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What banks can do to retain or bring on startup founders as clients after the SVB debacle

Article

The news: After the collapse of Silicon Valley Bank, startups are reevaluating what they need in a bank, per American Banker. Here we dive into what startups value in their banking

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relationships, and what banks can do if they want to attract or retain startup founders as clients.

Safety and soundness

- Most startups don’t have the capacity to employ a full finance team, so they need to be able to trust deeply in their banking partner. Some startups are now taking a close look at a bank’s balance sheet before working with it and evaluating its strength by asking it to complete various scenario analyses.
- **What banks can do:** Banks that serve startups have to work to rebuild trust, and banks that are now bringing on these clients for the first time must establish trust. They should be open about their balance sheets and willing to discuss contingency plans in case something goes wrong. They must also emphasize their commitment to honest communication.

Venture debt

- Venture debt is an important tool for many startup founders—it allows them to access more money without diluting ownership or putting up collateral. But it’s typically expensive and tough to obtain from most banks.
- **What banks can do:** Banks that have seen an influx of startup clients and wish to retain them should look at how they can adjust their offerings to meet a startup’s needs. Finding a way to offer venture debt at a good value could make a bank stand out from the crowd and cement a permanent partnership.

Bank tech

- Many fintech startups look for banks that include banking-as-a-service (BaaS) as part of their services. Fintechs offering banking services to their clients value a banking partner that makes the process easy. They want a piecemeal approach to BaaS so they can build on their current tech stack and personalize their offerings to meet their clients’ needs.
- **What banks can do:** Banks that offer BaaS should make sure fintechs have flexibility in using various pieces of the technology. They should also understand the fintech’s money-making strategy. For example, some fintechs build their reputations on their fraud and risk management capabilities, so banks must take care not to overstep or insist that they take care of everything.

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Pricing and time to market

- Fintechs intend to build upon the functionality that a BaaS provider offers, so they look for banking partners that price their products fairly and allow them to make a profit.
- They also examine the time it takes to bring an offer from ideation to reality. Most fintechs are burning cash until a product turns profitable, so time to market is vital.
- **What banks can do:** Banks should demonstrate their value proposition from an economics perspective. Lay out a fully thought-out proposal of how the bank's products can enhance a fintech's offer quickly and cost-effectively.

Culture and customer service

- Startups are now hyper-focused on the customer service they get from their banking partners and the compatibility of those partners' culture. They value honest, transparent communication, and they want to trust that their bank will support them in good times and bad.
- **What banks can do:** Banks must engage in clear, frequent communication with their startup customers. To build trust, banks must be willing to have hard conversations even when things are going well, so that in the event of a downward turn, both parties are willing to navigate the issue together.

Personal touch

- Startups were drawn to SVB's startup-focused functionality and its extreme focus on personal service. A personal touch is highly valued by startups because they often experience challenges and hiccups that larger businesses or retail consumers don't.
- **What banks can do:** Banks that are looking to retain their new startup clients will stand out if they take the time to learn about the unique characteristics of these businesses and provide personalized service that they can't get elsewhere.

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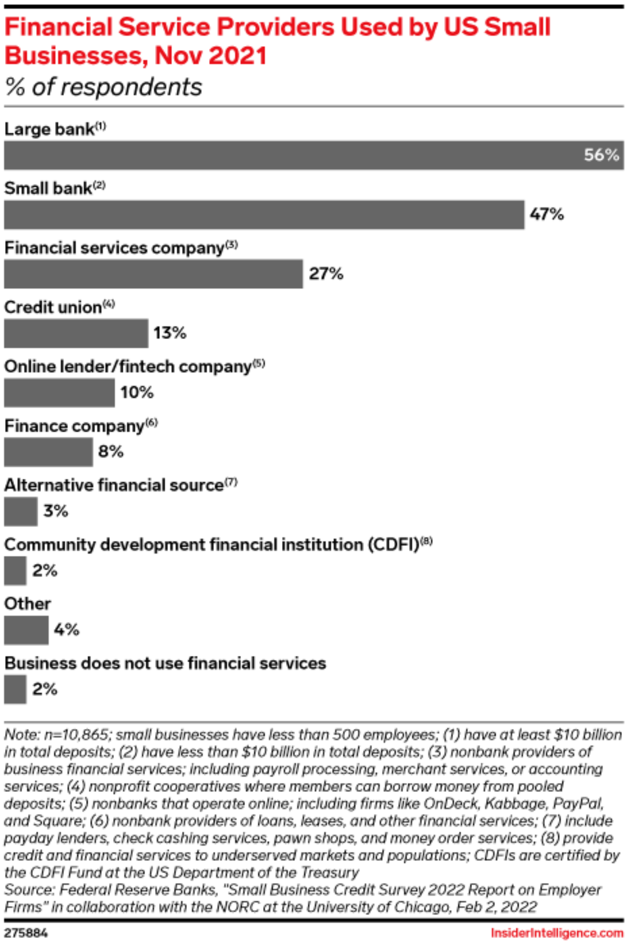

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