

Small businesses owners —especially millennials and Gen Zers— aren't getting the value they want from their banks

Article

This article was written with the assistance of ChatGPT.

The news: Small businesses, especially those owned by millennials and Gen Zers, feel that their financial institution (FI) isn't offering them what they need to succeed, according to cloud-based banking firm Apiture's [Delivering Value to Small Businesses report](#).

The report surveyed 1,006 US-based small businesses in Q1 2023.

The key findings: Small businesses often measure value through the ability to save time, increase convenience, and operate more efficiently. Most small businesses say their FIs aren't providing them with enough value.

- **Only 35% of small businesses feel their primary FI is fully satisfying their digital banking needs.**
- 84% of small businesses responded that their main FI offers few products they are willing to pay for.
- 19% of all small businesses and 27% of businesses run by millennials and Gen Zers said they are likely to consider switching primary FIs over the next two years.
- More than 65% of small businesses said they partner with fintechs outside their primary FI to meet at least one financial need. Some businesses reported not using a financial service provider at all.

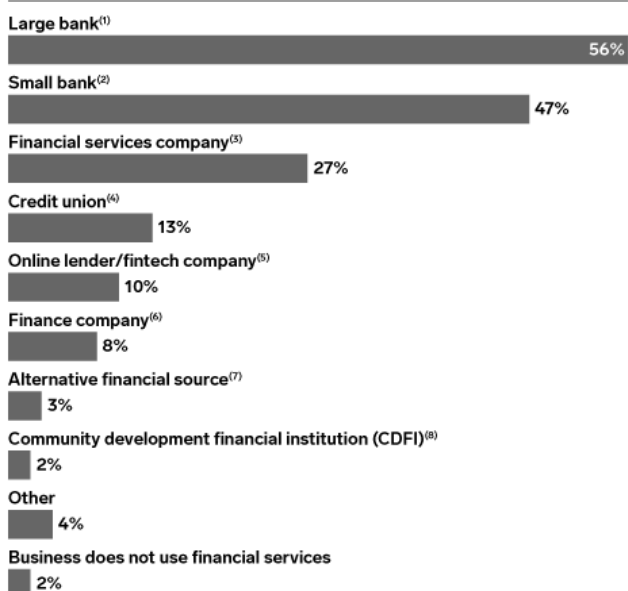
What do FIs need to do? Banks and FIs must focus on implementing the right strategies and technology investments to attract and retain small businesses, especially as the millennial and Gen Z cohorts become the dominant customers. What are small businesses looking for?

- **Tailored solutions:** Small businesses want banking capabilities made for their specific need, rather than "enhanced" consumer tools. Ninety percent of surveyed small businesses want a full range of credit and non-credit products, more sophisticated mobile banking capabilities, real-time payment options, and robust reporting capabilities.
- **An intuitive user experience:** Small-business owners want powerful platforms, but prefer simple and easy-to-understand language, as owners can't always prioritize sharpening their financial acumen. They value simple tools for verifying payments before they occur, and personalized workflows that align with their industry and fit with their unique needs, rather than the silos of the FI's organizational structure.

- **Integration throughout the business:** Small businesses often partner with many third-party platforms to run smoothly. They need a financial solution that integrates with accounting systems, other third-party providers, and internal banking interfaces.
- **Money management tools:** Small businesses want transparency into their financial health, alerts about potential cash shortfalls, and digital tools for cash flow management, forecasting, and budgeting. These tools mitigate the risk of unexpected financial challenges and can prevent business failure.
- **Fintech partnerships:** Banks and FIs that partner with fintech companies can fill the gaps in their small-business offerings and can increase small-business owners' willingness to work with them. These partnerships help FIs offer a strong product portfolio with faster time-to-market.

Financial Service Providers Used by US Small Businesses, Nov 2021

% of respondents



Note: n=10,865; small businesses have less than 500 employees; (1) have at least \$10 billion in total deposits; (2) have less than \$10 billion in total deposits; (3) nonbank providers of business financial services; including payroll processing, merchant services, or accounting services; (4) nonprofit cooperatives where members can borrow money from pooled deposits; (5) nonbanks that operate online; including firms like OnDeck, Kabbage, PayPal, and Square; (6) nonbank providers of loans, leases, and other financial services; (7) include payday lenders, check cashing services, pawn shops, and money order services; (8) provide credit and financial services to underserved markets and populations; CDFIs are certified by the CDFI Fund at the US Department of the Treasury
 Source: Federal Reserve Banks, "Small Business Credit Survey 2022 Report on Employer Firms" in collaboration with the NORC at the University of Chicago, Feb 2, 2022

275884

InsiderIntelligence.com

This article originally appeared in Insider Intelligence's Banking Innovation Briefing—a daily recap of top stories reshaping the banking industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.

- Are you a client? [Click here to subscribe.](#)
- Want to learn more about how you can benefit from our expert analysis? [Click here.](#)