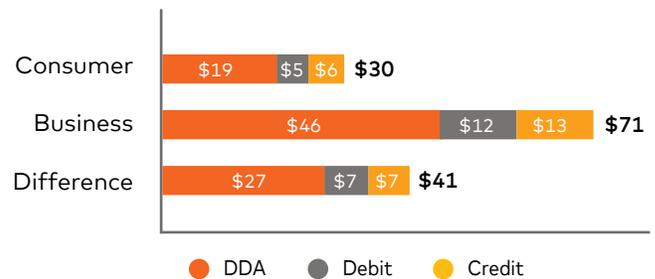


Unlock small business value with customer-centric tools

Financial institutions recognize the value of small business relationships. They spend more and use more products than personal banking consumers. However, small businesses say their needs are not addressed with business banking, which are too expensive in their view. Financial institutions have an opportunity to outfit small businesses with the correct tools to do the job. Mastercard can become a trusted advisor to help form solutions that clearly differentiate small business products from consumer products. Financial institutions must emphasize a clear value proposition and educate small businesses on the benefits of these business solutions.

Small business solutions drive \$41 more in revenue per month



Source: Kaiser Associates, Small business product analysis, December 2016

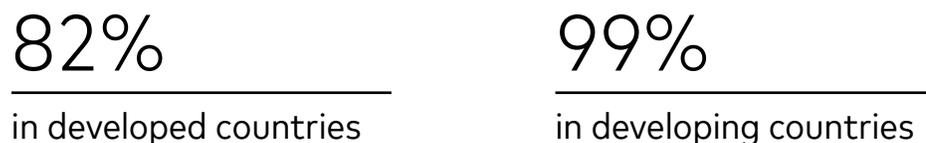
Percentage of small businesses willing to pay more or accept less to stay with a single bank



Source: Kaiser Associates, Small business product analysis, December 2016

Small business owners are forced to look for alternative solutions to help them run their business, yet they want a single relationship for their personal and business needs at their consumer bank. Other banks and fintechs are taking over parts of the small business relationship. Unless issuers address the distinct needs of small businesses, they are at risk of losing the core relationship.

Share of respondents who have used personal banking products for business purposes



Source: Kaiser Associates, Small business product analysis, December 2016

This report summarizes a research project from Mastercard. It found that small business solutions can lead to higher revenues for the issuer. The global market opportunity for small business solutions is \$30 trillion. Research shows that a staged approach to developing small business relationships can lead to incremental business and revenue for banks.

Three strategic actions for small business issuers

1 Differentiate small business solutions

Small business needs are different from consumers' as they buy, operate and sell. When buying, access to capital is top of mind; when operating, time and cash flow management are at the forefront; and when selling, new customer acquisition is critical. Thus designing clearly differentiated small business solutions that add product features and benefits that fit well with the needs of small business clients is fundamental.

2 Create compelling small business value propositions

A needs-based, customer-centric approach built from the financial ecosystem of buying, operating and selling will ensure small businesses understand the clear difference and superior benefits when compared to consumer equivalents. These clear value propositions should be reinforced and will drive first choice.

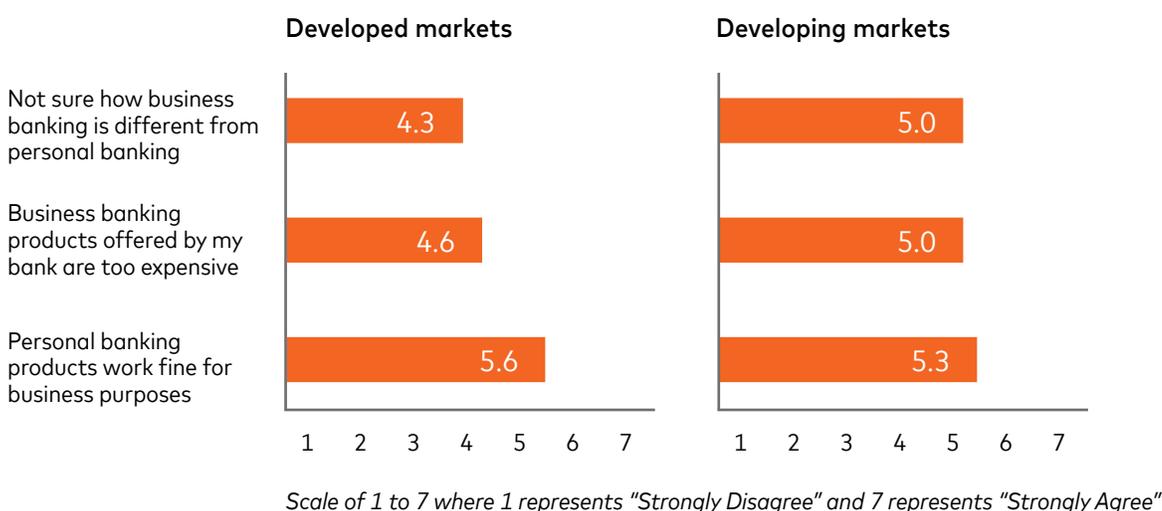
3 Provide one-stop shopping

Small businesses that receive bundled solutions from their bank are more likely to stay with their current bank and are also more likely to seek additional future banking solutions from the same bank. Therefore:

- Offer a single user experience platform for multiple solutions,
- Enable a single application process, and
- Market solutions as a bundle to improve acquisition, retention and upsell opportunities.

Positioning for the future

Banks need to emphasize a holistic value proposition for small business solutions that is superior to personal banking equivalents, educate them on the benefits, and present clear calls to action and paths that encourage them to sign up. Banks must also eliminate the reasons for small businesses to not use business payment products (see chart).



The insights from this Mastercard study present financial institutions with effective strategies for maximizing small business value. Mastercard is the right network partner, armed with experience in evaluating small business needs and building and deploying small business solutions.