and get advice for CFIs** regarding faster payments implementation. [Download PCBB's Industry Insights paper](#) to learn the details.

ECONOMY & RATES

Rates As Of: 01/08/2024 05:39AM (GMT-0800)			
Treasury	Yields	MTD Chg	YTD Chg
3M	5.47	0.07	0.07
6M	5.24	-0.02	-0.02
1Y	4.82	0.06	0.06
2Y	4.37	0.12	0.12
5Y	4.00	0.15	0.15
10Y	4.04	0.16	0.16
30Y	4.20	0.17	0.17
FF Market	FF Disc	IORR	
5.33	5.50	5.40	
SOFR	Prime	ORER	
5.31	8.50	5.32	

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