

SMALL BUSINESS BANKING SOLUTIONS

THE EVOLVING COMPETITIVE LANDSCAPE

SPRING 2024



SUMMARY

Small businesses are the backbone of the U.S. economy, accounting for 99.9% of all companies and employing nearly half of the country's workforce. As these businesses grow and their financial needs become more complex, they require increasingly sophisticated banking solutions and technology to manage cash flow, streamline operations, and compete in an increasingly digital and global marketplace.

Unfortunately, many small business owners find that their banking needs are underserved by traditional financial institutions. According to a [recent survey](#), only 35% of small businesses feel their primary institution is fully addressing their digital banking needs, while more than 65% say they utilize fintechs outside their primary institution to meet at least one financial need.

To help banks better understand this rapidly evolving market, Corporate Insight recently conducted an in-depth analysis of the small business banking solutions offered by 30 leading banks, fintechs and merchant services providers. This paper presents some of our key findings, spotlighting important trends and best practices that small and midsize banks can leverage to enhance their product and service offerings and build deeper, more profitable relationships with small business clients.

Firms assessed as part of this research include:

Amazon	Chase	Marcus	QuickBooks	Truist
American Express	CheckAlt	Mercury	Revolut	US Bank
AutoBooks	Corpay	Novo	Shopify	Wells Fargo
Axos	C2FO	Ondeck	Square	Wex
Bank of America	Grasshopper	PayPal	Stripe	Wise
Capital One	LiveOak	PNC	TD Bank	2Checkout

Key themes include:

- Cash management solutions are essential and offer banks whitespace opportunities
- Fintechs are leading the way when it comes to global banking solutions
- Banks can help small business owners by offering investing services
- E-commerce enablement is a gap for most banks
- Regional and midsize banks can compete by combining high-tech with high-touch service

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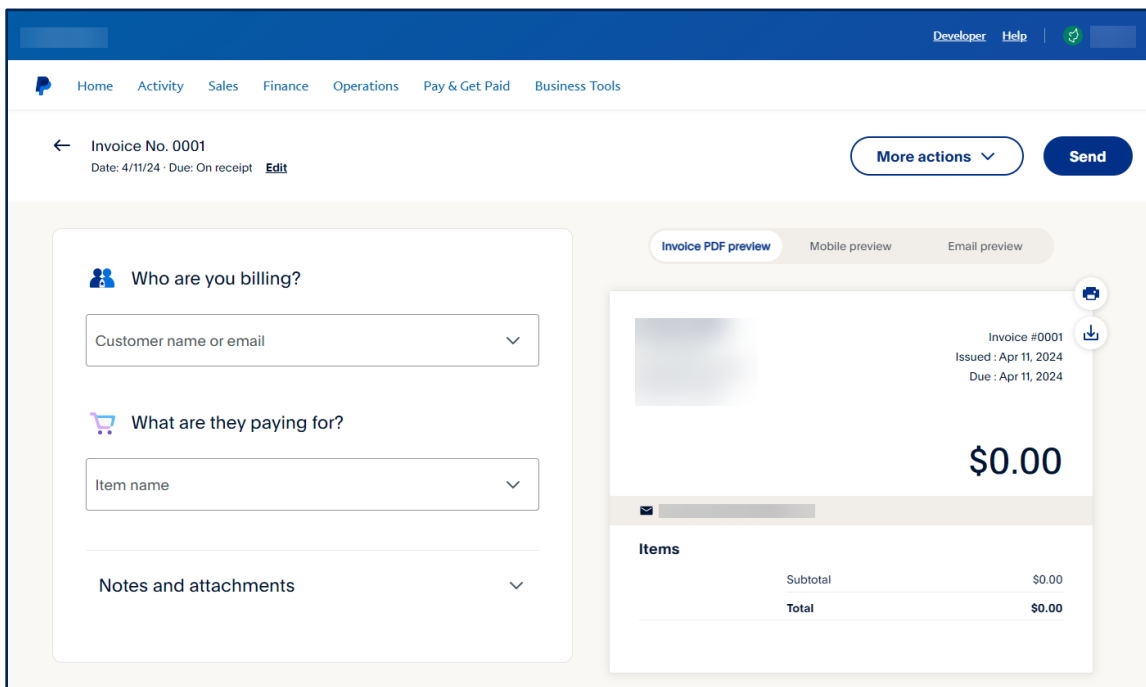
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KEY FINDINGS

Our research uncovered significant variation in the breadth and depth of small business banking solutions available in the market today, with fintechs and large national banks generally leading the way in terms of innovation and digital user experience. That said, we also identified several areas where regional and midsize banks can differentiate by filling critical product gaps and delivering personalized, high-touch service.

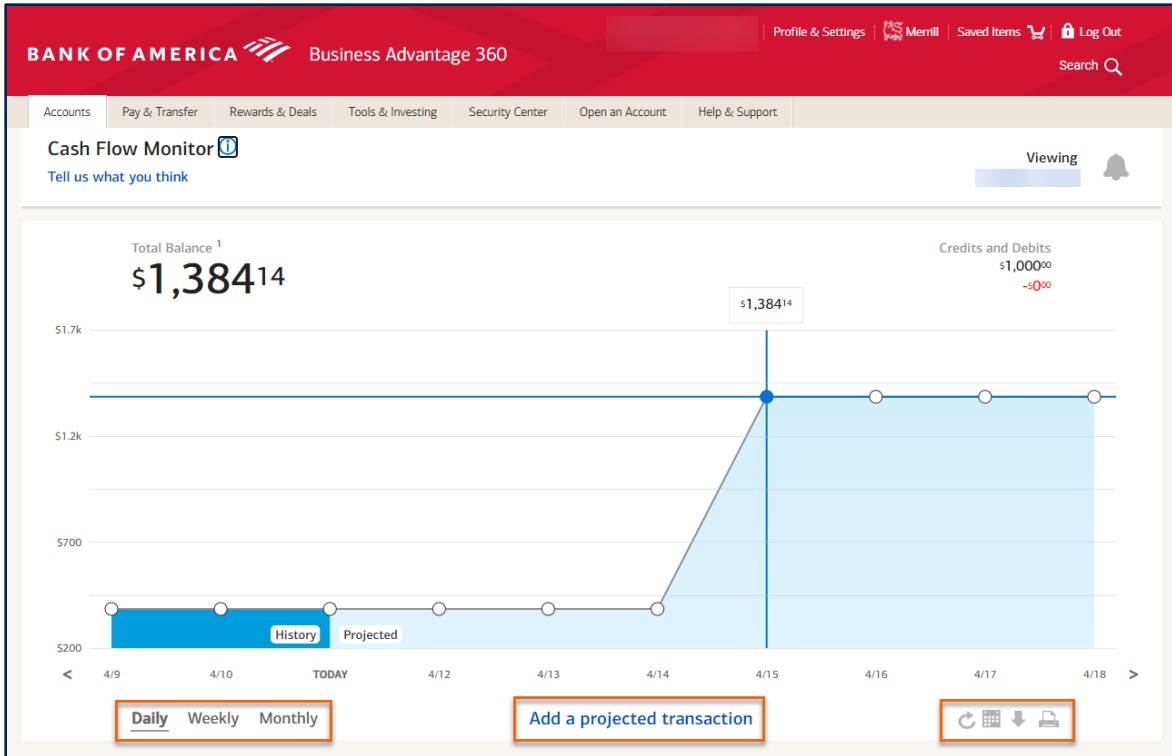
Cash Management: Keeping Pace with Evolving Needs

At the core of every small business banking relationship is the need for efficient, secure and transparent cash management. Our analysis found that the most commonly offered solutions in this category revolved around essential functions like invoicing (73% of providers), fraud prevention (70%), ACH origination (70%) and 360-degree account dashboards (70%).



PayPal Secure Site – Invoicing Tool

While most firms handle the basics of cash management well, we also identified significant whitespace opportunities for banks to introduce more advanced cash management features that can help small businesses automate routine financial tasks and make more informed decisions. For example, only 7% of the providers we evaluated offered an interactive cash flow calendar that helps businesses project and manage liquidity over time. Likewise, only 7% of providers offered digital tools for comparing vendor costs and optimizing purchasing decisions.



Bank of America Secure Site – Cash Flow Monitor Tool

Global Banking: Breaking Down Borders

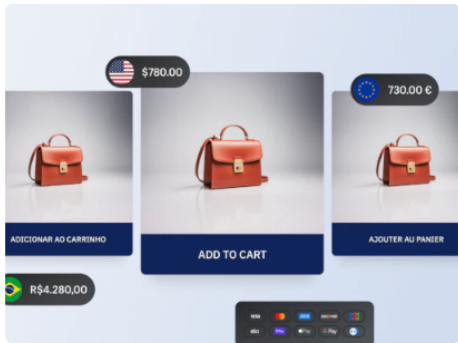
As more small businesses expand their footprint overseas, they need banking partners that can help them navigate the complexities of global finance. Our research found that cross-border payments (offered by 53% of providers), multi-currency accounts (43%) and foreign exchange services (27%) have become table stakes in this category.

Our research shows that fintechs are pulling ahead of traditional banks here by offering more innovative and integrated global banking solutions. For example, Shopify provides users with a "global snapshot" that shows a unified view of their international sales, expenses, taxes and regulations across multiple markets. Stripe goes a step further by offering an AI-powered "Atlas" platform that automates company incorporation, tax registration and bank account set-up in foreign countries.

INTERNATIONAL COMMERCE PLATFORM

Create a world of opportunity from a single store

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Access new buyers around the world with features that improve SEO and boost traffic.

Increase cross-border conversions

Drive more sales by tailoring high-converting shopping experiences for each market.

Run it all from one place

Control and optimize regional storefronts from a single store and back office.

Shopify Public Site – Global E-Commerce Offerings Information

To catch up, banks should consider partnering with these leading fintechs or building their own API-driven solutions that help small businesses streamline global expense management, optimize cross-border pricing and localize digital storefronts for international audiences. Providing access to a network of on-the-ground experts and advisors in key growth markets could be another differentiator.

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Stripe Public Site – Atlas Information

Investing: Small Business Owners Grow Their Wealth

While many banks offer wealth management and investing services to their retail and high-net-worth customers, very few actively market these capabilities to small business clients. Only 33% of providers we evaluated promoted any type of small business investing solution on their website.

This represents a missed opportunity, as many small business owners view their company and personal finances as inextricably linked. By offering integrated investing solutions, banks can help these clients put excess cash to work, plan for long-term goals and build a more resilient financial future.

Some of the most promising offerings we identified in this category include:

- Automated investment accounts that use algorithms to build and maintain diversified portfolios aligned with the client's goals and risk profile (offered by 23% of providers)
- Virtual investment coaching that pairs clients with remote advisors for personalized guidance and planning (20%)
- Pre-built portfolio templates designed for specific industries, growth stages or liquidity needs (20%)
- Thematic investing options that allow clients to easily align their investments with their values, such as ESG or small business-focused funds (10%)

To bring these capabilities to life, banks should focus on creating a unified digital experience that allows small business owners to view and manage all of their finances in one place. This could include features like a 360-degree dashboard, automated cash sweep rules, and AI-powered insights and recommendations.

E-Commerce: Powering Omnichannel Sales


E-commerce has become a critical growth driver for businesses, with online sales expected to reach **over \$750 billion in the U.S. by 2024**. Our research found that banks are playing catch-up to fintechs and merchant services providers in this category, with only a handful offering robust e-commerce enablement solutions to small business clients.

The most common e-commerce features offered by traditional banks include online storefront builders (20% of providers), shopping cart integrations (17%) and digital invoicing tools (13%). In contrast, leading fintechs like Shopify and Stripe provide end-to-end platforms that handle everything from website hosting and payment processing to inventory and order management.

To better serve the needs of omnichannel sellers, banks should consider partnering with leading e-commerce platforms. This would allow them to offer a more seamless, integrated experience for clients while also capturing a greater share of their transaction volume and merchant services revenue.

Another opportunity is to provide value-added services that help small businesses optimize their online sales strategy, such as:

- AI-powered analytics that surface insights around top-selling products, customer lifetime value, cart abandonment rates, etc.
- Tactical advice and playbooks for improving e-commerce conversion rates, average order values and repeat purchase rates
- Access to exclusive discounts or integrations with leading e-commerce tools for email marketing, social media advertising, customer support, etc.
- Revenue-based financing that provides upfront capital in exchange for a percentage of future online sales (currently offered by 3 providers)






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 <p>Payment flexibility² You choose a share of your sales to automatically deduct as payments, so managing your cash flow is easier. Minimum payment required.²</p>	 <p>No surprise fees Don't worry about periodic interest or hidden fees - you pay just one competitively priced fixed fee.</p>	 <p>No credit check Since loans are based on your PayPal account history, there's no credit check or impact on your credit score.</p>
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PayPal Secure Site – PayPal Working Capital (Revenue-Based Financing) Information

Winning with Service and Expertise

Ultimately, small businesses want to work with banking providers that understand their unique needs and can serve as trusted advisors throughout their growth journey. In addition to providing best-in-class digital tools, banks can set themselves apart by combining high-tech capabilities with high-touch service, such as:

- Dedicated relationship managers that provide personalized guidance on cash flow forecasting, risk management, succession planning and other key financial decisions
- Vertical-specific expertise that demonstrates a deep understanding of industry trends, benchmarks and best practices (e.g., SaaS metrics for software startups)
- Ongoing education and networking opportunities like webinars, roundtables and matchmaking events that help small business clients skill up and build valuable connections
- Streamlined account opening and loan application processes that use predictive analytics to fast-track approvals and minimize paperwork
- Proactive, data-driven insights and recommendations that help clients optimize their banking relationship and unlock greater value over time

By combining these high-touch services with robust digital offerings, banks can create a truly differentiated proposition that helps small businesses thrive in an increasingly competitive and complex world.

CONCLUSION

Small businesses represent one of the largest and most dynamic growth opportunities in financial services today. As these businesses become more digitally savvy and globally ambitious, they are seeking banking partners that can provide sophisticated, tailored solutions to help them succeed.

Our competitive analysis shows that, while fintechs may set the pace in terms of product innovation and digital user experience, small and midsize banks have a significant opportunity to win by combining leading technology with personalized, relationship-based service.

To seize this opportunity, banks should focus on four key areas:

1. Cash management essentials like digital invoicing, fraud prevention and intelligent cash flow forecasting
2. Global banking solutions that streamline cross-border payments, FX and localized commerce
3. Integrated investing tools that help small business owners grow and protect their wealth
4. E-commerce enablement platforms that help clients optimize digital sales and customer engagement

By delivering best-in-class capabilities across these areas, and backing them up with deep industry expertise and proactive guidance, banks can become the trusted advisor of choice for small businesses looking to thrive in an increasingly complex and competitive world.



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