

strategies for growing your business banking portfolio

jack henry™



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the new name of the game

Focusing on your business banking portfolio by improving digital experiences can help increase vital noninterest income, ensuring much-needed stability and much-desired growth. Because of the shift toward digital banking – combined with the increasing expectations of businesses for personalized and efficient services – your organization has a unique opportunity to reshape your business banking strategies in a big way.

Key strategies in the business banking area include:

- 1. Digital Origination:** Streamlining the process for deposits and loans.
- 2. Digital Banking:** Enhancing cash and treasury management services.
- 3. Digital Payments:** Modernizing commercial payment systems.

In this eBook, we'll explore the size and scope of the business banking opportunity, why it's a priority, and strategies for implementing effective solutions to grow your business client base.



why businesses need you

Businesses rely on community and regional banks and credit unions for personalized financial services that larger institutions often cannot provide. Local financial institutions understand the unique needs of their communities, offering tailored products, flexible lending options, and a relationship-driven approach that fosters trust. And this local knowledge and personalized service can be crucial for small- to medium-sized businesses (SMBs), in particular.

When it comes to SMBs, we all know they're the backbone of the economy – making up more than 99% of all businesses in the United States.¹

Yet, many small businesses struggle to find the financial support they need.

And while big banks have traditionally dominated the SMB banking sector – leveraging their extensive resources – according to a report by BAI, **nearly 60% of SMBs are unhappy with their current banking providers.²** This is largely due to a lack of personalized services and slow response times.

In the meantime, research from the American Customer Satisfaction Index (ACSI) confirms that businesses report higher satisfaction levels when banking with community or regional banks and credit unions compared to those large national banks. The data indicates that regional and community banks score higher in various customer experience benchmarks, like courtesy and helpfulness of staff, quality and reliability of mobile apps, and ease of transactions.³

As a professional in the community and regional banking services industry, you know your organization is better situated to serve businesses than the big banks.

You know you can win on personalized service, reasonable fees, and local decision-making.

On top of that, you're known for your accountholder-centric approach. You understand your accountholders' financial needs better because of your local focus. And because you focus on your communities, money stays in your local economy.

The bottom line is that the dissatisfaction with big banks signals a clear opportunity for your financial institution to differentiate itself by offering superior commercial and small business banking solutions.



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why you need businesses

The unmet financial needs of business owners represents a substantial opportunity for banks and credit unions.

By addressing these needs, community and regional financial institutions can tap into a lucrative market segment that is eager for better service and support. Research indicates that regional and community banks with larger SMB portfolios tend to generate more revenue and enjoy higher profitability.⁴ This is attributed to several factors, including the efficiency of handling larger loan sizes, which spreads the fixed overhead costs of underwriting across a broader revenue base.

One easy example: it costs nearly the same to process a \$250,000 loan as it does a \$5 million loan, but because of thin margins and high origination and maintenance costs, the \$5 million loan has **20 times the revenue base** of the \$250,000 loan.⁵

Moreover, larger commercial loans typically involve businesses with better credit quality, which reduces your overall risk.

Businesses that qualify for larger loans often have a more established track record, better liquidity, and more diversified management, making them more resilient to economic downturns.⁶ Additionally, these businesses often require a broader range of banking services, which means opportunities for cross-selling and potentially increasing your revenue from fee-based services.

prioritizing business banking

Where Does It Fit in Your Priorities?

For community and regional financial institutions, the need to acquire and grow commercial customers is not just a strategic choice, but a necessity if you're looking for a stable way to diversify and generate more revenue.

The economic activity of the last few years highlighted the resilience of small businesses and their critical role in economic recovery. As businesses seek more personalized and responsive banking solutions, there is a significant opportunity for regional and community financial institutions to fill the gap left by big banks.

The time to address (and capitalize on) those business banking needs is now.

As not just big banks but also digital-only banks and fintech companies continue to attract commercial clients with innovative solutions, traditional banks and credit unions need to act swiftly to retain and grow their business client base. The shift toward digital banking has accelerated, with many businesses preferring online and mobile banking options over traditional branch visits.⁷

Focusing on a business banking strategy offers both immediate and long-term benefits.

In the short term, improved services and digital solutions can enhance accountholder satisfaction and retention. In the long term, a strong reputation as a business-friendly financial institution can lead to increased market share and profitability.



The time to address (and capitalize on) those business banking needs is now.

the growing importance of digital in banking

Digital platforms have become a cornerstone of modern financial services.

Small businesses increasingly prefer digital interactions over traditional branch visits. A survey by Deloitte found that 71% of small businesses use online banking services regularly, and 56% are open to switching to a bank with better digital offerings. This trend underscores the importance of investing in robust digital platforms that can meet the evolving needs of small business clients.

Let's look at the numbers another way: according to a report by Accenture, banks and credit unions that transition to innovative business models, combining traditional and digital-only strategies, could boost their annual growth rates by up to 3.8%.⁸



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your strategy: digital origination

Lending

Diversifying lending portfolios as a part of your greater business banking strategy is essential to mitigate risks and capitalize on new opportunities. Here's why:

- **Decreased Lending to SMBs by Big Banks:** Since 2023, big banks have been reducing their lending to SMBs specifically.⁹ This shift opens the door for community and regional banks and credit unions to fill the gap, offering a unique chance to expand their market share in the SMB lending space.
- **Commercial Real Estate (CRE) Challenges:** CRE is still grappling with the aftereffects of the pandemic and the ongoing transition to hybrid work. Soaring delinquencies have plagued financial institutions of all sizes since early 2023, posing a significant threat to their balance sheets. In the U.S., banks own 38% of CRE debt, with regional banks having twice the exposure compared to the top four banks.¹⁰ Diversifying lending portfolios can help mitigate this risk.
- **Shifting Credit Provider Preferences:** According to Datos, 55% of companies are considering changing their primary credit provider within the next 12 to 24 months.¹¹ This presents an opportunity for banks and credit unions to attract new clients by offering competitive lending options.

By diversifying your lending portfolio, your organization can reduce exposure to volatile sectors like CRE, tap into the growing SMB market, and meet the evolving preferences of your business clients.

Digital applications and compliance with new regulations will further support your efforts:

- **Demand for Digital Loan Applications:** Datos also reports that 75% of businesses prefer applying for loans through digital banking applications.¹² Embracing digital origination can not only attract a diverse applicant pool but also speed up the loan approval process, enhancing customer satisfaction.
- **Compliance with Section 1071 of the Dodd-Frank Act:** The implementation of Section 1071 brings significant changes to reporting requirements for small business lending. Understanding upcoming compliance dates and leveraging technology to meet these new obligations for data collection and reporting is critical for financial institutions.

Deposit Account Opening

In response to the bank failures in early 2023, commercial clients are diversifying their deposits across multiple financial institutions to mitigate risk.

This trend presents a unique opportunity for community and regional banks and credit unions to capture larger commercial deposits by offering superior deposit account services. During this time of fierce competition for deposits, securing larger commercial deposits has become a central focus.

By providing a streamlined and attractive deposit account opening experience, your organization can attract and retain these high-value commercial clients. Here's what they're looking for:

- **24/7 Accessibility:** Businesses demand a 24/7 capability to apply for new deposit accounts. A streamlined digital account opening workflow caters to this need, ensuring that commercial clients can open accounts at their convenience without being restricted by traditional branch hours.
- **Efficient Verification and Documentation:** Commercial clients are looking for easy ways to validate their business, upload digital documents, and identify authorized signers. A user-friendly digital platform that facilitates these processes enhances the accountholder experience, making it more likely for businesses to choose – and stay with – your organization.

Capturing and maintaining commercial deposits not only provides a stable source of funds for lending and other investments but also generates fee-based income through account services. As a result, offering a seamless deposit account opening experience can directly contribute to revenue growth.

Explore More Insights

» **Read the Article:** [3 Keys to Winning More SMB Loans](#)

» **Read the Blog Post:** [Small Businesses Lead to Big Deposit Opportunities](#)

your strategy: digital banking

Digital banking is transforming how financial institutions of all sizes interact with accountholders. Let's dive into the key trends and opportunities.

Small Business Banking

Small business banking solutions are essential for banks and credit unions to attract and retain SMBs. Consider these points:

- **67% of SMBs use one of the top six business platforms to manage their finances.**¹³
- **Only \$1 of every \$8 collected through third-party solutions like PayPal, Square, or Venmo ever makes its way back to the primary financial institution.**¹⁴

To retain deposits, boost profitability, and generate new revenue opportunities by capitalizing on this \$370 billion market,¹⁵ banks and credit unions need to offer small business banking solutions that meet SMBs' needs.



Only \$1 of every \$8 collected through third-party solutions like PayPal, Square, or Venmo ever makes its way back to the primary financial institution.



Cash Management

As businesses grow, they need a more robust digital experience. Here's how cash management can play a key role in your business banking strategy:

- **Advanced Technologies:** Businesses need advanced technologies like wires, ACH, Positive Pay, and entitlements and approval engines to streamline their financial operations. These tools provide secure and efficient ways to handle transactions, reduce fraud, and ensure timely payments.
- **Delegation and Control:** Business owners often need to delegate financial tasks to employees while maintaining control over their finances. Entitlements and approval engines allow business owners to set up approval structures that fit their needs, ensuring that all transactions are monitored and approved according to their preferences.

As the demand for advanced digital banking solutions increases, community and regional banks and credit unions that offer robust cash management services can differentiate themselves from competitors – which can attract new commercial clients looking for true financial partners who can support their growth and operational efficiency.

Treasury Management

To further diversify and generate revenue, you could consider enhancing your treasury management capabilities. Offering comprehensive cash and treasury management services can generate significant fee income for your organization. In fact, some estimates indicate an average treasury management customer can generate nearly \$13,000 of fee income annually – while a strong treasury management customer can generate \$300,000 or more per year.¹⁶

Here's why treasury management can be a big part of attracting and retaining commercial clients:

- **Complex Financial Needs:** Larger businesses with complex financial structures need advanced treasury management services to support their operations. By bolstering treasury management capabilities, you can win and retain these corporate customers who need tailored solutions for their sophisticated financial needs.
- **Enhanced Reporting and Real-Time Data:** According to the Accenture Treasury Management Survey, nearly all business CFOs (99%) desire real-time information to make better business decisions.¹⁷ Offering enhanced reporting and real-time data on cash positions helps businesses manage their finances more effectively and respond quickly to market changes.
- **High-Volume Transaction Experience:** An experience designed for high volumes of transactions is must for large businesses. These clients do not want to be limited by a “one size fits all” solution.

Configurable and scalable treasury management services ensure that businesses can efficiently handle their transaction volumes without compromising on service quality.

By investing in and enhancing treasury management services, community and regional banks and credit unions can attract and retain large commercial clients, diversify service offerings, and generate additional revenue. This strategy not only supports the financial growth of business clients but can also bolster your organization's market position and long-term stability.

Explore More Insights

» **Read the Article:** [Revolutionizing Profitability](#)

» **Read the Article:** [Diversifying Your Commercial Portfolio](#)



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your strategy: digital payments

Commercial payments are a significant revenue stream, accounting for 35% of total payments revenue – and growing faster than consumer payments, driven by merchant services and commercial cards.¹⁸

By 2028, U.S. businesses are expected to shift between \$19 trillion and \$37 trillion from checks and ACH to real-time payment rails.¹⁹ This massive transition highlights the demand for cutting-edge payment methods. Commercial businesses and SMBs are looking for fast, secure, error-free, easy ways to transact with their customers – and as their primary financial institution, you could be their one-stop shop.

Implementing or improving your digital payments strategy with comprehensive solutions that meet business owners' needs will go a long way in attracting and retaining these valuable accountholders. What they want from you is:

- **Automation:** The interest in payments automation tools is at an all-time high. According to Datos, 35% of mid-sized to large businesses already use automated receivables software, and 57% are interested in adopting these solutions. Similarly, 28% of businesses use automated payables software, with 60% showing interest. Over 60% of businesses



without these solutions plan to implement them in the next 12 to 24 months.²⁰ Offering robust automation tools can set you apart and attract these tech-savvy clients.

- **Payments, Simplified:** One of the biggest pain points for businesses is dealing with multiple payment vendors. This inefficiency leads to data entry in multiple places, managing risks across different platforms, and fragmented communication. By consolidating payment vendors, you can simplify the process, making it easier for businesses to pull marketing data, educate users, and manage their payments efficiently.
- **Real-Time Payments:** Real-time payments are becoming increasingly valued by businesses, not just for urgent transactions but for providing a better customer experience. In fact, 80% of businesses now value real-time payments for their improved user experience, double the number from 2021.²¹
- **More Than Just a Payments Rail:** Addressing the pain points of businesses can further enhance your appeal. Businesses often cite weak fraud prevention, lack of value-added services, difficulty in adding new payment methods or currencies, payment errors, high costs, and slow transaction speeds as major issues with their current payment providers. By tackling these challenges head-on, you can position yourself as a reliable partner – not just a vendor – for commercial clients.

Investing in digital payment technologies and offering comprehensive, integrated solutions will help you attract and retain commercial clients.

By becoming their go-to financial institution for all their payment needs, you'll not only enhance the accountholder experience for your clients and the customer experience for their customers, but you'll also drive your own growth and success in a competitive market.

Explore More Insights

» **Watch the Webinar:** [Uncomplicating Commercial Payments](#)

» **Watch the Webinar:** [The Future of Business Payments](#)



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start strategizing

By focusing on business banking solutions, you can unlock new revenue streams and strengthen your position in the competitive financial landscape.

When you adopt a proactive approach and leverage the latest technology, your organization can become the go-to choice for businesses of all sizes, driving both profitability and growth.

dive deeper

[Find more strategies](#) for competing (and winning) in the digital ecosystem of business banking.

For more information about Jack Henry, visit jackhenry.com.

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