

# a best-practice guide to finding and converting consumer accounts being used as business accounts

At Jack Henry™, we believe strongly in helping community and regional banks and credit unions break down barriers to financial health by helping small- to medium-sized businesses (SMBs) grow.

This article demonstrates how financial institutions like yours can find and convert small business accounts and micro-business accounts masquerading as retail accounts.

Uncovering these accounts and partnering with them to facilitate their success results in a win-win-win for the accountholders, the financial institution, and the local community.

## first, you have to find them

To convert retail accounts that are being used as business accounts, you need to:

- Mine your data to find them.
- Market your benefits to your accountholders.
- Make sure you have a comprehensive technology ecosystem and service offering that helps attract, open, engage, and protect SMB accounts.



## Effective Use of Data

First, you'll need to identify the indicators in your data that someone has a side hustle or is using their personal account to run a small business.

Micro-businesses don't typically fund themselves using credits cards, so this data project should focus on deposit and payment patterns in checking and savings accounts. Activity in these accounts can be scored quickly on a variety of layered indicators on the account.

The score then forms the basis of prioritizing them to market them to convert to a business account, with a focus on the benefits of converting.

Deposit Patterns	Payment Patterns
<b>High-Frequency Deposits:</b> A typical personal account usually has just a few deposits, with many debits for everyday shopping. However, if an account shows a consistent pattern of deposits beyond regular payroll, it's a strong sign they might be running a business. You can use algorithms to flag accounts that frequently exceed the average consumer's mobile deposit activity.	<b>Supplier Payments:</b> You can create search logic to explore your data for business-related payments. Look for payments to wholesale suppliers or recurring business subscriptions. Examples include bookkeeping software, web hosting services, or creative service providers.
<b>Gig Economy Deposits:</b> Look for recurring deposits from well-known gig-economy platforms. Names like Etsy, Amazon, Shopify, Uber, or DoorDash are clear indicators that an individual is earning income through these channels.	<b>Supplier Payments:</b> You can create search logic to explore your data for business-related payments. Look for payments to wholesale suppliers or recurring business subscriptions. Examples include bookkeeping software, web hosting services, or creative service providers.
<b>Merchant App Deposits:</b> Another obvious signal comes from merchant-type app deposits. This includes frequent or recurring payments received from payment fintech companies, suggesting business-related transactions.	<b>Marketing Expenses:</b> Payments for marketing are another strong indicator. This could include regular debits to platforms like Facebook, Google Ads, or other digital marketing services.



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Deposit Patterns	Payment Patterns
<b>Frequent Check Deposits:</b> The frequency of check deposits can also be a giveaway. The average personal account sees roughly two checks deposited per year – often around holidays or birthdays. Anything recurring above that threshold likely points to business payment activity.	<b>High-Frequency Travel:</b> Recurring travel expenses can also signal business expenditure. Most individuals aren't incurring monthly (or more frequent) airfare or hotel costs. Someone regularly traveling for work is likely managing business finances.
	<b>Supplier Payments:</b> While an obvious one, payroll debits may not be as common among very small SMBs. Most micro-businesses won't have this, so it might not yield as many results.

# what's in it for your financial institution ... why do this?

Identifying these covert SMB accounts and cross-selling them on converting to or opening a business account with a business debit and/or credit card offers a significant revenue-enhancing opportunity. It also offers a win-win as your financial institution can partner with the small proprietor to help them grow and succeed together over the long-term.

Initially the benefit comes through the better interchange rates on business debit card or credit card swipes than consumer debit swipes, resulting in immediate revenue enhancement for your financial institution.

Furthermore, as a general observation business accounts can be monetized easier than consumer accounts. Consumers want everything for free and are highly fee resistant. However, if you can show potential business account holders the value of additional features or services, they are often more willing to pay for them.

## The Size of the Side Hustle Opportunity

It's hard to overstate the size of the SMB opportunity.

Even if you just consider your friends, family, co-workers, and all their kids, you probably know several that are running some sort of



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side hustle or micro-business. Many of those businesses are quietly run through basic consumer accounts without their financial institution even knowing.

Especially younger generations have a tendency to try to effectively monetize their hobbies. This is especially true among Gen Z. They just have the mindset that if they like doing it, maybe they can monetize it.

The rise of the side hustle is clearly reflected in the overall size of the SMB sector, and thus, the growth and revenue opportunities for your financial institution. To start, there are 34.8 million small businesses in America, representing 99.9% of all businesses.<sup>1</sup>

Moreover, SMBs employ around 46% of the total American workforce.<sup>2</sup> From a revenue perspective, the potential opportunity from SMBs for financial institutions is about \$130 billion, including cards.<sup>3</sup> Importantly, a small business' average daily cash balance is estimated to be \$13,900, compared to consumers' median checking account balance of \$3,000.<sup>4</sup>

With many of these smaller businesses running their finances through their personal accounts, not addressing this opportunity is leaving revenue and growth on the table.

Furthermore, you may be missing an opportunity to support and grow those small businesses in a way that means everyone wins, the smaller business, your financial institution, and the wider community you serve.

## what's in it for your accountholders? making the case

We believe community and regional banks and credit unions can play a key role in breaking down barriers to financial health by helping SMBs grow – and that this is a win-win-win for you, the businesses you want to serve more effectively, and your community.



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**Source: Celent**

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## Guidance, Advice, and Service

Building an SMB-focused service proposition starts with making it as simple as possible for them, starting with providing guidance and advice the likes of which they would never be able to access with a payments app.

If you have a friendly business expert who will pick up the phone inside three rings and answer the business's questions, you are already a step ahead of fintech competitors in attracting or converting SMB accounts.

SMBs come in all shapes and sizes, from the solopreneur to multiple-employees, to multi-location franchises. But if you catch them early and enable them to grow and achieve their dreams, you will win with them for the long term.

Consider what a successful Midwestern bank shared with us: "We aim to truly support SMBs, enabling their long-term growth. For instance, if we can help a 25-year-old Gen Z solopreneur with a brilliant idea, and over 20 years watch them grow into a large, complex commercial accountholder with dozens or even hundreds of employees – often including family and their wider network – it means those employees and connections become accountholders too. That's a triple win for us, the business owner, and our community."

## Service Elements Beyond the Call Center

A best-practice approach to serving SMBs goes far beyond simply offering accounts and advice. It rests on employing a range of technology solutions that let you provide the very things small businesses say they need to manage their operations effectively.

For example, these businesses need robust cash management and forecasting solutions that include invoicing and accounting tools. They're also actively looking for payroll and timekeeping management services, often alongside early wage access. You can make all of this possible by integrating with trusted third-party solutions in these areas.

Many SMB owners are also looking for a seamless experience when they open a business account – specifically, digitally native, self-enrollment "open anywhere" platforms. They want convenience and speed.

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Offering such a comprehensive package will clearly show business owners the immense value of moving their operations to a dedicated business account with your financial institution.

## serving SMBs well is a win-win-win

So, a whirlwind tour of finding and converting SMBs operating using consumer accounts, with the ultimate mission of breaking down barriers to financial health by helping SMBs grow.

This is a win-win-win for your accountholders, your institution, and your wider community.

Delivering all this requires a well-rounded comprehensive tech ecosystem built to address SMB needs. Want to know more about how to attract and serve SMB accounts and the size of the opportunity? Read a detailed article that outlines the enormous potential of the SMB segment, alongside a deeper look at creating an SMB account ecosystem to serve this segment well.

## create your SMB growth strategy

Want to know more about attracting and serving SMB accounts? [Learn how](#) to build a thriving SMB account ecosystem.

For more information about Jack Henry, visit [jackhenry.com](https://jackhenry.com).



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### sources

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