How Banks Can Win New Small Business Customers
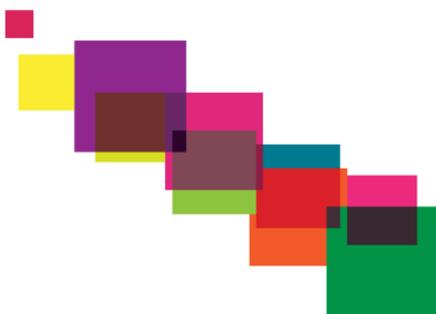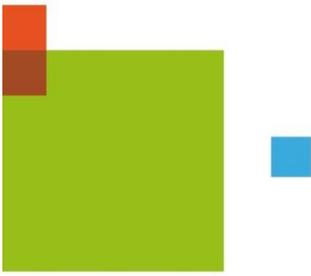
The Difference that Digital Can Make

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Executive Summary

Every small and medium-sized enterprise (SME) business needs a business banking partner. And realistically, SMEs are all going to be looking for relatively similar things from their bank, particularly when it comes to applying for new banking products. They want to experience a straightforward process which is quick and convenient for them, allowing them to focus more of their time and energy on what matters most for their business.

Traditionally, applying for business banking products was something that could only take place either in a local branch or over the telephone. Now, however, digital channels are increasingly being used alongside these traditional approaches. Therefore, it's massively important from a bank's perspective that they are investing in modern, digital platforms that enable them to give their SME customers exactly what they want and need.

However, as we will go on to see, banks are often not offering a fast and convenient enough digital onboarding service to their customers. Banks can and must do more to give their SME customers the digital experience that they demand – failure to do so could have considerable consequences.

Research shows that having digital onboarding options is a key factor in SME customers' loyalty towards their bank, what kind of recommendation they would make to similar businesses about their banking partner, and whether they would consider switching to a different bank in the future.

Key Recommendations

The conclusion – and therefore key takeaway – for business banks is that digital onboarding is a significant issue, impacting both loyalty and bank selection for SME customers.

In order to create an engaging and optimised experience for SME banking customers, banks must:

- Deliver an outstanding and memorable digital onboarding experience – one which is quick, easy and convenient to use

- Eliminate the need for repetitive input by enabling pre-filling of application forms with information already entered or held by the bank

- Ensure that users can upload all supporting documents for applications digitally

- Enable multiple users to work on applications simultaneously or interchangeably

- Allow all signatories to provide their signature digitally for applications

- Ensure that the application experience is seamless and consistent, regardless of the device being used

It should be a top priority for banks to be making the correct investments in a digital onboarding platform which allows for all of the above.

Methodology

For the quantitative phase of this research, 300 small business owners, executives and managers with finance/banking decision responsibilities were interviewed in February and March 2018.

Respondents were based in the following countries:

Country	Number of interviews
UK	100
France	100
Spain	50
Belgium and Netherlands	50

Respondents' businesses had to have between 10 and 500 employees in their country (defined as a small or medium enterprise (SME) business for this research), an annual revenue of between £500,000 and £50 million domestically, and could come from any commercial sector.

All respondents were interviewed using a rigorous multi-level screening process to ensure that only suitable candidates were given the opportunity to participate.

In May 2018, an in-depth qualitative phase of the research was also conducted, based on the results of the quantitative study. All qualitative respondents were based in the UK, but with the same size, revenue, and sector scope as was used for the quantitative research. All quotes throughout this paper are taken from this portion of the study.

Key Findings

86% of SME respondents say that being able to apply digitally for banking products is very or crucially important

92% of SME respondents' businesses have used digital banking applications in the past

99% recognise benefits to applying digitally, including being able to apply:
- from any location (63%)
- at any time of day (60%)
- in less time (59%)
- via several different devices (54%)

Only **38%** can provide all supporting documents electronically

but **82%** would consider this to be very or extremely useful

33% cannot provide electronic signatures at the end of applications

yet **84%** would consider this to be very or extremely useful

89% must input certain information multiple times in the same application

however **80%** would consider auto-filling to be very or extremely useful

67% of SME respondents have at some point abandoned a digital banking application before completion

83% of SME respondents want to be able to apply for banking products more quickly and easily

Upon having a bad online banking experience…

20% would be extremely likely to tell other similar businesses

10% would be extremely likely to switch banks

83% say that if they were satisfied with their banking experience, they would recommend their bank to similar businesses

SME Banking Habits

In the past, small and medium-sized businesses would conduct the bulk of their interactions with their bank either in-branch or over the telephone. It would involve leaving the office and making a visit to wherever the local banking branch was, or it would involve taking time out of the busy working day to try to get through to the bank via phone call. However, when you're the owner of a SME business, you'll already have a to-do list longer than your arm, and so the ideal situation is to make this process as quick, easy and painless as possible, allowing you more time to focus on the tasks that matter most for making your business a success.

So, it's not surprising that, as with everything these days, demand is moving towards being able to apply for banking products digitally. According to one qualitative respondent:

> "It may be 8 o'clock in the evening when I want to [apply for a new banking product]. If that's the time you get into the admin stuff, [the digital option] needs to be there and available and very easy to use."

When choosing a new banking partner for their business, the vast majority (**86%**) of respondents report that it is either very or crucially important that they are able to apply for banking products digitally. In fact, one third (**33%**) of respondents reveal that their business would not partner with a bank who did not offer this – it's immediately clear that from a bank's perspective it should be essential that they are giving their SME business customers digital options for banking product applications.

And it's not necessarily good enough for a bank to just offer digital options for one or two banking products. SME banking customers place a high value on flexibility too – **82%** highlight that they would like the option to apply for all banking products digitally, rather than just a select few.

The importance of being able to apply digitally

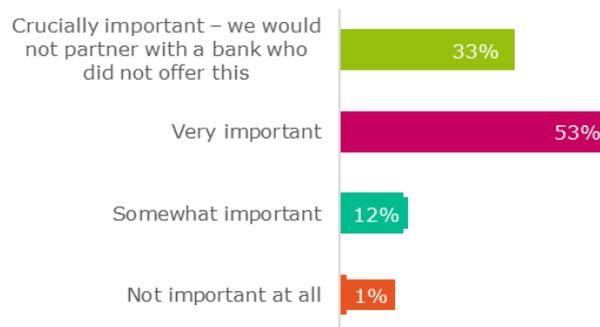|	
Crucially important – we would not partner with a bank who did not offer this	33%
Very important	53%
Somewhat important	12%
Not important at all	1%

Figure 1: "When selecting a new banking partner for your business, how important is the ability to apply for banking products digitally?", *asked to all respondents (300)*

Over nine in ten (**92%**) respondents' businesses have used a digital channel (either desktop/laptop PC or tablet/smartphone) in the past when applying for banking products, and for over eight in ten (**83%**) a digital method was used in their most recent application. In many cases, the digital methods are used alongside more traditional methods (such as a phone call or in-branch visit), so banks must ensure that their digital options can complement these, delivering a convenient, omni-channel experience.

Alongside this, around three quarters (**74%**) of respondents who have used a digital method when applying for banking say that being able to seamlessly move between different devices would be really useful to their business, with one qualitative respondent noting that this would be a good idea, saying:

> "If you've got to get out of the office, [you can] start a form on your laptop and then finish it on your tablet or your mobile […] I think that's a very good idea."

An even larger proportion **(87%)** agree that having the option to use digital methods can enhance the relationship that an SME banking customer has with its bank.

In most cases, SMEs prefer to go down the digital route for their business banking product applications. The majority of respondents state that when applying for a credit card (**80%**), current account (**79%**), and/or savings account (**73%**) they would prefer to do so via a digital channel, with one qualitative respondent highlighting that:

"[My preference] would definitely be doing it online."

This further emphasises just how important it is to SME banking customers that those digital options are made available to them – banks who cannot provide them with this risk giving their customers a reason to look elsewhere.

It's hardly surprising that there is such considerable interest in using digital channels to apply for banking products – almost all (**99%**) respondents specify at least one benefit of digital onboarding.

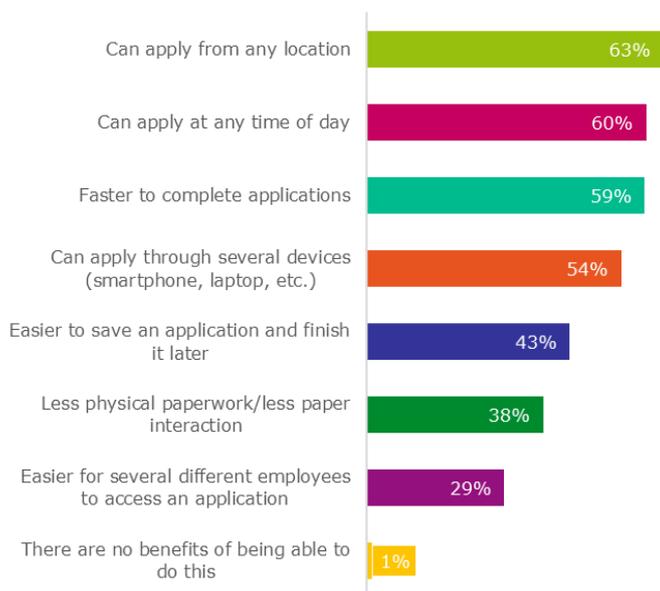### Benefits of applying for banking products digitally

Figure 2: "What do you/would you consider to be the benefits to your business of being able to apply for banking products digitally?", *asked to all respondents (300)*

What is immediately obvious is how much more convenient it becomes when applications can be made digitally, with respondents highlighting that

they can apply from any location (**63%**), at any time of day (**60%**), and/or from a number of different devices (**54%**). Alongside this, around three fifths (**59%**) highlight that they are able to complete applications faster when they do so digitally.

One qualitative respondent summarised this nicely, saying that:

"As long as, generally, the system is secure, I'm very much in favour of doing everything electronically. I think it saves a lot of time [and] trouble."

In summary, we know that – more than ever – SME business customers are demanding that their bank can provide them with a digital method to apply for banking products. Most SMEs have tried digital onboarding channels and these tend to be the preference, regardless of the banking product being applied for, so the quality of these digital platforms can have an enormous impact on the bank's relationship with their customers.

It's not so much about finding a bank who can offer digital onboarding – this should be almost a given for any successful bank – it's more to do with finding a bank who can deliver a truly exceptional digital channel, enabling quick and convenient applications for SME customers.

But the question remains, are banks actually living up to this expectation?

Digital Application Processes – Are Banks Delivering the Digital Options that SMEs Demand?

We have seen plenty of evidence to highlight the importance of banks having digital onboarding options and offering these to their SME customers, however, simply providing these options is not enough. To really get ahead, a bank needs to provide a convenient, seamless and user-friendly digital option to its business customers.

And yet, more often than not there is a sizeable gap between what banks are currently offering as their digital onboarding platform and what their business customers would actually find most useful. Worryingly for banks, several of the areas which are most fundamental to a good digital application – and therefore most important in the eyes of an SME banking customer – are those which surveyed SME respondents are having the greatest issue with.

Providing Company Information

When you're working through an application of any nature, you want to keep duplication of effort to a minimum wherever possible. Yet, for many SMEs they are having to exert more effort than necessary when filling in banking application forms through digital channels – around nine in ten (**89%**) of those who have used a digital channel to do this are having to provide the same information multiple times during applications.

Required to enter information multiple times

- Yes, every time 41%
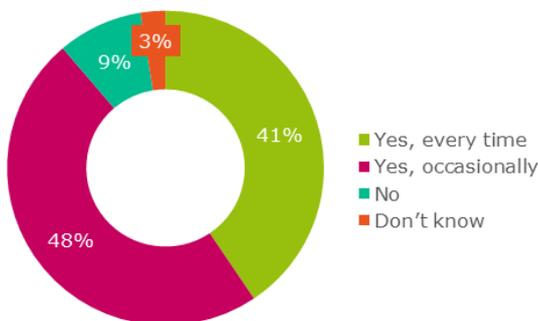- Yes, occasionally 48%
- No 9%
- Don't know 3%

Figure 3: "Do you have to provide any information more than once during the online application process?", *asked to respondents from businesses that have used a digital method when applying for banking products/services (276)*

However, 80% would consider it to be either extremely useful or very useful if forms were automatically filled in with information previously entered

However, four in five (**80%**) respondents say that a digital channel which automatically filled in certain parts of an application form with information that had already been entered would be hugely useful to them. One qualitative respondent highlighted that when filling out a digital banking application:

> "It should already auto-fill all the information that it needs from the information that it already has held on you. It would be quick, accurate, [and] you would probably immediately notice if something was wrong."

Considering that this is such an inevitable element of applying for a banking product – and one which so many are seemingly not getting from their bank – it could be a key way for banks to improve and differentiate their digital onboarding channel.

Providing Supporting Documents

Once you have started working through an application with your bank, there almost always comes a point where you need to provide supporting documents alongside your application, something such as a proof of address or identity. This part of the process has a huge implication on the total time that applying for a banking product is going to take – if you can submit these documents electronically then it takes no time at all, but if this option isn't available then it probably means sending them in by post or making another visit to the local banking branch – both of which cost SMEs valuable time.

One qualitative respondent shared this sentiment, saying that:

"There's a big advantage to being able to [submit supporting documents] electronically. I can't see any disadvantage to it. When I do something I want it done, I don't want to be going back to it, you know, for the next two days."

With this being said, only **38%** of respondents that have applied via a digital method for banking products report that their business' bank enables them to submit all supporting documents electronically during applications.

Providing supporting documents electronically
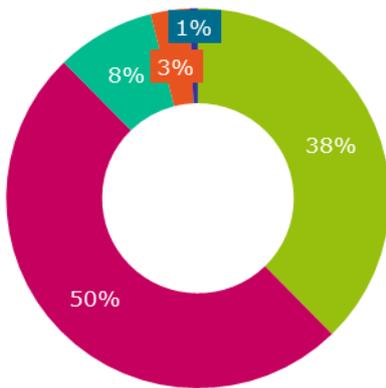
- We can provide all documents electronically
- We can provide most documents electronically
- We can only provide some documents electronically
- No – we cannot provide any documents electronically
- Don't know

Figure 4: "Does your bank enable you to provide supporting documents electronically during your online application?", *asked to respondents from businesses that have used a digital method when applying for banking products/services (276)*

However, 82% would consider it to be either extremely useful or very useful if they could submit all supporting documents for applications electronically

However, over eight in ten (**82%**) SME banking respondents would really appreciate it if their bank allowed them to submit all required supporting documents digitally – there's a huge divide here, and for something that will almost

inevitably impact all of a bank's SME banking customers.

Even in cases where a bank does offer this functionality, it sometimes doesn't work as intended, and this can leave SME customers just as frustrated – one qualitative respondent recounted that:

"When we went to upload [the supporting documents], somehow it got translated at their end as gobbledygook and they couldn't recognise it, which was very frustrating on our part. That was a very negative experience for us. We had to go old school and […] we got really bogged down in the whole thing […] So, it probably, sort of, delayed the loan process by about a week."

For those whose bank does not enable them to submit all supporting documents online, three quarters (**75%**) say that they are forced to make an in-branch visit instead to provide the necessary documents. This is inevitably a time-consuming procedure, and while it might be great to visit your banking branch from time to time, it's not something that should be forced upon a SME as part of every banking product application – doing so cancels out any time-savings that might be made elsewhere in a digital application.

As such, **79%** of respondents highlight that being able to complete an application without needing to visit their branch would be very or extremely useful.

Multiple Employees Working on Applications

Further complicating things for SMEs when applying for business banking products is that – more often than not – multiple employees are involved in applications. Seven in ten (**70%**) respondents report that this is the case in their business for the average banking application, and similar applies for signatories – there are multiple signatories needed in around six in ten (**57%**) respondents' businesses.

Multiple employees involved in the process

70% 57%

Multiple employees involved   Multiple signatories required

Figure 5: *Analysis showing the respondents whose business has multiple employees involved/requires multiple employees to act as signatories during the online application process, asked to respondents from businesses that have used a digital method when applying for banking products/services (276)*

We know that two of the most critical criteria for SME banking customers are speed and convenience when they are applying for banking products, so the challenge for banks is to be able to deliver a digital platform which is not slowed down or hindered by multiple employees being involved.

Moving Seamlessly Across Channels

As such, eight in ten (80%) respondents whose business has applied for banking products digitally say that having 'save and resume' functionality would be highly useful.

This, alongside functionality to move seamlessly between devices, has huge potential in alleviating any multi-party issues that might otherwise have existed.

SME banking customers require the flexibility to stop and start applications depending on their circumstances, without it slowing down the

process. This could mean starting an application on a laptop and then picking up the same one on a tablet, over the phone, or at the local branch.

Banks who could enable this functionality could optimise the experience when multiple parties are collaborating on an application – for example, the Finance Director could start and fill in the majority of the application and sign their part, save the application and then digitally 'pass it' to the Owner to finalise and sign any parts that they need to. One qualitative respondent highlighted the potential usefulness of this, saying:

"It may be that if you wanted somebody else to sign the document, [and] they aren't in the office, […] you'd ring them up and get them to use their device. Having other people working on different devices would certainly be useful, yes."

Providing Signatures Electronically

As mentioned previously, upon completion of a banking application, a signature is always required to finalise the application before the bank processes it. Historically, this would have been another time when an in-branch visit was required but it's another key area where the impetus is now on banks to offer digital functionality to their SME customers. It's another occasion when banks can deliver more time-savings and increased convenience to their customers – giving them exactly what they want – but many still aren't doing so.

According to one qualitative respondent, a lack of a digital option resulted in a lot of extra time and effort being spent on their part:

"I wasn't able to do it electronically. I had to print off [and sign] the form and then send it back by post to an address, and then I had to wait and hope they would call back, you know, in a few days' time, or confirm they had got it, because they didn't tell me, I had to phone up and chase."

And they are not alone. One third (**33%**) of respondents that have applied for a banking product digitally report that they could not

provide an electronic signature at the end of the digital application process. Meanwhile, over four in five (**84%**) respondents indicate that being able to sign for applications digitally is something that they would deem to be either very or extremely useful. It's an aspect of digital applications that is almost universally demanded by SME banking customers, but that not all banks are enabling as part of their digital platform.

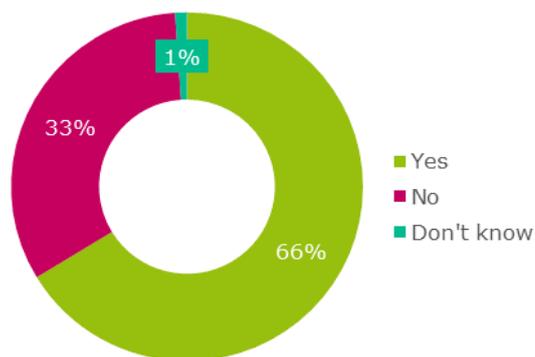### Providing electronic signatures

Figure 6: "Are you able to provide an electronic signature at the end of the online application process?", *asked to respondents from businesses that have used a digital method when applying for banking products/services (276)*

However, 84% would consider it to be either extremely useful or very useful if they were able to sign application documents digitally/ without paper.

Once again, there is a disconnect. It's an unavoidable – and therefore extremely important – part of the application process, but one where we are seeing that banks are not giving their SME customers what they want. Banks need to react to this customer demand and integrate electronic signature options into their digital application platforms.

Applying Through a Smartphone or Tablet

There are challenges for SMEs which relate specifically to applying digitally via a smartphone or tablet too. Around two thirds (**65%**) of those who have used a smartphone or tablet at some point during a banking product application in the past have experienced problems that are specific to this platform.

Three in ten (**30%**) encountered difficulty in typing on their device, while a similar proportion

(**27%**) have found that their bank's site or application is not mobile friendly enough. Alongside this, around one in five (**18%**) found that their bank's mobile site lacked consistency with the website.

Considering that the majority of SME respondents have used a smartphone or tablet at some point in the past to work on a business banking application, these are not issues that banks should ignore. Banks must ensure that they are not only delivering a top quality desktop/laptop digital platform for digital onboarding, but one which works seamlessly on mobile devices too. Use of smartphones and tablets is only set to increase in the future, so banks need to act on this now and ensure that they can offer their customers the best digital onboarding options, regardless of device.

So, it's clear that from the average SME customer's perspective, what is on offer currently is not good enough. They are having to make extra visits to their branch to drop off forms and sign physical paperwork. They are having to enter and re-enter the same information at several stages during applications. They are finding inconsistencies when they try to pass an application on to another employee, or when they try to switch across to a different device.

We know that – when thinking of a digital onboarding experience – SMEs want a process which is quick, easy and convenient. The technology is definitely out there to make this possible, but it's up to banks to recognise that their customers are not getting what they want right now and to invest in solutions that will give customers the banking experience that they want.

However, the fact that many banks are not offering these features as part of a seamless, optimised digital platform currently could prove to be to their detriment…

The Importance of a Good Digital Onboarding Experience

Whether or not a bank is able to provide a seamless and easy to use digital onboarding experience to its customers can make a great deal of difference to a customer's perception of that bank. Shorter term this might mean that a customer abandons an application or two, but longer term it can be far more damning – potentially impacting the loyalty and recommendations of a customer.

We have already seen evidence of the great divide that exists between what banks are offering to their SME customers and what their SME customers actually want. As a result of these imperfect experiences, two thirds (**67%**) of respondents have abandoned a digital application with their bank at least once in the past.

One qualitative respondent was left unsatisfied with the digital options available, saying:

> "I just wanted to open an account, it wasn't rocket science, and my experience of doing it online was frustrating."

Another went a step further, saying:

> "I've attempted to open a business euro account [digitally] with my bank, [but] it was such a shambles that I've ended up going to an outside third-party company."

From a bank's perspective, this represents a huge number of missed sales opportunities and will have a direct impact on their bottom line. As an SME customer it is only going to damage the opinion that they have of their bank.

Alongside this, when asked about whether their business's most recent banking product application could have been better, only a minority of respondents said that there was no room for improvement in terms of ease of applying (**34%**), speed of applying (**30%**), and the effort that was needed to apply (**28%**).

Areas for improvement in the digital application process

Figure 7: Analysis of whether or not respondents think that there was room for improvement when they last applied for a banking product online for their business. Asked to respondents from businesses that have used a digital method when applying for banking products/services (276)

On top of this, the vast majority (**83%**) of respondents highlighted that they would like for their business to be able to complete digital applications more quickly and easily.

For the banks who offer a sub-par digital onboarding experience to their SME customers, the repercussions are significant. Over one in three (**34%**) respondents would be extremely likely to complain directly to their bank upon receiving a bad digital experience – this has the potential to seriously damage the relationship between the two. One qualitative respondent commented that upon having a poor digital experience with their business's bank:

> "I didn't feel particularly that we got a good service out of the experience and I think it did tarnish, you know, my current estimation of them."

Far more concerningly, two in ten (**20%**) would be extremely likely to tell other similar businesses about their negative experience, while 10% of respondents would be likely to switch to a rival

bank. One qualitative respondent echoed this, saying:

> "I've got two complaints [regarding issues experienced on the digital platform] outstanding at the moment, and depending on the outcome, maybe I will think about [switching banks]."

So, it's not just customer satisfaction taking a hit here, there is potential that failing to deliver a good digital platform could result in a bank's reputation and revenue taking a hit.

It's not all bad news for banks though. For the banks who can deliver a quick and easy to use digital onboarding platform to their SME customers the outcome is far more positive. Over four fifths (**83%**) of respondents report that they would be likely to recommend their bank to other small businesses if they were satisfied with the experience of applying digitally for banking products, and this is reinforced by a qualitative respondent saying that banking is:

> "…just one of those things that, you know, if a bank is offering a significantly better service than the other ones, you'll hear about it through your peers."

As things stand, many SMEs are not completely satisfied with what their bank is able to offer them in terms of applying digitally for banking products, but the correct investment in an improved digital platform could help a bank to really stand out and get ahead of the competition.

Conclusion

The role that digital application channels play in SME business's impressions of their bank cannot be underestimated. The majority of businesses have already used digital channels in the past, and most highlight that digital channels are their preference for making banking product applications. This really highlights that, from a bank's perspective, they should be doing everything that they can to optimise their digital onboarding offering, making it as fast, easy and convenient as possible.

However, in most cases there is a sizeable divide between what SME customers want and what their bank is actually making available to them – many of the most critical features that could speed up and enhance banking experiences are being overlooked and are not being offered by all banks.

These missing features are having a substantial impact, resulting in abandoned applications, dips in customer satisfaction, and falls in future business for banks.

However, they also represent opportunity. Banks who can offer a slick, seamless digital onboarding experience to their SME customers can avoid these pitfalls, differentiate themselves and instead see their business get ahead of the competition and flourish.