

Breakout I: Evaluating Your Small Business Banking Health

#A0BA23

Derik Sutton
Autobooks

WELCOME!



autobooks

#SmallBusinessObsessed



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Why would a business owner “**hire**” your financial institution to help them get paid?

State of Small Business Banking

**A recent SMB
survey**

**How small
businesses
get paid is
changing**

**Rise of
3rd party
competitors**

**How FIs can
increase
primacy**

Recent SMB **Survey Data**

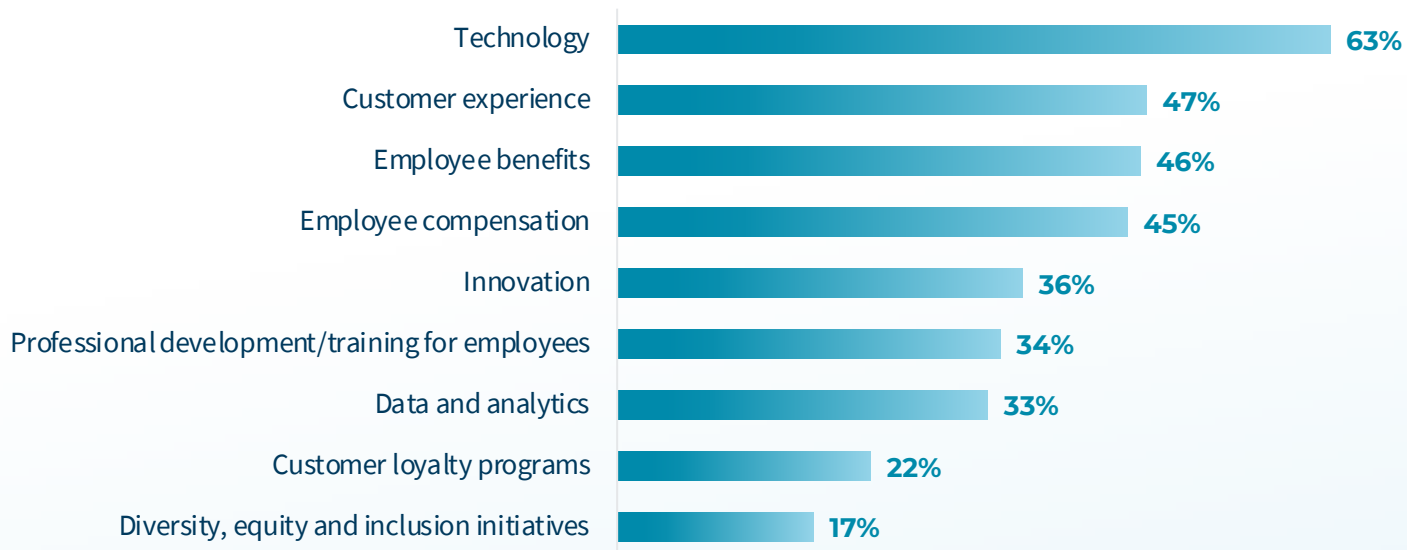
For the coming year, small businesses are most often focused on customer acquisition, fighting inflation and building customer loyalty

What are your company's most important business priorities for the next 12 months?



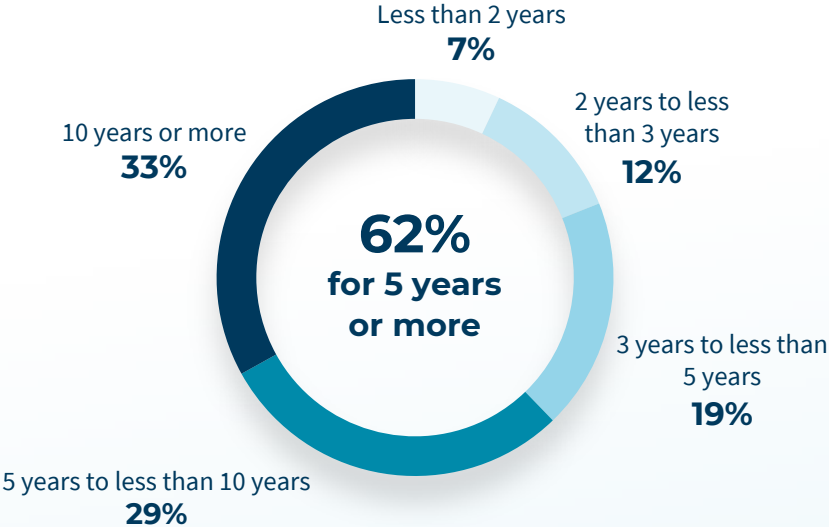
Small businesses are taking action, with many increasing investments in technology, a step that could help mitigate top challenges and advance key goals

In which of the following areas is your company planning to invest more over the next 12 months?

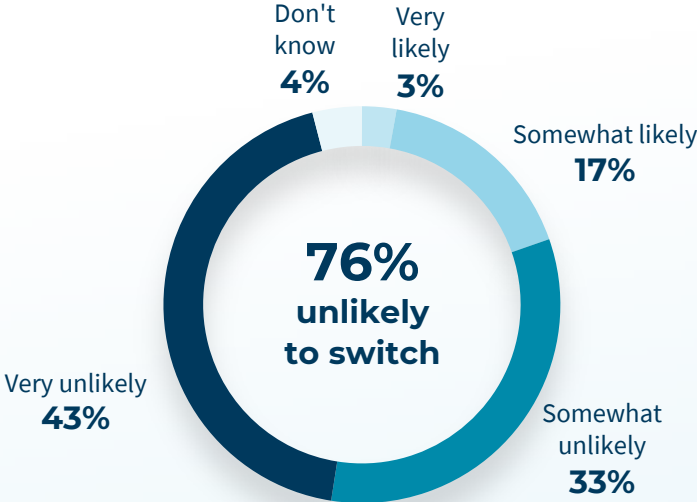


Small businesses engage with their primary banking provider for the long haul and are unlikely to switch to a different institution

How long has your company had a relationship with your primary business banking provider?



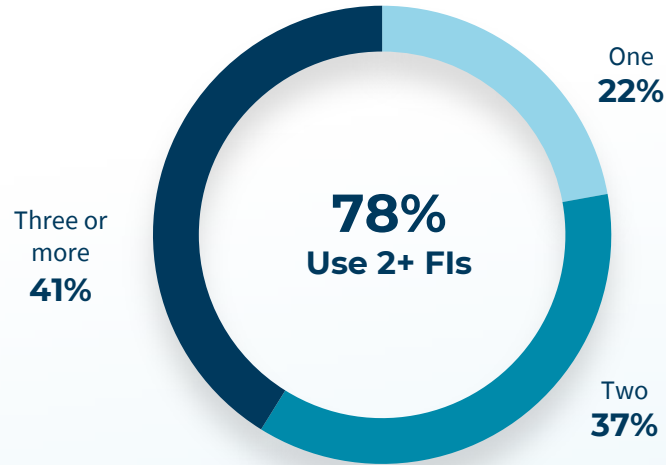
How likely are you to switch your primary banking relationship to another institution in the next two years?



Source: Arizent/American Banker, The State of Small Business Banking, 2022

Yet, the majority of small businesses rely on more than one financial institution to support their business needs

How many different financial institutions, including banks, credit unions, industrial loan corporations, card processing banks, etc. does your organization use to support its business needs?

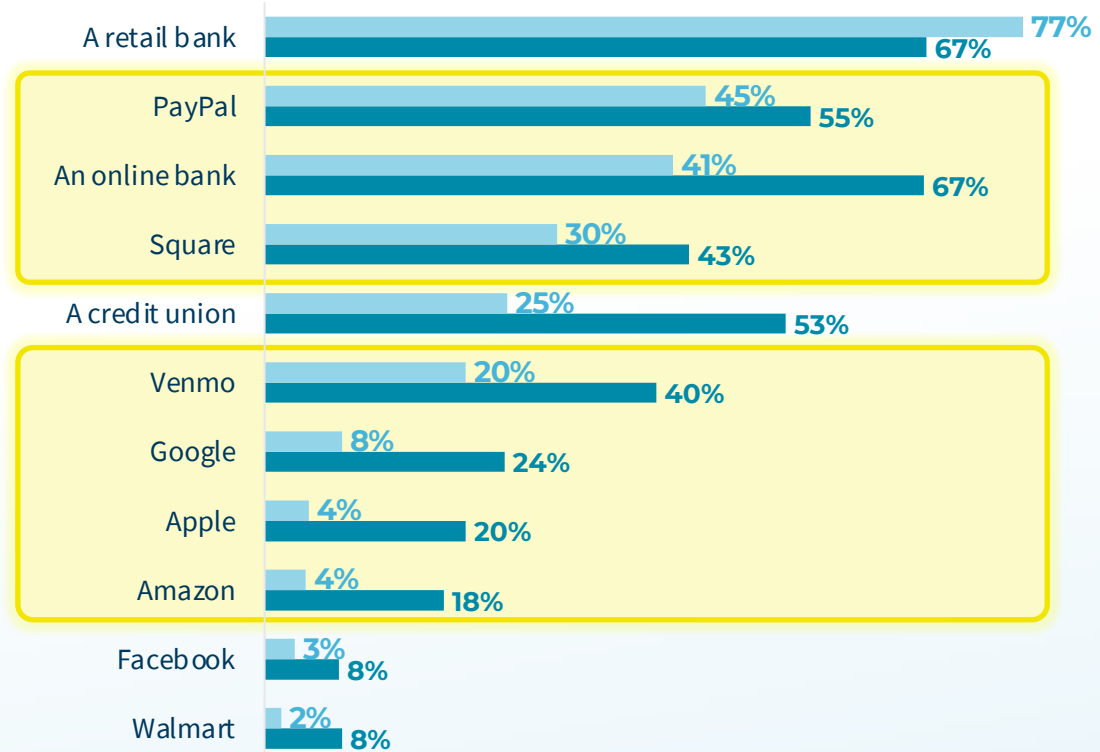


In fact, small businesses are taking a more expansive view of banking with many considering non-bank entities to support future banking needs

Which of the following entities or services is your company using to support its banking needs today?

Which would your company consider using to support its banking needs in the future?

- Currently using
- Would consider using



How SMBs **Get Paid**

32.5
million

SMBs

81% have no paid employees

According to the SBA

64.6
million

**Independent
Workers**

According to MBO Partners

Redefining the needs of small business banking.



SMBs are turning away from accepting cash and check in person, to accepting in-app and online payments via card

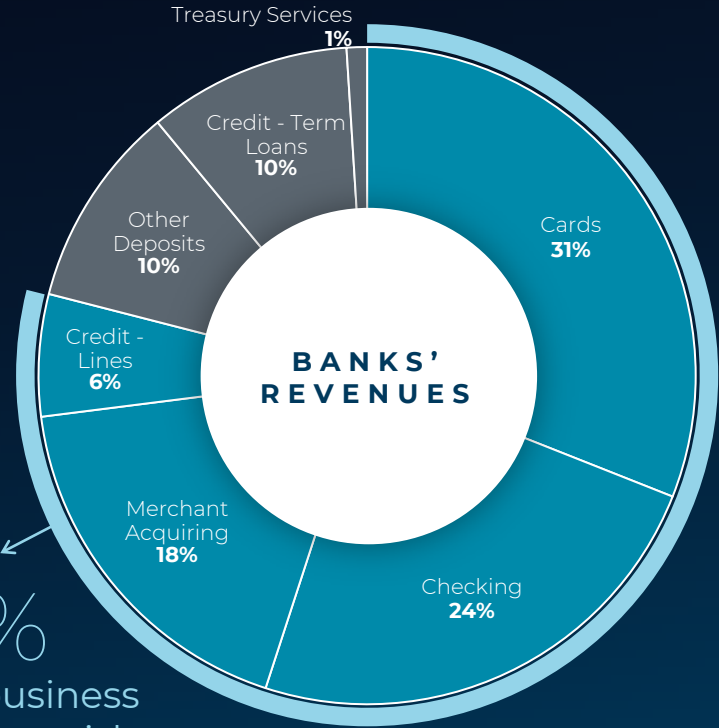
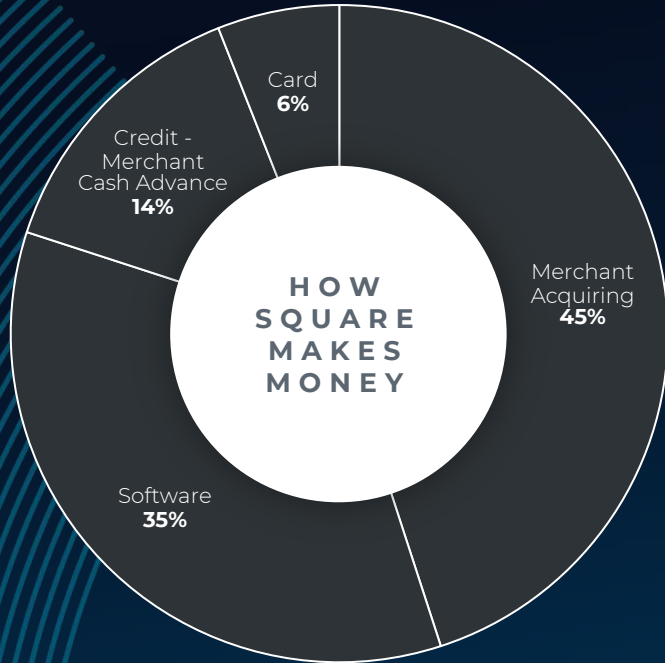


73% of small businesses (SMBs) said new forms of digital payments **are fundamental to their growth**



59% plan to shift to using **only digital payments within the next two years**, or are already cashless

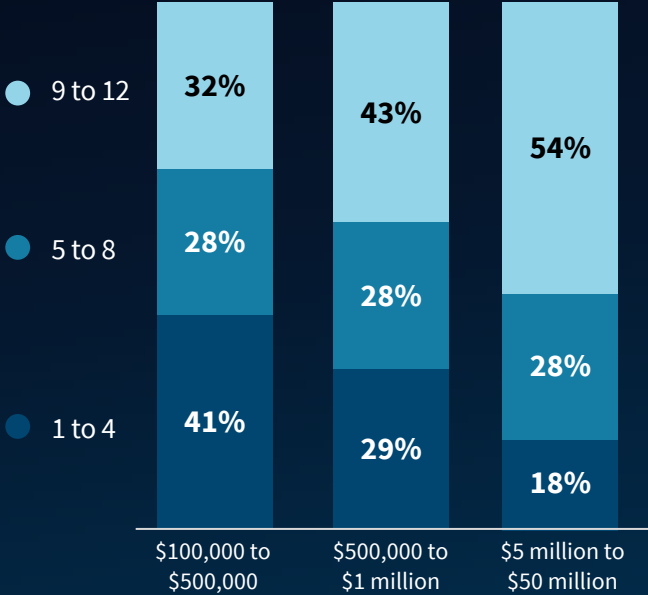
Third-party app providers are targeting banks' revenues



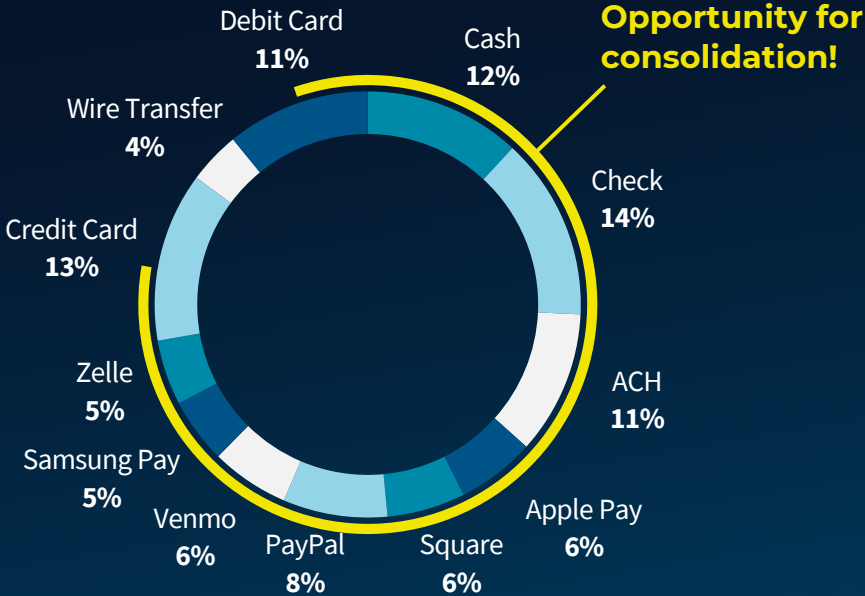
 **NEARLY** **80%** of small business revenue is at risk

Payment Proliferation Causes SMBs Major Headaches

Number of Payment Types Accepted



Percentage of Payments Received by Payment Type



Rise of 3rd party **payment apps**

Analysis of transactional data to determine the

THREATS AND OPPORTUNITIES IN SMALL BUSINESS BANKING

Small business has become big business.

The small business opportunity is a massive one: perhaps close to \$400 billion, according to Cornerstone Advisors. Nevertheless, the small business (SMB) market until recently has been expensive to reach and costly to serve.

The Autobooks Small Business Data Report

is designed to help you better understand the opportunity and threats in small business banking through an analysis of transactional data collected by the Autobooks team.

113

Total number of financial institutions evaluated

529,106

Total number of business accounts evaluated

7

Months of transactional data from January–July of 2022

Third-party app providers are winning over small business direct deposit relationships

To lock in customer primacy, your financial institution must offer products that enable business owners to accept customer payments that settle directly into their existing business account at your financial institution.

The challenge is that many business owners are turning to third-party app providers to receive customer payments. While many of those businesses may link to their business account at your financial institution today, that may not be the case tomorrow.

Business Accounts Accepting Deposits through Third-Party Apps

The below table shows the total number of business accounts analyzed that received an incoming deposit from either Square, PayPal, or Venmo (third-party apps).

Asset Range	# of FIs	# of Connected Business Accounts	Total Monthly Third-Party App Transactions	Total Monthly Incoming Deposits from Third-Party Apps
< \$1B	84	13,601	279,601	\$266,636,060.23
\$1 - \$3B	27	15,285	329,113	\$318,425,276.46
\$3 - \$10B	9	15,530	321,429	\$273,826,391.79

Evaluating the account penetration of third-party app providers

It's not often that you can easily benchmark the influence a competitor has over your customer base, but in the case of third-party app providers, we can do just that.

If an account holder is accepting payments through a third-party app, you can likely draw two conclusions from their behavior:

- **Their need** to accept online or in-app card payments from customers, and...
- **Their interest** in a solution that is increasingly becoming an alternative to the banking services you provide a business.

Financial Institution Benchmarks

The below analysis represents per FI averages based upon total incoming deposit activity from PayPal, Square, and Venmo.

Asset Range	# of Accounts per FI	% of Account Penetration	Total Monthly Deposit Amount per FI
< \$1B	162	12.2%	\$3,174,238.81
\$1 - \$3B	566	11.2%	\$11,793,528.76
\$3 - \$10B	1,726	10.5%	\$30,425,154.64

Account Benchmarks

The below analysis represents per account averages based upon total incoming deposit activity from PayPal, Square, and Venmo.

Asset Range	# of Transactions per Account	Average Deposit Amount	Average Total Monthly Deposit Amount per Account
< \$1B	20.56	\$953.63	\$19,604.15
\$1 - \$3B	21.53	\$967.53	\$20,832.53
\$3 - \$10B	20.70	\$851.90	\$17,632.09

Benchmarking the Competition – Financial Institution Averages

The below analysis represents the total monthly amount of incoming deposits from PayPal, Square and Venmo across all the FIs within each asset range.

Asset Range		# of Connected Business Accounts	Total Third-Party App Transactions	Total Incoming Deposits from Third-Party Apps
< \$1B	PayPal	4,387	36,365	\$71,019,475.63
	Square	5,069	202,607	\$176,750,594.07
	Venmo	4,145	40,629	\$18,865,990.53
	# of FIs 84			
\$1 - \$3B	PayPal	5,185	44,796	\$97,135,513.25
	Square	6,431	249,493	\$203,858,940.26
	Venmo	3,669	34,824	\$17,430,822.95
	# of FIs 27			
\$3 - \$10B	PayPal	5,330	40,722	\$56,716,796.40
	Square	6,207	241,927	\$195,522,676.80
	Venmo	3,993	38,780	\$21,586,918.59
	# of FIs 9			

Benchmarking the Competition – Account Averages

The below analysis represents per account monthly averages of incoming deposit activity per third-party app provider.

Asset Range		# of Accounts per FI	# of Transactions per FI	# of Transactions per Account	Average Deposit Amount	Average Total Deposits per Account
< \$1B	PayPal	52	433	8.29	\$1,952.96	\$16,188.62
	Square	60	2,412	39.97	\$872.38	\$34,868.93
	Venmo	49	484	9.80	\$464.35	\$4,551.51
\$1 - \$3B	PayPal	192	1,659	8.64	\$2,168.40	\$18,733.95
	Square	238	9,240	38.80	\$817.09	\$31,699.42
	Venmo	136	1,290	9.49	\$500.54	\$4,750.84
\$3 - \$10B	PayPal	592	4,525	7.64	\$1,392.78	\$10,641.05
	Square	690	26,881	38.98	\$808.19	\$31,500.35
	Venmo	444	4,309	9.71	\$556.65	\$5,406.19

Regain SMB
account primacy

Let's Rethink Account Bundling!

1

A **merchant account** is to a Business...

What direct deposit is to a Consumer.

2

Sending invoices & accepting payments will be as **ubiquitous** as bill pay & remote deposit capture in < 5 years!

3

Neo / Challenger Banks are fumbling..

Now is the time to **'reclaim'** relationships based upon safety, security, trust & proximity.

4

Together, we can ensure banking relationships remain **relevant** to the next generation of digital customers.

5

Play to our **Strengths!**

Third-party app providers offer limited services, w/poor customer service.

6

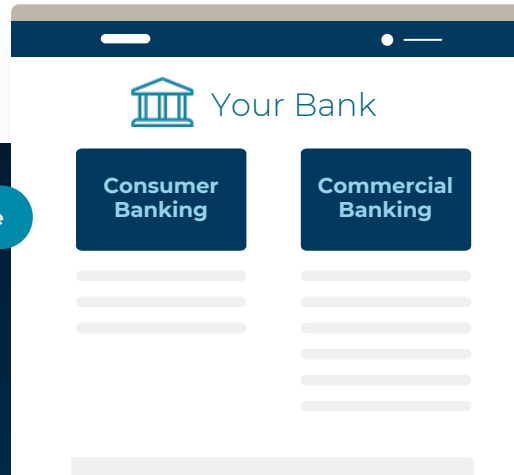
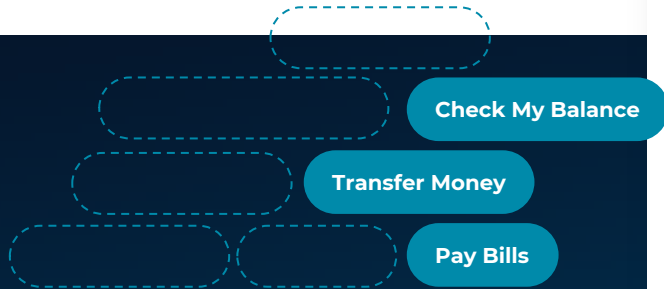
Become your customers' **"super app"**

When a small business visits the bank, **what do they have to offer for digital payments?**



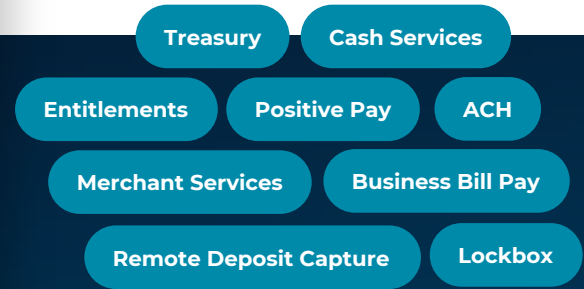
Consumer banking

is too basic & lacks payment acceptance tools



Commercial banking

is too complex & the payment acceptance tools are not the right fit



Sell online and in person >

Sell on a website, point of sale, or social media, and book appointments.

Manage money >

Take payments, access funds instantly, and get a loan.

Connect with customers >

Drive business with marketing, messaging, and loyalty programs.

Manage and pay teams >

Run your team efficiently with permissions, timecards, and payroll.

Extend and develop >

Connect third-party apps or build custom solutions.

Business debit card

Invoices

Online checkout links

Virtual terminal

Business loans

Bank transfers

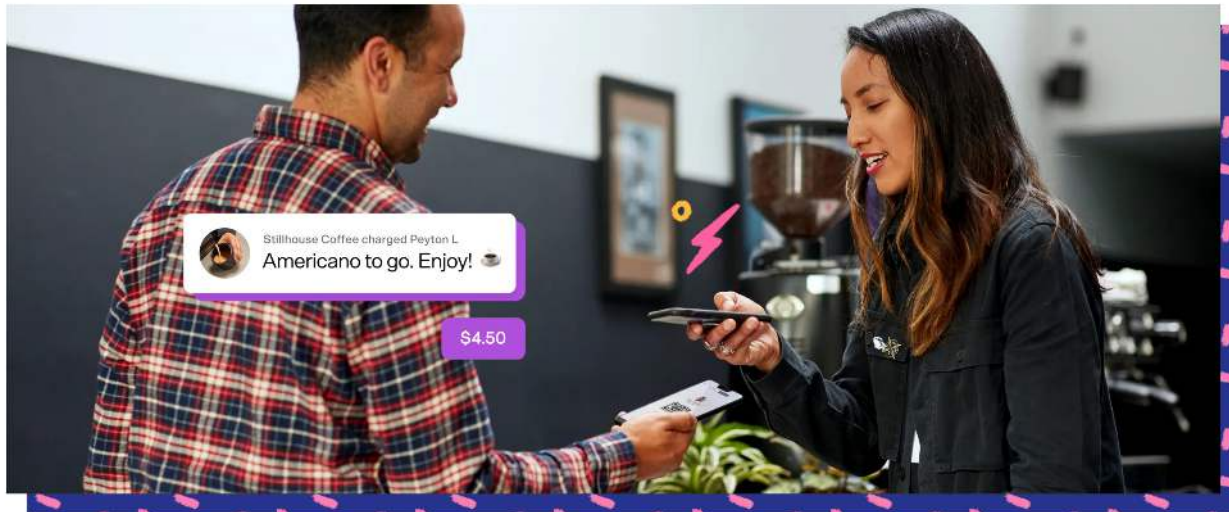


futu

Do business with Venmo

Accept Venmo payments in your app, online, or in person and tap into our active community of more than 83 million people.

Get a business profile



Chase Business Complete Banking^{SM 1}

Get your business up and running with a new kind of bank account. Chase Business Complete Banking has the banking essentials you need.

Open account online



[Product information & pricing](#)

[Get started](#)

[Customer stories](#)

It's more than a bank account

Chase Business Complete Banking is a checking account that comes with built-in card acceptance, helping you get your business going.

Get the convenience of built-in card acceptance

Explore multiple ways to waive the Monthly Service Fee

Get same-day deposits on card payments at no additional cost²

Help protect your account with Fraud Protection Services³



What's included

Checking and Chase QuickAcceptSM

Low to no fee checking¹

Checking

\$15 or \$0 Monthly Service Fee. There's no Monthly Service Fee when any of the following are met each monthly statement period:

- \$2,000 minimum daily balance
- \$2,000 in purchases on your Chase Ink[®] Business Card(s)
- \$2,000 in deposits from QuickAcceptSM and/or other eligible Chase Merchant Services transactions
- Link a Chase Private Client CheckingSM account

Built-in card acceptance using the Chase Mobile[®] app

QuickAcceptSM

No hidden fees or monthly contracts.

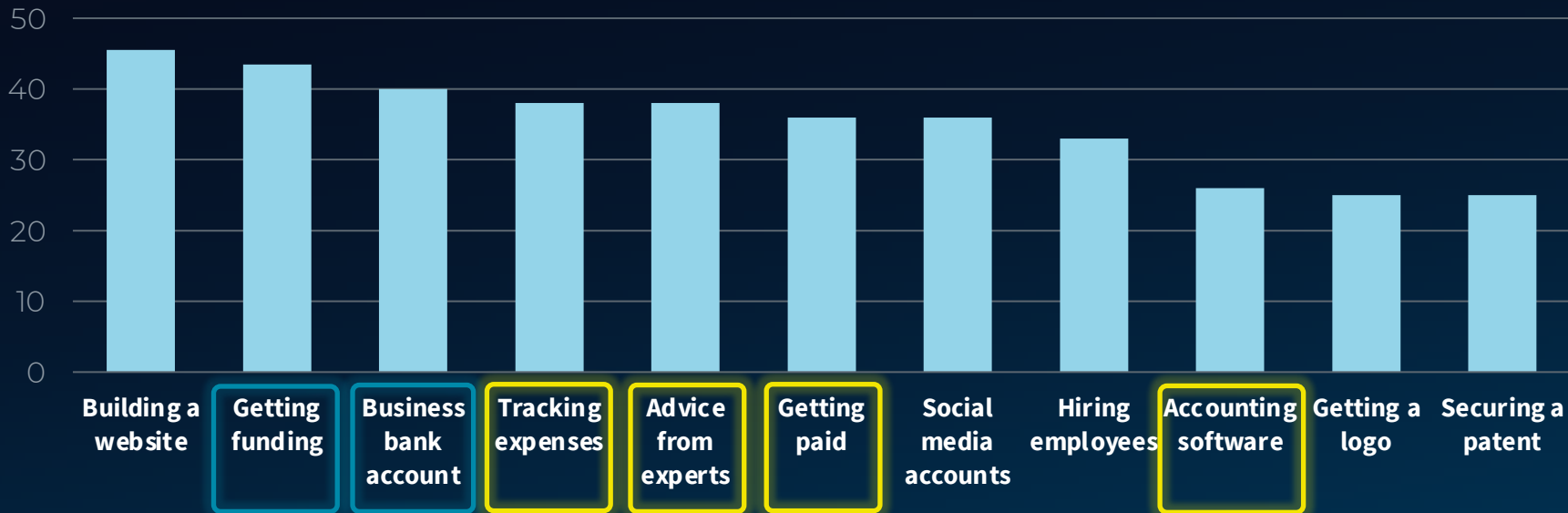
- 2.6% + 10 cents for tap, dip, or swipe transactions with the purchase of a QuickAcceptSM contactless mobile card reader
- 3.5% + 10 cents for manual transactions through the Chase Mobile[®] app⁴

[Learn more about QuickAcceptSM](#)



Helping SMBs... Bundle essential back-office services.

When you start your business, what will your first priorities be?



Provided by:

Financial Institution

Autobooks

By helping small businesses get paid
(through existing digital banking channels)
a financial institution can:



**DIVERSIFY
REVENUE
STREAMS**



**EXPAND
RELATIONSHIP
DEPTH**



**INCREASE
PRIMACY**

Stories from the front-lines

A landscaper wearing a bright green shirt and blue jeans is using a red and black hedge trimmer to trim a large, dense green hedge. The hedge is positioned against a red brick wall. The landscaper is standing on a grassy area with some fallen branches and leaves. The scene is brightly lit, suggesting a sunny day.

STORY ONE

Residential & commercial landscaping business.

Previously accepting check payments from their clients.

A person wearing a dark apron splattered with various colors of paint is operating a screen printing press. The person's hands are visible, one resting on a grey squeegee. The press is a large metal frame with a screen stretched across it. The background shows a workshop setting with various equipment and a clipboard on a stand.

STORY TWO

Custom screen- printing business.

Previously processing payments
through Square for over 2 years.

A semi-truck is driving on a road in a desert landscape. The truck is white and has a large trailer. The background shows a desert with mountains in the distance under a cloudy sky. The text is overlaid on the left side of the image.

STORY THREE

Trucking & freight hauling business.

Working with their FI to get paid.

A large, light-colored wooden crate sits on a wooden pallet in a dimly lit warehouse. The crate is secured with three blue metal straps. The background shows the rough, grey concrete walls of the warehouse. The lighting is dramatic, with strong shadows and highlights.

STORY FOUR

Crate shipping business.

Previously accepting wire
transfers for all payments

With any challenge, there is an opportunity
 Enabling business owners to accept payments through your existing online and mobile banking channels creates an opportunity to generate non-interest fee income, increase deposits, and increase account engagement.

Generate non-interest fee income

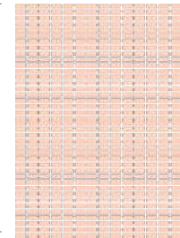
\$	X	%	-	%	-	%	=	\$8.45
Average monthly processing volume per active small business account		Transaction processing rate		Estimated transaction processing cost		FI revenue share		Estimated monthly transaction revenue per active small business account

Increase deposits and reduce deposit displacement

For every **\$1 deposited** into the FI from a third-party app ...



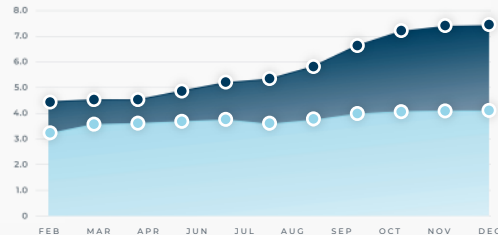
\$7 stayed in the third-party app



An analyzed bank experienced **87.5%** deposit growth from existing accounts

Based upon deposit analysis of 308 accounts that adopted Autobooks

Increase small business primacy, engagement, and loyalty



Products for small business customers with Autobooks

Products for small business customers without Autobooks

Introducing Autobooks at the time of account opening **increases relationship depth** by **61%**

Benefits for your small business customers

Potential cost savings for your customers

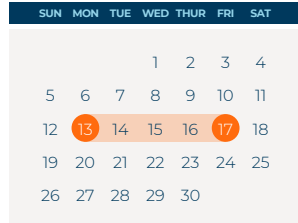
PayPal	Transactions	Transaction Amount	Total
Payments to SMB	9	\$2,000	\$18,000
Fees Charged to SMB	(\$0.49)	-3.49%	(\$632.61)
Net			\$17,367.39

Autobooks	Transactions	Transaction Amount	Total
Payments to SMB	9	\$2,000	\$18,000
Fees Charged to SMB	\$0	-2.89%	(\$520.20)
Net			\$17,479.80

\$112.41
Monthly Savings

\$1,348.92
Annual Savings

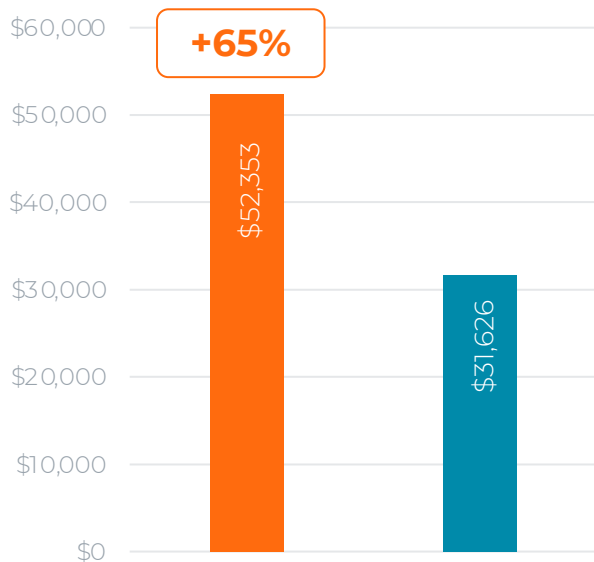
Accelerate cash flow & increase deposit balances



95% of all invoices sent through Autobooks get paid within **5 business days.**

What outcomes are banks realizing?

INCREASED Deposit Balance



INCREASED Engagement & Product Depth

PRODUCT	AB	SMB Avg	% Change
Online Banking	99.3%	82.6%	20%
Mobile	22.6%	12.3%	82%
Debit Card	89.0%	57.5%	55%
Merchant Services	5.2%	2.4%	117%
ACH Credit	8.2%	1.1%	645%
Bill Pay	90.0%	30.2%	198%
Payroll	2.8%	.4%	600%
Branch Deposit	29.9	32.5%	-8%
eStatements	77.1%	56.4%	37%
Relationship Depth	6.4% (existing SMB) 8.2% (new to bank)	3.9%	64% 110%

Autobooks features



Accept digital payments, including all cards.



Send professional invoices with the ability to customize them.



Get paid directly into their account, where they can access funds easily.



Manage cash flow, automate reporting and bookkeeping, and more

The Next Frontier is Contactless Payments!

Empower businesses to accept contactless payments with Tap to Pay on iPhone - enabled within Mobile Banking!

- ✓ Dollars are deposited directly into your FI



No additional hardware is needed to accept contactless payments through Tap to Pay on iPhone, so businesses can accept payments from wherever they do business.

Getting Started is Easy!

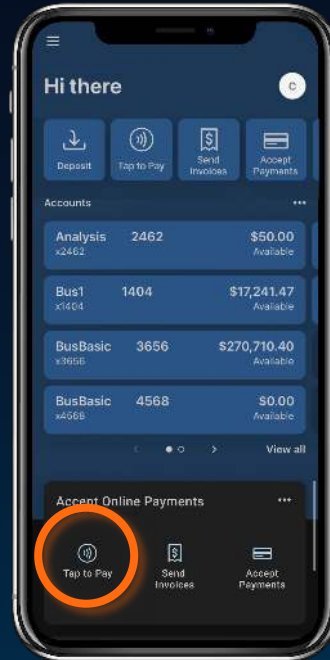
- ✓ Simple, turn-key integration
- ✓ Join the waitlist & be among the first to offer:



Proprietary & Confidential

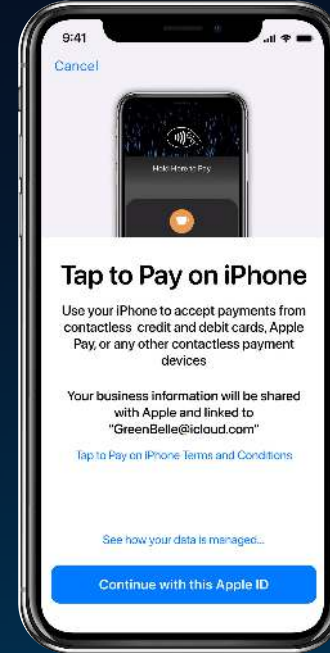
1

Log into
Mobile Banking



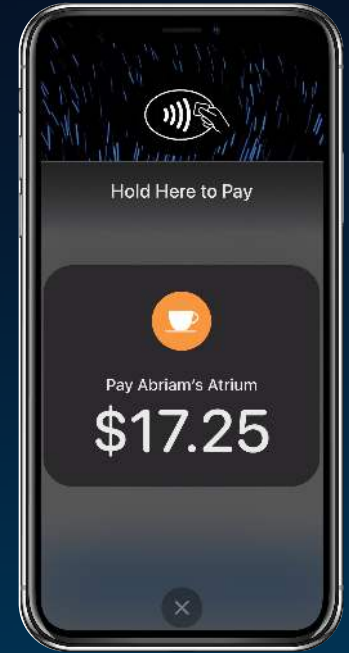
2

Activate Tap to Pay
(Accept terms of service
& initialize device)



3

Accept Payment
(contactless payments)



autobooks

Connect with Autobooks

autobooks.co/AOBA

Let's connect:

Linkedin: [linkedin.com/in/deriksutton](https://www.linkedin.com/in/deriksutton)

Email: derik@autobooks.co