



# Digital Banking Access & Enablement for Small Businesses

## 6 Essential Digital Service Offerings

While digital transformation has been at the forefront of banking agendas for some time, recent events have amplified and accelerated the need for digital services, especially among small businesses.



## One Size Does Not Fit All

Many smaller businesses are under-served by their banking partners. As a result, small businesses are increasingly turning to larger banks, with more robust digital capabilities, or to emerging fintech challengers with more compelling value propositions. Many banks have made the mistake of believing their small business clients would not need or value more sophisticated digital services, including cash and liquidity management, which too often finds them offering simple, one-size-fits-all, retail banking solutions that fail to meet the needs of many business clients.

At the same time, many small businesses appreciate the personalized customer engagement they receive from smaller banks. Banks of all sizes can respond to the needs of these businesses – and capitalize on the revenue opportunity – by delivering more sophisticated digital banking services in a form that’s affordable and accessible to small businesses. This effort begins with education about the direction and future of digital banking, payments and cash management, which is even more critical at this challenging time for small businesses.

**“Aite Group estimates at least 35% to 40% of small businesses either continue to be served on consumer or consumer-like banking platforms or are camouflaged as consumers.”**

*Aite Group: The Higher Urgency for Small-Business  
Receivables Tools in the Wake of COVID-19 APRIL 2020*





## Refocus on Digital Banking

First, many small businesses are either unaware of or misunderstand many electronic payment types, nor do they know the difference among options - nor should they have to. Banks need to make this simple. And it goes beyond payments. Banks in general have not been effective at providing or educating their business customers about digital tools that can help them run the financial end of their business in a way that highlights the efficiency, cost effectiveness, convenience and security essential to their growth. It starts with efforts to go paperless.

For example, even though many businesses continue to rely on paper checks, that volume is slowing down and the demand for electronic payments is increasing – there were 6.4 billion payments on the ACH Network in the first quarter of 2020, an increase of 423 million from the same time in 2019. And in the same first quarter, B2B payments increased 11.7% with 1 billion transactions and Direct Deposits totaled 1.9 billion payments, an increase of nearly 4%.

To sustain, support and fuel the growth of small business and micro customers, banks should consider many digital banking solutions used by their larger corporate customers while adopting new, relationship management strategies.

**“...even though many businesses continue to rely on paper checks, that volume is slowing down and the demand for electronic payments is increasing...”**





**Here are six essential digital service offerings that all banks should be more aggressive to adopt to preserve and grow small business customer relationships.**

It's an essential service approach that also starts to treat your small business customers more like the substantial business entities they are.



# 1

## Digital Banking Account Opening and Onboarding



Opening a new account is often the first experience a business user has with their commercial bank, but visiting a bank branch is now less of an option. With business liquidity needs, and subsequent loan activity, at an all-time high, digital account opening and onboarding solutions are vital to let businesses open new accounts in real-time, in a single session, on any device. This improves customer experiences by streamlining onboarding workflows. Marketing tools and predictive analytics can identify growth opportunities and can increase the performance and value of this digitally enabled channel.

Your experience should allow customers to quickly and securely fund newly opened accounts, digitally sign agreements and disclosures, and seamlessly integrate into core and online banking platforms.

The experience should include identity verification and funding authentication to protect against fraud, including government and credit bureau data, email history, geo location, device identity, social media and more.



# 2

## Simplified and Efficient Payments



Once a business has been set up with an account, it's essential to optimize digital payments and cash management interactions. The electronic payments typically used by larger businesses, including ACH, Wires, and Real-Time Payments are likely appealing, as they essentially provide the ability to manage and pay business expenses electronically. If your small business customers have been using consumer accounts to accomplish the same thing, transitioning to a more robust digital payments platform can provide improved fiscal separation, accuracy, efficiency and control:

- Using simple and intuitive digital functionality to pay vendors, suppliers and employees and collect from customers
- Avoiding frequent branch trips by processing mobile check deposits and domestic Wires online
- Improving employee productivity by reducing time spent to prepare checks and associated check stubs
- Scheduling transfers
- Utilizing simple control features such as dual approval options and transaction limits
- Efficient cash flow control:
  - Making real time payments at the moment in time that best balances keeping funds on hand and taking discounts on invoices
  - Getting paid faster via real-time payments by utilizing instant request-for-payment



# 3

## Liquidity Visibility & Cash Management



In times of crisis many small businesses struggle simply to maintain business. As a banking partner, however, you can be essential to their surviving an economic crisis, especially when it comes to collecting and managing cash. Cash is critical for any business, but especially during a downturn.

- Having increased control over payment settlement date and cash flow
- Delivering automated cash flow forecasts through a single view of accounts, transactions, payables and receivables
- Improving receivables and cash flow with tools to collect quickly and more effectively, automatically send reminders to customers as due dates approach, and to view the real-time status of invoices

Next-generation cash flow forecasting capabilities, with embedded analytics and machine learning, represent an opportunity to not only help smaller and middle-market customers overcome huge challenges, but also to deepen your relationships and deposits with them.

**“A small business’s ability to get paid faster is critical to its capacity to maintain and grow its business. For some in the current environment, it is essential to staying afloat and gaining access to much-needed cash at a time when most businesses are struggling with significantly lower-than-normal revenue.”**

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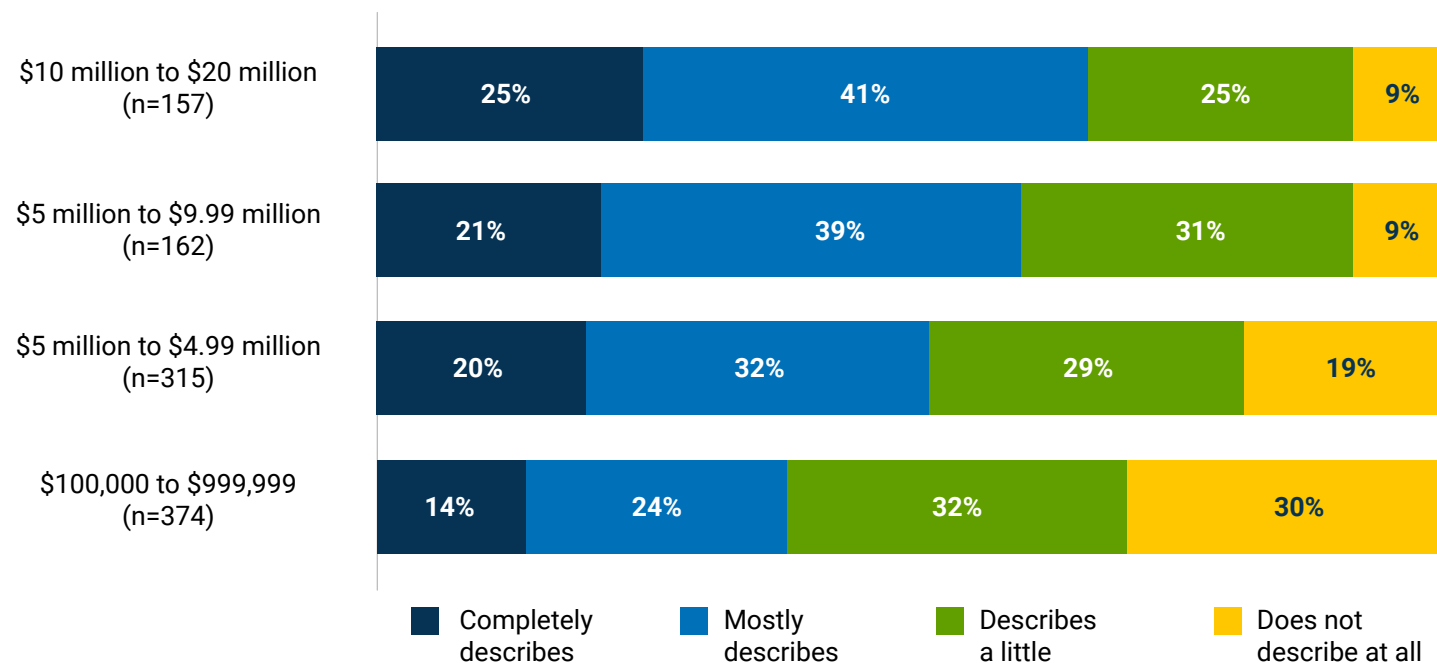


## Greater Urgency for Small-Business Receivables Tools

While most banks recognize the value of offering receivables management tools to their small-business customers, most have moved far too slowly to roll out the capabilities. Aite Group estimates only about 10% of banks offer receivables capabilities to their small-business customers. But clearly, businesses are willing to pay for these.

### Q: How well does the following describe your business's point of view?

My business is willing to pay for products and services that enable it to more quickly collect on outstanding receivables and money that is owed to it. (Responses by revenue in US\$)



Source: Aite Group's survey of 1,008 U.S.-based small businesses, July 2019

# 4

## Protect and Secure your Digital Channels



As payment fraud attempts grow in frequency and severity, strong security for the digital banking channel is essential - you have to be proactive in helping your business customers identify unusual or suspicious payments.

But a secure payment solution also needs to introduce fraud controls without damaging the customer experience. It needs to lock out payment fraud while maintaining a positive customer experience, and it has to factor in the risk context for any payment account or transaction.

A simple way to start is with the essentials, such as monitoring ACH and wire payments with a few simple rules, such as tracking new payees and users or duplicate payments. Once implemented, you can expand to more rules and payment types, and introduce a compliance module to meet regulatory needs, user behavior analytics to identify and stop anomalous user activity including insider fraud, and enterprise case management to investigate alerts and adjudicate transactions for financial crimes.

Ultimately, higher payment fraud detection accuracy means less customer friction, lower cost of ownership and fewer losses.

And don't forget - a more robust payments and cash management platform will also give businesses a chance to mitigate fraud risk through processes like positive pay and dual approval for payments.



# 5

## Mobile Banking



By some estimates, more than 80% of U.S. banks offer their small-business customers consumer mobile banking capabilities. While that may be a good solution for simple consumer banking transactions, these limited capabilities fail to effectively meet business needs and expectations. Many business customers using consumer capabilities will inevitably find those capabilities lacking and they will grow frustrated.

What small businesses want are mobile banking offerings that are feature-rich, user-friendly, and contain payment options that are appropriate for business.

Mobile banking capabilities are important even if the small business is not yet using it. Aite Group estimates that an estimated 26% of small businesses generating between US\$100,000 and US\$20 million in annual revenue bank via a mobile device. An additional 33% definitely or probably would use mobile banking over the next 18 to 24 months if their primary bank offers it. Among millennial-run businesses, the percentage using mobile banking is even higher, with 31% already using it, compared to just 19% of small businesses run by baby boomers.

Mobile devices (especially smartphones) are the preferred channel for receiving account notifications and alerts from their banking partners for 40% of small businesses, according to an Aite Group survey.

And with new concerns about visiting local bank branches in person and increasing use of services like mobile deposit capture, clearly the mobile channel will continue to grow in importance for small businesses.

# 6

## Customer Insights and Relationship Management



90% of commercial banking customers believe their bank should know their business. Yet only 39% believe their bank actually does understand their business. That's the conundrum facing many banks. Some will be able to reverse this trend, and they'll do this by using superior data and analytics capabilities to build deeper and broader customer relationships.

Not only that, marketing and account management priorities are shifting. While account based offers and next best product are still important, banks need to stabilize and retain customer relationships and proactively identify a customer's financial needs when possible.

To understand the dynamically changing mix of retention risks and growth opportunities, you need to leverage rich data sets and predictive analytics to deliver actionable insights and prescriptive next-action recommendations. These can then be used by your relationship managers and bank leadership so they can become "trusted advisors" and deliver on the promise of relationship banking in the digital domain.

By unifying client data and leveraging applied AI and machine learning capabilities, bankers can work more productively and intelligently by targeting the highest-yielding opportunities to retain and grow profitable relationships.

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## Want to learn more and help small businesses?

For more information contact your Customer Success Manager  
or email [info@bottomline.com](mailto:info@bottomline.com)

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