



# How Accounting Platforms Have Become De Facto Banks for Business Owners

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Small business accounting platforms such as QuickBooks, Xero, and FreshBooks play a vital role in support of small businesses' bookkeeping operations. Recently, these players have branched out from base accounting functionality to offer myriad banking-like features in their digital platforms, with especially robust offerings in payments, financing, and expense tracking. As a result, these accounting platforms have leveraged their naturally sticky relationships to become de facto banks for many small businesses. Accounting platforms have enhanced their offerings by creating an integrated app ecosystem that provides complementary bank-like features. It is worthy of attention that accounting platform adoption is on the rise, and most small businesses now use such solutions.

It is not too late for banks to counter this encroachment. Despite widespread adoption of accounting platforms, only a minority of small businesses uses those platforms' banking-like services. To cement their small business client base, banks need to recognize the value that accounting platforms offer to their customers in the financial services space and look to build features that encourage engagement with the bank. This report details how this evolution has occurred, and explores how banks can cement their status as the centralized hub through which business clients monitor and manage their finances.

## Key questions discussed in this report:

- How do accounting platforms act as de facto banks?
- What apps work in conjunction with the bank-like features of accounting platforms?
- What are accounting platforms' strengths and weaknesses with regard to such bank-like functionality?
- In view of this threat, what solutions or functionalities should banks offer?
- Which areas should banks cede, and where should they compete?

The data in this report was primarily collected from a random-sample survey of 1,000 business owners and decision-makers conducted in June 2019.

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