the business of business banking: why one size doesn't fit all

Diversify Revenue by Finding the Right Balance

You can't be all things to all people.

More and more banks are finding the truth in this phrase as they seek to make up for the shortfall in net interest income by focusing their efforts on expanding business service offerings.

While a unified digital banking platform may work well for retail consumers, the diverse needs of businesses call for a more tailored approach. Attempting to force different businesses into a single digital experience could hinder, rather than enhance, their financial operations.

finding the right balance

The balance lies in understanding your market and differentiating your business banking strategy.

For banks looking to diversify revenue and attract a range of businesses, having the flexibility to tailor your offerings to meet the distinct needs of various business segments is key. For example, solopreneurs may prefer free digital tools while small- to medium-sized businesses (SMBs) are looking for scalable technology and larger enterprises need a robust user experience with advanced treasury management capabilities.

To get started on creating the business banking program your customers need, it's important to first evaluate whether you have the right tools to serve each business segment effectively.

targeting niche markets

Solopreneurs, Gig Economy Workers, and Early-Stage Startups

For these small- and micro-businesses, separating personal funds from business finances is paramount. Far from needing complex financial tools and feature-heavy interfaces, this segment prefers free or low-cost tools that provide digital financial services that are just one step up from their retail banking – things like invoicing and payment acceptance.

Pain points include:[1]

- Lack of available capital
- Scaling

SMBs

With several different segments within the SMB audience, this set of businesses benefit from scalable digital technology that starts with the consumer-like interface they are comfortable with, but also has the option to scale up in terms of functionality. This audience may grow into needing basic payroll services, fraud prevention (positive pay) services, and occasional wire transfers.

Pain points include:[2]

- Lack of available capital
- Accounts receivable and collections
- Receiving late payments

Commercial Enterprises

With more complex financial needs, these businesses regularly need a more robust user experience, something that is purpose-driven or role-based. This experience and supporting services would include reporting, and tools like lockbox, a full suite of ACH capabilities, and full positive pay for ACH and checks. Because they're likely using

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a general ledger or specialized accounting software, they need easy integrations between their digital banking and their business operations solutions and the ability to transfer data and files (such as bulk wire files) to avoid manual reentry and speed reconciliation.

Pain points include:[3]

- Resource/infrastructure limitations
- Operational efficiency
- Scalable pricing and profitability

matching the right service offering to the right market

Expectations are different across the user spectrum.

That's why it's important to match the right service offering to the right market. Digital banking tools that can scale as your customers' businesses grow can take them a long way through their journey. It's perfect for micro-businesses right up through most SMBs. On the other hand, true treasury management capabilities are needed for those businesses with complex financial needs.

A less complex cash management system could frustrate larger commercial customers, validating the belief that community banks can't handle their needs. But using a treasury management system for all businesses could frustrate smaller business owners, who are passionate about executing on their business idea, not about learning the ins and outs of financial accounting.

So, how do you know which direction to go in?

Well, there's no one answer that's right for every bank.

If you're aiming to grow your C&I portfolio to offset higher concentrations of CRE or residential lending portfolios, you'll likely find that the businesses you want to attract will desire treasury management functionality. But if you're focused on serving micro-businesses and the storefronts along Main Street, there's a good chance that you'll be safe with a single cash management platform.

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how Jack Henry™ can help

With Banno Business™, you can flip a switch and have your back-office support staff able to offer business-centric features like authenticated chat (through Banno Conversations™), ACH payments, wire transfers, and Check Positive Pay – giving businesses the powerful tools they need to manage business banking accounts through a familiar digital interface. What's more is that features can be added as the business grows. When new employees come on board, business owners have the authority to add new digital banking users and grant them access to the financial management features they need to perform their jobs – making the management of entitlements easy and efficient for SMB owners.

When you work with JHA Treasury Management™, you can help businesses manage their cash position and liquidity more effectively. Through JHA Treasury Management's differentiating features like cash concentration and disbursement (one-to-many and many-to-one), check fraud detection and prevention, detailed reporting, and comprehensive dashboards, businesses gain a complete picture of their entire financial position.

becoming a true partner

There's no one-size-fits-all approach in the business of business banking. When you take the time to understand your target audience and tailor your offerings accordingly, you'll not only be meeting the diverse needs of your customers – but you'll be positioning yourself as an indispensable partner in their growth journeys.

connecting possibilities

Learn more about Jack Henry's business banking solutions so you can start targeting the right markets today.

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

sources

1. *What Are the Pain Points of Startups? How Can They Resolve It?* Nintriva, accessed December 1, 2023.

2. *Survey | 2023 NSBA Economic Report*, National Small Business Association, accessed December 1, 2023.

3. *Overcoming the 7 Common Pain Points for Scaling Your Service-Based Business*, Coraggio, accessed December 1, 2023.