



Small Business, Big Opportunity

Examining the Market Demand
For Business Online Bill Pay

Contents

Introduction.....	3
Study Results.....	5
Study Implications.....	6
Summary.....	7
Addendum: Study Methodology.....	7
Accreditation.....	8

Introduction

- How well are you meeting the needs of your small business customers?
- Are they considering leaving your financial institution?
- Is there an emerging opportunity that you're missing right now?

Those are difficult questions, but they're necessary ones. Today's marketplace is considerably more turbulent and competitive for financial institutions. It has become essential to truly understand the current needs of your small business customers in order to help secure your relationship with them.

That is precisely why this research study was conducted with small business owners, and it provided an extremely important revelation. The study identified a highly valuable and under served target market for financial institutions.

The small business owners in this target came from many industries and areas, but all have bill payment needs that are far more sophisticated than the payment method they are using now. Typically, these businesses have two to four employees, and their annual revenue is in the \$500k to \$999k range. Many use a business checking account for bill payments, and are actively seeking a better method.

To pinpoint this opportunity for financial institutions, the research study focused sharply on the bill payment needs of these small business owners. They shared their challenges, discussed their expectations, and explained what they wanted most from their financial institutions. They also expressed their candid reactions when they were exposed to business online bill pay.

In the end, a **much more clear, current and comprehensive picture** of these highly valuable customers was established.

Business Online Bill Pay At A Glance

This is the online bill pay solution that is designed specifically for the complex needs of small businesses.

Business online bill pay is customizable to meet the demands of today's small business owners. It provides them with more flexibility over payroll, improved cash flow management, and greater control over back office operations.

These are functions that are not served by consumer online bill pay solutions.



Now It's Time To Consider The Key Findings, and The Direct Correlation They Have On Your Institution

You'll see that many small business customers in the target market are ready to adopt business online bill pay now. They want tighter cash flow management, more flexible payroll administration, and greater back office efficiency. These functions are not served by consumer online bill pay solutions. This has generated a substantial demand for online bill payment services specifically designed for the needs of today's small businesses. For institutions that wish to remain competitive in their markets going forward, this demand should not be ignored.

You'll learn that these small business owners are willing to switch institutions to get business online bill pay. For a significant percentage of the target market, the added control and convenience they gain with business online bill pay are the deciding factors. These benefits are substantial enough to motivate them to seek a new institution in their market that offers the service. This presents a genuine risk to any institution that does not currently offer business online bill pay.

You'll learn that many small business customers in the target are willing to pay for business online bill pay. The perceived value of the service is significant enough to make it worth an ongoing investment to these customers. This is a key finding, because it pinpoints business online bill pay as a potential profit center for financial institutions.

The following study covers all of these areas in more detail, with statistical breakdowns that support each finding. The goal is to help your financial institution more fully understand the evolving needs of your small business market, and formulate a plan of action that will help you better serve and retain these highly valuable customers.

Study Results

Today's small business owners are independent, opinionated, and willing to act on their own initiative. So when these individuals were asked what they wanted from their financial institutions, they responded with direct answers. Here is what they told us.

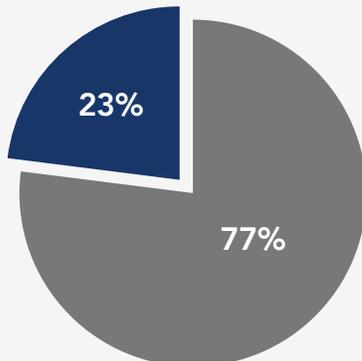
5.9 Million Small Businesses Are A Prime Target For Business Online Bill Pay

Inside the numbers: According to the United States Small Business Administration, Office of Advocacy, there are approximately 25 million small business firms with 50 or fewer employees in the United States.¹ Based upon study findings, this indicates that approximately 5.9 million small businesses have a need for business online bill pay, and the desire to adopt this service now. That represents more than 23 percent of today's small businesses. This is a significant revelation because it highlights how extensive the current market is for business online bill pay. Small business owners who participated in the study demonstrated a clear interest in the functions and overall benefits provided by the service, with many willing to act immediately.

91 Percent Of The Target Are Interested In Acquiring Business Online Bill Pay Right Now

Inside the numbers: These small business owners are ready to take action. After being exposed to business online bill pay, they were able to visualize the role it would play in their day-to-day operations. For financial institutions, this presents an opportunity. Providing these customers with business online bill pay will serve their needs and strengthen their relationships. This is because customers who adopt business online bill pay from a financial institution have a more tangible connection to that institution and more reasons to continue doing business with them.

Today's U.S. Small Business Market



- 23% are ready to adopt business online bill pay

78 Percent Of The Target Are Willing To Switch Institutions To Get Business Online Bill Pay

Inside the numbers: Small business owners are already overburdened with responsibilities, and switching institutions would require additional effort on their part. However, a significant percentage of study participants still would be willing to leave their current financial institution if business online bill pay were available elsewhere. This suggests that the value of business online bill pay is enough to encourage them to make a transition. It also serves as a clarion to institutions that many small business customers would consider a move to another institution.

97 Percent Of the Target Would Think More Favorably Of An Institution That Offered Business Online Bill Pay.

Inside the numbers: The implication of this finding is that offering business online bill pay makes financial institutions more appealing in

the eyes of small business owners. As a result, providing this service can give financial institutions a competitive advantage when they are trying to capture a greater share of their small business market.

72 Percent Of The Target Are Willing To Pay A Fee For Business Online Bill Pay

Inside the numbers: This finding confirms that business online bill pay holds clear value to small business owners, and it represents a potential revenue stream for financial institutions.

¹U.S. Small Business Administration, Office of Advocacy, based on data provided by the U.S. Census Bureau, Statistics of U.S. Businesses.
<http://www.census.gov/epcd/www/smallbus.html>

Study Implications

The market need for business online bill pay is clear. A significant number of small business owners are ready to sign up for the service now. That means it's time to consider how to pinpoint who these small business customers are. This determination can help your institution increase adoption of business online bill pay and establish it as a valuable revenue source.

Target Businesses With Two Or More Employees

The size of the business is a strong indicator in gauging interest in business online bill pay. One-person businesses do not believe they have a need at this point. Much larger businesses frequently have more specialized accounting solutions and dedicated individuals to handle back office financial functions.

Target Businesses With Some Comfort Level Regarding Electronic Financial Transactions

The businesses' current use of accounting software is a strong indicator of receptiveness. Businesses that possess a business checking account already see the benefit of having a separate business account. That means they will be more likely to adopt and utilize business online bill pay.

Remember That The Need Will Grow

The need for business online bill pay will grow as the needs of small businesses grow. A one-person firm that experiences significant growth in employees, responsibilities, and workload can immediately become an optimal candidate for adopting business online bill pay.

Create Awareness And Familiarity Of The Service

Never assume that any small business customer is aware of the full service offerings presented by their financial institution. With this in mind, it is important to alert small business customers to the fact that their institution offers business online bill pay.

Consider Business Online Bill Pay As A Potential Revenue Source

The study confirms that a large number of respondents are willing to pay a monthly fee for business online bill pay. With financial institutions under tighter regulations and increased pressure to find new revenue sources, business online bill pay presents itself as a viable consideration.

Regulation E Reform Drives Financial Institutions To Seek New Profit Areas

On July 1, 2010, the Overdraft Protection Rule was passed under Regulation E. These measures imposed tighter limits on banking fees. As a result, financial institutions are seeking new revenue opportunities. Increasingly, business online bill pay is viewed as a viable option for institutions looking to generate a new source of profits.

The need for business online bill pay will grow as the needs of small businesses grow.

Summary

- The “**Small businesses, big opportunity**” research study demonstrates that an actionable market exists for business online bill pay.
- **78 percent** of the target would be willing to switch institutions in order to acquire this service for their business.
- **91 percent** of the target indicated that they are ready to sign up for business online bill pay now.
- **72 percent** of the target confirmed that they were willing to pay for this service.
- Small businesses will look to their financial institutions to serve their need for business online bill pay.
- The availability of business online bill pay had a direct correlation on the business owners’ opinions of their financial institution.

In order to **secure these valuable customers**, financial institutions need to **offer business online bill pay service** and make customers aware of the **availability of this service**.

Addendum: Study Methodology

The study targeted approximately 300 small businesses. A quantitative online survey was utilized that encompassed approximately 50 questions. The majority of questions were closed-ended. However, participants were also asked open-ended questions to expand upon their answers.

Specifically, The Survey Asked Participants To:

- Describe their current banking and back office procedures
- Share their opinions on their financial institution
- Express attitudes about online banking for small business
- Express their current interest level in the service

In addition, participants were informed that all answers were anonymous and encouraged to be perfectly candid. Participants were also assured that they would not be asked to purchase anything based upon their participation, and that no one would contact them.

The Following Are The Basic Criteria That Were Used to Qualify Study Participants:

- Businesses that had 50 or fewer employees. Larger-sized businesses were ruled out of the study due to the fact that their business needs often require specialized accounting solutions and staffing. Therefore, the study focused on smaller-sized businesses.
- Businesses were located in United States. All study participants were required to have their businesses within the continental United States.
- Participants were not currently using business online bill pay. The study looked to minimize preconceived attitudes and opinions and eliminated anyone who currently uses a business online bill pay service.
- Participants were the final decision makers regarding business banking needs. The study targeted individuals with the authority to make the ultimate financial decisions for their companies.

Accreditation

This research study was conducted and compiled by Jack Henry & Associates, Inc.[®], iPay Solutions' team.

About Jack Henry & Associates, Inc.

Jack Henry & Associates, Inc.[®] (NASDAQ: JKHY) is a leading provider of technology solutions and payment processing services primarily for the financial services industry. Its solutions serve almost 10,900 customers nationwide, and are marketed and supported through three primary brands. **Jack Henry Banking**[®] supports banks ranging from community banks to multi-billion dollar institutions with information processing solutions. **Symitar**[®] is a leading provider of information processing solutions for credit unions of all sizes. **ProfitStars**[®] provides highly specialized products and services that enable financial institutions of every asset size and charter, and diverse corporate entities to mitigate and control risks, optimize revenue and growth opportunities, and contain costs. Additional information is available at www.jackhenry.com.