

The background of the slide is a blurred, long-exposure photograph of a city street at night. The street is lined with tall buildings, and the lights from the buildings and streetlights create a sense of motion and depth. The colors are warm, with oranges, yellows, and reds from the lights, and cooler blues and purples from the shadows and sky. The overall effect is one of a fast-paced, modern urban environment.

Understanding and Solving for Small Business Cash Flow Needs

Victoria Dougherty, Director, Product Management

The Small Business segment is the driving force behind our economy.

Why aren't there more solutions focused on their needs?



28 million

small businesses in the U.S.

Small business makes up

49%

of U.S. private sector employment and

43%

of total private sector payroll

Is Change in the Air?

1 of 5

small businesses are looking to **switch Financial Institutions in the next 2 years**

What are they looking for in a new provider?

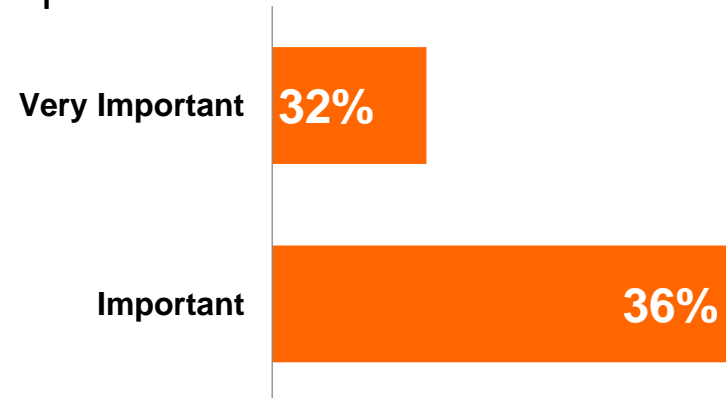
Small businesses are showing a growing preference for **digital channels**. **61%** said this was an “important” or “very important” consideration in selecting their next FI.

They seek “**sophisticated capabilities and offerings**” that will grow with them as their needs change.

What are they looking for in a new provider?

SURVEY QUESTION:

In selecting a new FI how important is the ability to offer **real-time instant transactions** that provides an immediately updated account balance?



Small businesses are notoriously short on time and money. Many are actively seeking a new financial institution that can

- **deliver creative solutions**
- **save time**
- **free up cash**

Clearly they are willing to make a move to gain these services.



**What drives the unique
needs of Small Business?**

Poor Access to Credit Products



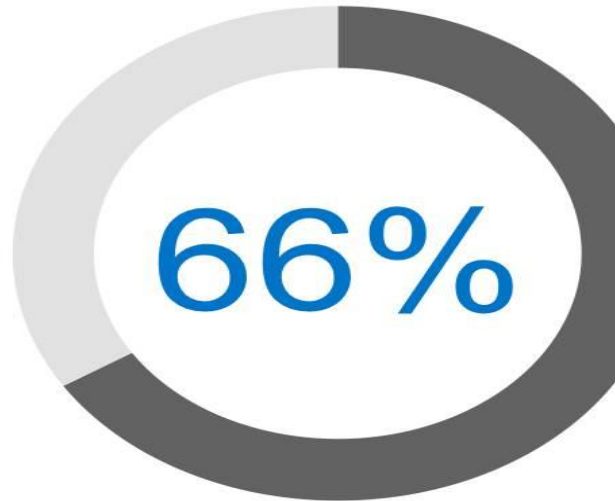
Source: Mercator Small Business Credit Card Study, November 2015

The majority of firms under \$1 million in annual revenue (micro and small businesses) were unable to secure any credit, including credit cards.

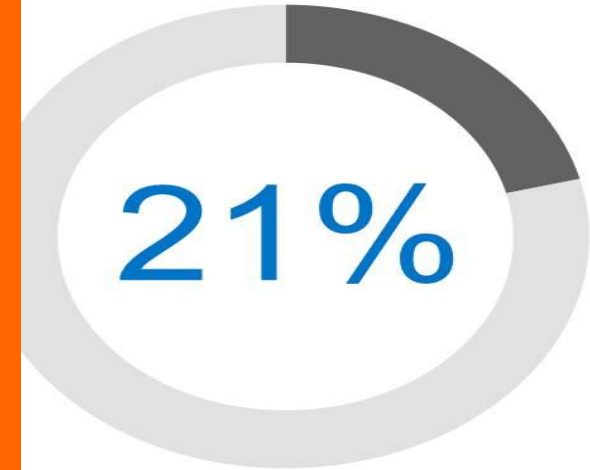
As age of the business and asset size increase, access to credit increases proportionally.

Income Volatility and Predictability

Checking account holders who have at least one irregular income stream



According to a survey by the Federal Reserve, the smallest of small businesses rely on **personal savings** as their **primary funding source** for the business when cash inflows don't match necessary outflows. As businesses grow, the primary funding source gravitates towards **credit cards**, and once critical mass is achieved, bank lines of credit.



Checking account holders for whom predicting next month's income is "not easy"



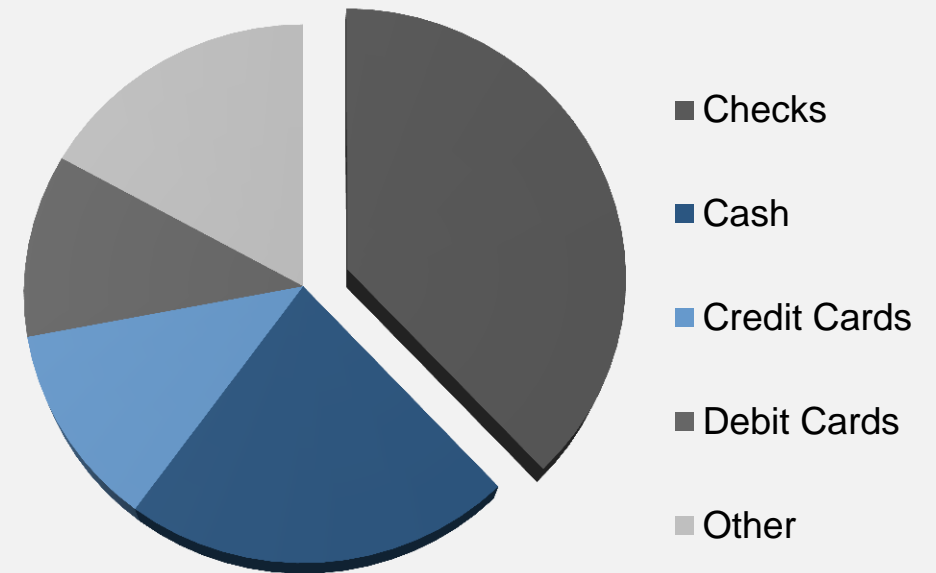
**What else do we
know about the
Small Business
segment?**

They Prefer Payments via Check

Checks are still the preferred instrument for receiving payment for small business owners.

The breakdown has been relatively unchanged over the past several years, with “credit card” as a preference in slight decline.

How Small Business Prefers to be Paid



Cash Flow is Consistently a Top Concern

1 in 2

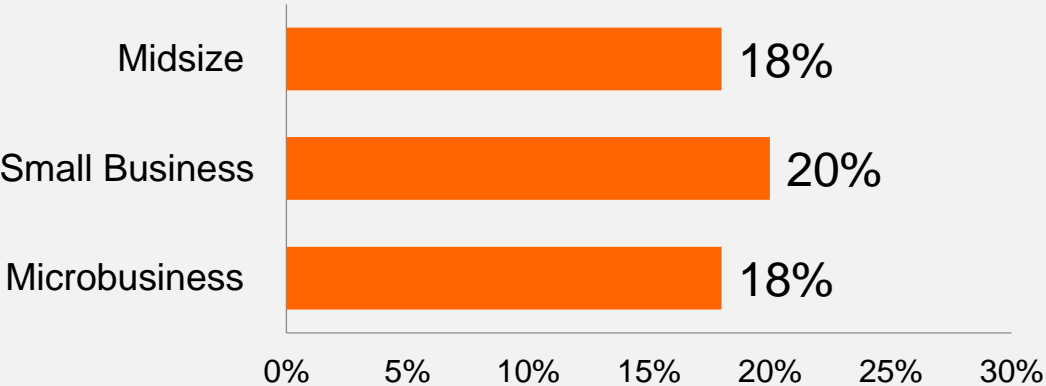
small business owners

occasionally suffers from cash flow issues

1 in 5

say their cash flow problem is a **continuing issue**

Business owners who cite Cash Flow as their top business challenge



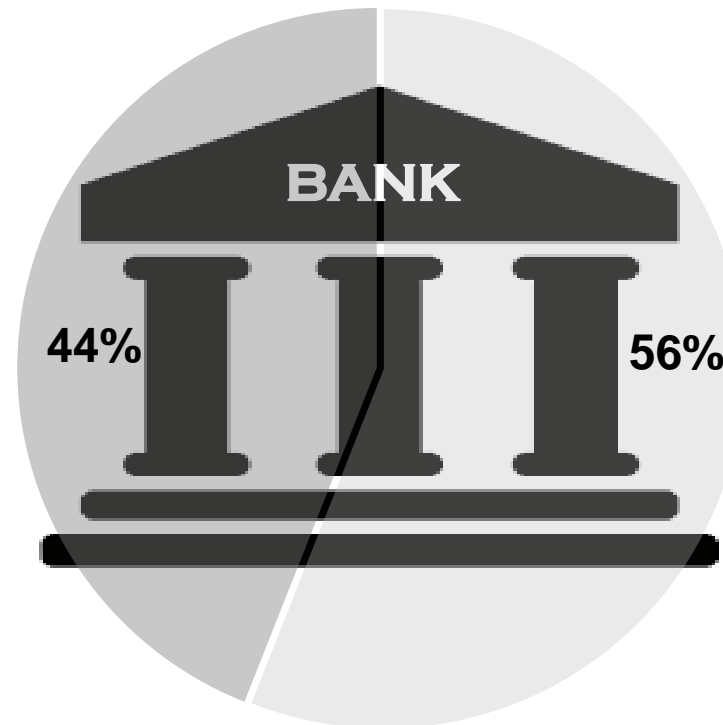
Source: Visa Small Business Spend Insights, March 2015. *Small Business* is defined as having less than \$25 million in annual revenue Federal Reserve, Joint Small Business Credit Survey Report, 2014

Already Seeking Alternatives to their Financial Institution

51% of businesses planning to grow aggressively over the next two years believe that **alternative providers are more likely than their banks to offer products and services for which their business is willing to pay.**

Small Business Usage of Non-Bank Providers

Using non-bank providers for at least one financial product or service



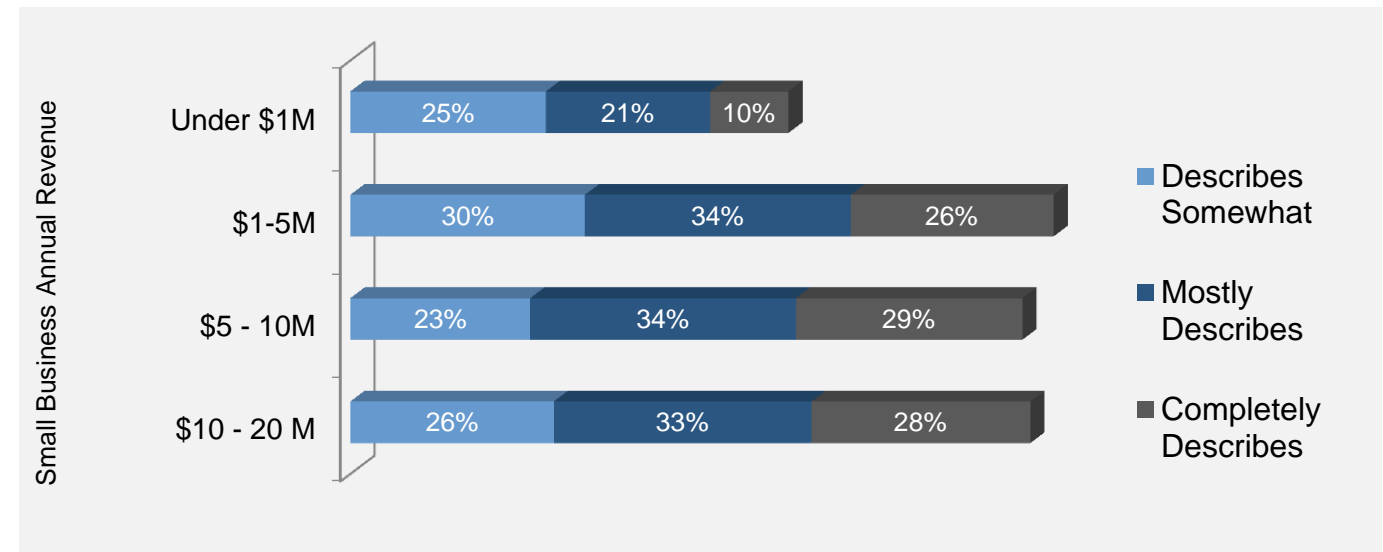
Solely reliant on banks for financial products and services

Time is Money

There is a misnomer in the industry that small business owners want bank services as no cost. Survey results showed that small business owners **value quality services designed to solve for their needs**, especially as their annual revenue grows beyond \$1M.

70%

of all small business owners agreed with the statement: **“My business is willing to pay for bank products and services that save us time and increase convenience.”**



Summary

Revenue opportunities with Small Business accounts do exist

Offering valued services focused on pain points of small business owners can drive market differentiation

Now is the time to act



How Fiserv can help?

Immediate FundsSM for Small Business Accounts

Provides small business owners with **immediate access** to deposited funds to help manage **cash flow**

Bypasses the bank's traditional funds availability policy

Credits the available balance and provides reimbursement should there be a returned item

How it Works – Accelerating Small Business Deposits with Fiserv Immediate Funds

Check(s)
Deposited by
Small Business
Owner via
**Mobile, ATM
or Teller** channel

Check(s) flows to
the **Decision
Engine**

Engine
**automatically
prepares** and
returns a **decision**
for acceleration of
funds

Offer to expedite
funds is only made
when the
approved
transaction is
confirmed
**Never a rejection
message** to
customer

Offer accepted by
customer, fee is
deducted and
**funds made
available
immediately**

Risk / returns management options available to suit the bank's needs

Win-Win Proposition

Studies revealed Small Business is seeking:

- Sophisticated digital capabilities
- Real-time transactions
- More receipts via check
- Cash flow-smoothing solutions
- Credit alternatives

While at the same time they admit they are:

- Willing to pay for this type of service

By providing Immediate Funds the Bank can expect:

- Improved retention and attraction of small business accounts
- Product differentiation / market leadership for small business accounts
- Increased usage of the lower cost, self-service channels
- New, untapped revenue stream

Contact Us

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