



Business Credit Cards - A Good Opportunity?

business customers customer acquisition customer retention

Summary: Credit cards for entrepreneurs could be an untapped market for community financial institutions. This insight comes from a few different studies, which we want to highlight today.

Interesting fact: Blood donors in Sweden get a text once their blood is used. It must be a good feeling to know you have helped another person so directly. One way bankers can help businesses directly could be through credit cards.

Credit cards for entrepreneurs could be an untapped market for community financial institutions (CFIs). This insight comes from a few different studies, which we want to highlight today.

While just 3.3% of small businesses have business credit cards, the market has the potential to expand to \$700B by 2022, according to a report by Mercator Advisory Group. So, knowing this, what do business owners really want in a card?

Not surprisingly, a generous credit line -- particularly more than \$10,000 -- is one of the features desired. Other key features and terms survey respondents would like: no annual fee, a competitive APR rate, cash-back rewards, and good customer service.

Offering credit cards to entrepreneurs can benefit CFIs, too. Namely, they can receive additional income along with the ability to deepen customer relationships, according to another report by Visa/A.T. Kearney commissioned by ICBA Bankcard.

The study analyzed a [hypothetical opportunity for a CFI](#) with 5,000 small business demand deposit account customers, coupled with market data. Out of that customer base, this institution would have 1,125 prospective small-business credit card customers that could bring in net credit income of \$411k, net interchange income of \$395k and other fee income of \$34k.

Entrepreneurs with business credit cards are more likely to be stickier customers with lower attrition rates too. They also typically buy more lending products and hold more money in savings accounts, the ICBA study found.

For CFIs considering business credit card product offerings, the study findings recommend developing competitive "enough" products, but not necessarily the most competitive. In other words, CFIs don't have to beat the rates offered by big banks, but instead can leverage their personalized service and local involvement. Also, with current customers, offer relationship pricing and rewards aggregation across accounts.

To give yourself more opportunities with your offerings, you might also want to do the following: establish appropriate underwriting standards to provide lines of credit as high as possible, while staying within the bank's risk standards; take a proactive approach to marketing the credit card products, including using search engine optimization strategies; and developing a card management program to ensure profitability.

We realize that you have likely already thought of business credit cards for your offerings. However, these studies may offer you more information when considering your small business strategies.

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