



Three Payment Strategies To Support SMBs



Summary: Many small businesses were hesitant to include digital payment options pre-pandemic. Now, 44% are accepting contactless or mobile payments, according to a Visa study. As businesses assess their payments approach, community financial institutions should be right there with them. Here are three strategies to support your small and medium-sized businesses.

Since it is almost Halloween, we wanted to bring you some related trivia. First, the longest haunted house resides in OH, which claims to be 3,564 ft in length and 80 ft underground! The largest US pumpkin in 2021 comes from ME and weighed in at 2,121.5 lbs. Lastly, Reese's Peanut Butter Cups are the most popular Halloween candy sold nationwide, with Skittles, M&Ms, Starburst, and Hot Tamales finishing the top 5. Hopefully, you can enjoy one of your favorite candies this Halloween weekend.

Not many small businesses have enjoyed the interchange fees for card payments over the years; several have long chosen to only accept cash or checks. Yet, this sentiment seems to be changing. In the wake of the ongoing pandemic, one-quarter of small-town "Main Street" businesses say that they have benefitted from accepting digital payments that they were reticent to embrace, according to an [August PYMNTS study](#). In fact, according to the survey of more than 600 small and mid-sized US local businesses, roughly half of respondents (49%) said that their revenues increased last year and are 5x more likely to increase this year [2021] largely due to their support of digital payment transactions.

Clearly, the protracted pandemic has had a significant effect on local small businesses. Even those businesses that still prefer cash can't ignore the desire for many to shop online or via mobile. According to a survey by Visa earlier this year, almost half of consumers report they would not visit a store without a contactless payment option. This high acceptance of digital payments is pushing even the smallest or most rural businesses to finally embrace digital payment options.

Hence, community financial institutions (CFIs) need to up their game in offering and supporting business-oriented digital payment options in order to retain and boost SMB customers. In its research on SMB Payment Trends, released in December 2020, Javelin Strategy & Research also pointed out how *"millions of business owners tried digital banking and payments for the first time, [and] card and digital payment acceptance skyrocketed."*

In the face of these seismic changes, here are **three strategies for your institution to continue helping SMBs with payments**.

Facilitate contactless options with card companies. As Mastercard and Visa branch out further into contactless and digital payment, their offerings do not necessarily represent the high-interchange fee product that SMBs have long avoided. CFIs can broker a peace deal between their card-avoiding business customers and the card brands. The time may be ripe as Visa's Back to Business study claims that [44% of SMBs are now accepting contactless or mobile payments](#). Not only that, but also roughly [one-third of germaphobe customers say this is their preferred payment](#) option (to avoid contact), according to a report from Strategy Analytics.

Help with the transition from paper checks. As digital payments and even debit and credit cards have gained ground, the physical check is used less than ever. Check usage is decreasing by at least 4% per year. But for SMBs, they are still quite common. Industry experts gauge that banks are losing \$15B annually in the cost of supporting checks and related fraud. Checks won't disappear tomorrow. But as the population gets more comfortable with digital payment channels, checks will dwindle to a trickle. CFIs can help SMBs prepare for this coming shift.

Review cash flow for payment bottlenecks. Most SMBs need to wait for funds to clear before they have access to them. As their payment options for their customers shift to faster processing, cash flow will get easier. In the meantime, you may want to discuss possible lines of credit or overdraft protection to give them the most flexibility with their funds. It may be hard for the business to juggle cash, checks, cards, and digital payments with their varied payment timing.

Digital payments are more easily used these days, so more of your business customers will likely be using them, even in their life as a consumer. As they provide new offerings to their customers or shift the mix, they may need support from you to ensure that they have the payment functionality for their customers and the positive cash flow for their business' success.

PCBB SELECTED FOR FEDNOW PILOT

PCBB is a pilot bank for the Federal Reserve's FedNowSM instant payments service. We're honored to assist in the development of the functionality and user experience, with our community financial institution customers in mind. Read [this BID article](#) for more information.

ECONOMY & RATES

Rates As Of: 10/29/2021 05:59AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.06	0.02	-0.03
6M	0.06	0.01	-0.03
1Y	0.15	0.07	0.05
2Y	0.55	0.27	0.43
5Y	1.24	0.28	0.89
10Y	1.61	0.13	0.70
30Y	1.99	-0.05	0.36
FF Market	FF Disc	IORR	
0.08	0.25	0.15	
SOFR	Prime	OBER	
0.05	3.25	0.07	

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