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Small-Business Bank Switching: Tactics for Acquiring and Retaining Business Clients

03 March 2020 By: Ian Benton

The landscape in small-business banking has changed drastically in the past few years, and banks' biggest competitors are no longer just their rival financial institutions but also a wide variety of nonbank offerings. Fintech startups like Kabbage and Brex, Silicon Valley tech giants like Square, PayPal, and Amazon, and accounting platforms like QuickBooks and Xero (to name a few) are encroaching heavily on the traditional financial-services relationship. And business owners are responding to what has become a far more competitive environment by sharing more of their financial accounts and products across multiple relationships. This report provides an overview of those critical trends that will shape the industry over the next decade, provides a framework for how banks should think about bank switching and bank choice for their business customers, and proposes a variety of strategies and tactics for how to acquire and retain those customers, as well as build loyalty and relationship depth.

Key questions discussed in this report:

- How many banking relationships do small businesses have today?
- What nonbank players present the greatest threat to the traditional banking relationship?
- What products and services are under attack?
- What are the multi-faceted push, pull, and sticky motivating factors behind any bank-switching or product-shifting decision?
- How can banks address each of those types of motivations through product design, a better approach to customer servicing, and especially digital tools?

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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