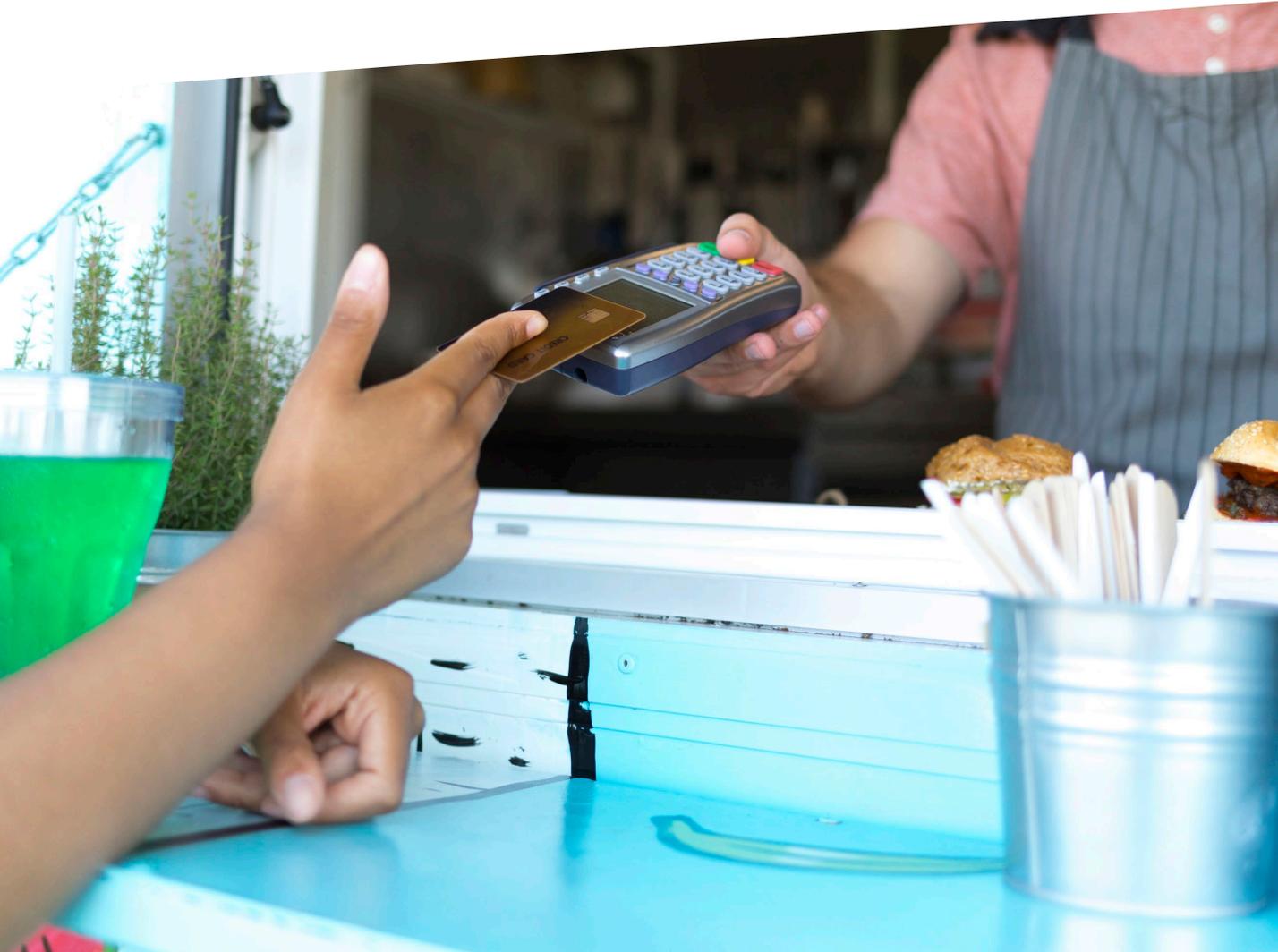


Driving Small Business Credit Card Acquisition

Amid high demand and supportive macroeconomic conditions in the United States, the time for community banks to take advantage of the small business credit card opportunity is now.



These materials and best practice recommendations are provided for informational purposes only and should not be relied upon for marketing, legal, regulatory or other advice. Recommended marketing materials should be independently evaluated in light of your specific business needs and any applicable laws and regulations. Visa is not responsible for your use of the marketing materials, best practice recommendations, or other information, including errors of any kind, contained in this document.

Small business credit cards represent a significant opportunity for US financial institutions. Each year, more than 30 million small businesses spend \$5.8 trillion, often relying on credit cards to manage their expenses—and many of them are actively shopping for business credit cards that better address their needs.¹ With US industry conditions pointing to a positive outlook for small business credit cards—including strong GDP growth, more small businesses, and growing small business optimism about the future—the time for financial institutions to focus on their small business credit card offering is now.

The *Visa/A.T. Kearney Small Business Credit Card Study*, which consists of a survey of more than 3,400 US small businesses and interviews with community bank executives, provides insights into how these businesses shop for and make decisions about business credit cards. Leveraging the study's findings, we outline opportunities for financial institutions to help drive acquisition and card-based spend in the small business credit card space.

Starting with the Basics: Understanding Key Marketplace Dynamics

Importance of small business credit cards. Today, small businesses view credit cards as the best and most efficient payment tool, surpassing checks, debit cards, and bank transfers.² The *Visa/A.T. Kearney Small Business Credit Card Study* reveals that almost 70 percent of small businesses use credit cards in a typical month and over 70 percent of those who use credit cards designate a business credit card as opposed to a consumer credit card as their primary card for business expenses.

High level of shopping activity. For many small businesses, selecting a credit card is not a one-time event. Almost 40 percent of small businesses that use credit cards for business expenses report having shopped for a new or additional business credit card in the past two years. (Close to 70 percent say they are at least somewhat likely to get a business credit card in the next two years.) And shopping leads to action, with 72 percent of shoppers reporting they decided to get a new business credit card.

Not all providers are evaluated equally. The high levels of shopping suggest an opportunity for financial institutions, both large and small, to capture new business credit card relationships. But the best way to compete is not the same across institutions. To be a contender, a community

About the *Visa/A.T. Kearney Small Business Credit Card Study*

The *Visa/A.T. Kearney Small Business Credit Card Study*, commissioned by Visa, was conducted with a nationally representative sample of more than 3,400 US small businesses. The study defines small businesses as those with 2016

annual revenue between \$50,000 and \$10 million. Conducted in October 2017 with an online panel, the study addresses small businesses' behaviors, decision-making, and preferences regarding the usage and acquisition of business credit

cards. As part of the study, in partnership with ICBA Bancard, we also conducted interviews with community bank executives to understand their views and approaches to small business credit cards, as well as their pain points.

¹ US Small Business Administration, Visa Commercial Consumption Expenditure Index, Economist Intelligence Unit modeling and analysis

² Visa Small Business Insights Research

bank needs to have a competitive offer, but not necessarily the best offer. Our study reveals that when considering community banks, small businesses value the benefits offered by smaller institutions—such as personalized services, the relationship with the banker, and better knowledge of the business—and they will accept a less competitive offer in lieu of the business benefits. For more details, see [Small Business Credit Cards: How Community Banks Can Harness the Opportunity](#).

Almost 40 percent of small businesses that use credit cards for business expenses report having shopped for a new or additional business credit card in the past two years.

How Financial Institutions Can Influence Small Business Credit Card Decisions

Understanding how small businesses make business credit card decisions can provide insights into how financial institutions create awareness about their offerings, drive demand for business credit cards, acquire customers, and cross-sell business credit cards to existing customers.

Creating demand for a small business credit card

A variety of factors and events can help ignite a small business decision to shop for a business credit card. According to our study, there are three main triggers for shopping for a new or additional card:

- **Identifying a new business need.** Forty-two percent of shoppers say their main trigger was associated with a new business need (get additional credit, separate business and personal expenses, find a better way to track expenses, manage cash flow, establish a credit record for the company, or provide business cards to employees).
- **Recognizing that a better offer may be available.** Nineteen percent say their main trigger for shopping for a business credit card was wanting better rewards.
- **Being exposed to an external stimulus.** Eighteen percent say they were triggered by receiving a business credit card offer.

Our analysis of these triggers suggests that to compete in the space, financial institutions should invest in creating awareness of their business credit card products. This is particularly true for community banks, which, according to our executive interviews, take a more reactive approach to small business credit cards, making them available when customers request them versus proactively selling them. Beyond creating awareness, financial institutions should assess their product offering to ensure they offer competitive rewards without getting into a bidding war by highlighting other benefits of the product and the relationship. Finally, financial

institutions should develop mechanisms to predict their small business customers' emerging credit card needs and proactively offer a credit card when a new need is likely to emerge. The strong, personal relationships community banks have with their small business customers can be an advantage in the needs discovery process.

Positioning the product based on what matters to small businesses

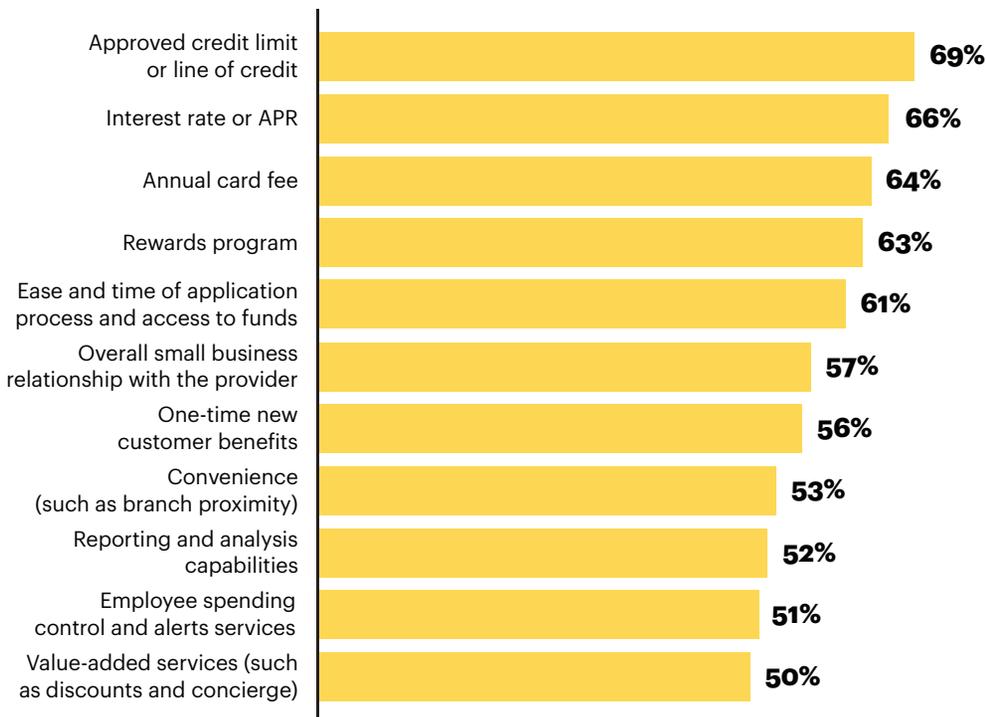
When evaluating business credit card offerings and providers, small businesses put particular emphasis on the size of the line of credit and the pricing associated with the card (including interest rates and annual fees), followed by the nature of the rewards program (see figure 1).

Figure 1

Credit lines, pricing, and rewards are among the important features when small businesses assess business credit card offerings

Importance of features in evaluation of business credit card providers and offerings

% that said each feature was extremely or very important among small businesses that have credit cards for business expenses and shopped for a business credit card in the past two years



Definition: Small businesses are those with 2016 revenues between \$50,000 and \$10 million.

Question: How important were each of the following features in your evaluation of alternative business credit card providers and/or their offerings?

Source: Visa/A.T. Kearney 2017 Small Business Credit Card Study (N=920)

As a result, financial institutions should assess the competitiveness of their small business credit card offerings in light of small businesses' focus on credit line size, pricing, and rewards. Importantly, such product features should be highlighted in communications and marketing, making it easier for small businesses to make decisions. Finally, given the importance of the size

of the credit line, underwriting standards should consider the broad relationship and business information to provide lines of credit that can cover the business' required monthly spend while meeting the financial institutions' risk standards. Community banks can leverage their close relationships with and trust from small business customers to help deepen the relationship with business credit cards.

Promoting the small business credit card offering across channels

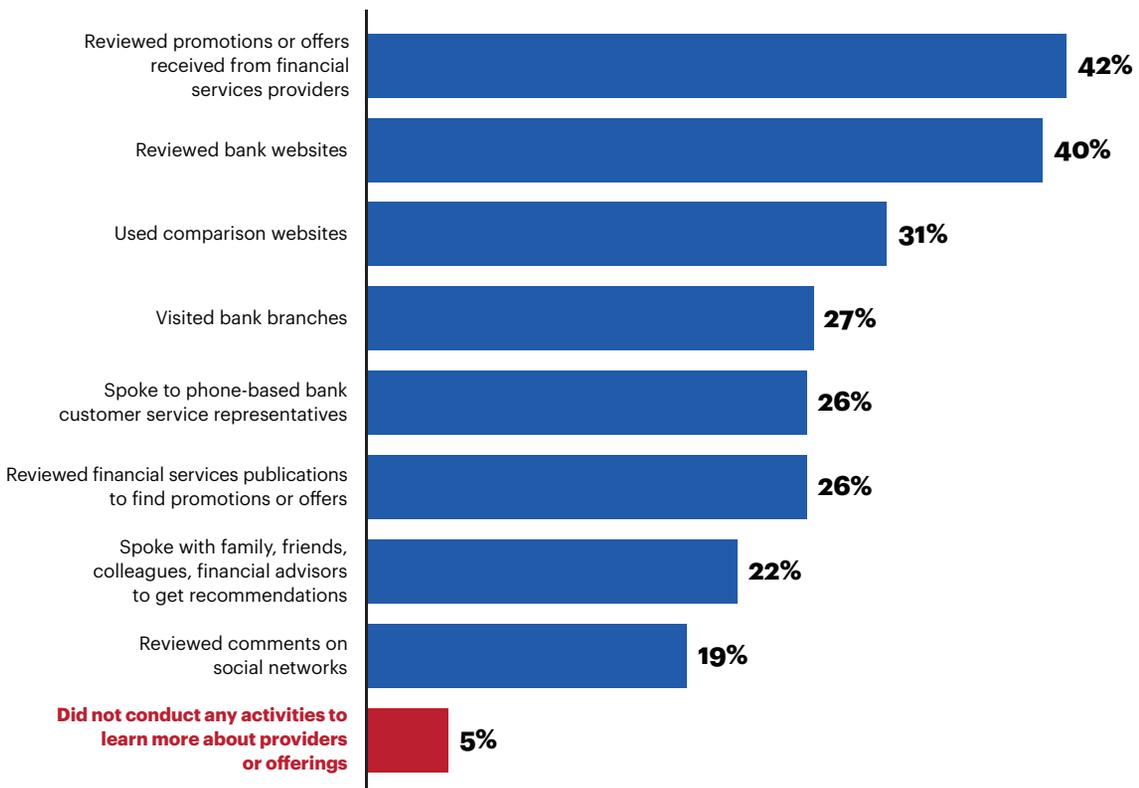
Small businesses do not take business credit card decisions lightly. Not only do the vast majority of shoppers (95 percent) conduct research to learn about the available options, but many of them conduct multiple activities and rely on multiple sources—offered by both the financial institutions (for example, direct mail, websites, branches, and phone reps) and external parties (for example, comparison websites, friend and family recommendations, and social media)—to help inform their decisions (see figure 2).

Figure 2

Small businesses conduct several activities to learn about alternative business credit card providers and offerings

Research activities conducted to learn about business credit card providers and offerings

% that conducted each activity among small businesses that have credit cards for business expenses and shopped for a business credit card in the past two years



Definition: Small businesses are those with 2016 revenues between \$50,000 and \$10 million.

Questions: Which of the following activities did your company do to learn more about and compare business credit card providers or offerings? Select all that apply. Which of the activities your company conducted to learn more about and compare business credit card providers or offerings had the biggest impact on your assessment?

Source: Visa/A.T. Kearney 2017 Small Business Credit Card Study (N=920)

Our research indicates that financial institutions need to create awareness of and promote their small business credit card offerings (and their benefits) across all proprietary channels (branches, websites, mobile apps, and direct mail). They should also leverage third-party channels (comparison websites and social media) and existing client relationships (recommendations) to support the product and help increase the chances of being in the consideration set.

Three activities are essential:

- **Present promotions and offers to potential credit card customers.** Effective communications clearly state the benefits of the card (for example, rates, fees, rewards, and relationship perks) and include a call to action (for example, “click here” or “call this number to apply”).
- **Make small business credit card information readily available online.** Information should be easy to find, following a logical path without too many clicks (for example, an option in the product drop-down menu on the landing page) and optimizing the search of small business credit card-related information both within the institution’s website and when using search engines. The small business credit card page should provide a quick summary of the offering, highlighting the key features and allowing potential customers to quickly get the facts they need to inform their decisions.
- **Train bank staff to talk about and promote small business credit cards.** Training should be offered to branch staff and phone representatives to help them assess customer needs for a small business credit card and have conversations about the offering and its benefits.

Financial institutions need to create awareness of their card offerings across all proprietary channels as well as leverage third-party channels and existing client relationships to increase the chances of being in the consideration set.

How to Leverage Digital to Help Make It Easier for Small Businesses to Take Action

Acquiring the business credit card relationship may require more than having a competitive offer, creating awareness of the product, and convincing small businesses that your offer is the best for them. The application and account opening process should also be seamless and easy as 61 percent of those that shopped for a small business credit card in the past two years say the ease and time required was extremely or very important in their evaluation of the offers and providers.

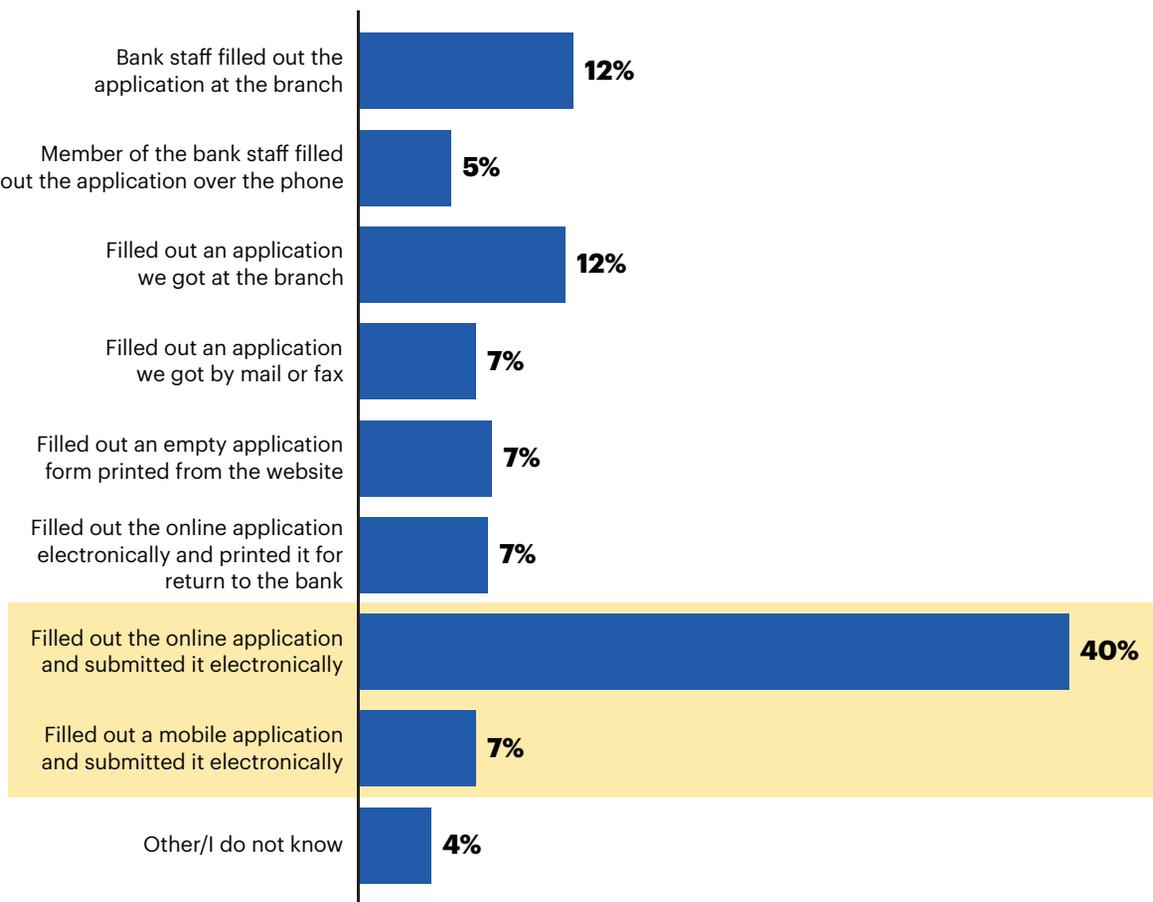
Digital credit card application solutions are essential. According to our study, a large percentage of small businesses—47 percent to be exact—relied on digital channels (mobile or online) to apply for business credit cards, while only 12 percent did it at the branch with the help of a staff member (see figure 3).

Figure 3

Small businesses rely heavily on digital channels to fill out business credit card applications

Method used to apply for a new business credit card

% that used each application method among small businesses that have credit cards for business expenses, shopped for a business credit card in the past two years, selected a provider, and applied for a card



Definition: Small businesses are those with 2016 revenues between \$50,000 and \$10 million.

Question: Which type of application did your company use to open your new business credit card with [provider of new or additional card]?

Source: Visa/A.T. Kearney 2017 Small Business Credit Card Study (N=443)

The high incidence of digital applications suggests that addressing small business preferences will require customer-friendly digital account opening capabilities. This implies an important change for community banks, for which branches are the main application-taking channel and applications are predominantly on paper (filled out at the branch or mailed in). Moreover, financial institutions need to create awareness of such capabilities, adding clear messaging around the digital account opening options (for example, a “click here” button on the website or a link in an email).

How to Engage Small Businesses Once They Get the Business Credit Card

For financial institutions, getting a small business to select their business credit card is just the beginning of the journey. The next step is to ensure the card is activated and used, striving to become the top-of-wallet provider. Several strategies can help lead to success:

- Ensure that the underwriting decision is made quickly and the line of credit can support the business’ spending needs, keeping in mind the high importance of the size of the credit line and quick access to funds in small businesses’ decision-making. Deploy credit line adjustment strategies to help manage ongoing risk and satisfy customers’ changing needs.
- Quickly get the physical cards to the small business and promote activation. This can be achieved through activation communications and offers designed to drive the first purchase, among other mechanisms.
- Promote card usage and loyalty through a series of early-month-on-book communications during the onboarding process that help incent cardholders to use their cards and increase spend and balances (see figure 4).

Figure 4
Financial institutions should deploy marketing and customer management strategies to help incent card usage

Best practices	Description
Employ spend stimulation best practices (“spend-and-gets”)	<ul style="list-style-type: none"> • Segment-based spend stimulation strategies with a rich mix of offers, educational messages, card upgrades, and recognition can drive increased retention.
Use credit line increases and APR reductions to help build balances and trigger a top-of-wallet position	<ul style="list-style-type: none"> • Strategic use of credit line increases can help grow balances and create incremental revenue from existing cardholder relationships. • APR reductions can help change some transactors into revolvers and grow outstandings.
Supplement spend stimulation strategies with balance transfer offers	<ul style="list-style-type: none"> • Building a successful balance transfer program requires rigorous analytic support. • Persistence with this tactic is crucial as models are effective at telling who is likely to take a balance transfer but not as good at telling when this will happen.
Identify opportunities for payment migration to credit cards	<ul style="list-style-type: none"> • Assess current payments made by check, or other non-electronic payment mechanism, and identify opportunities to encourage small business customers to migrate to credit cards.
Explore opportunities to offer cards to employees of small businesses	<ul style="list-style-type: none"> • Assess clients that are likely to have the need to offer credit cards to their employees, and highlight the benefits of such practices.

Source: A.T. Kearney analysis

Key Takeaways: How to Succeed in the Small Business Credit Card Space

With high demand for the product, a high level of shopping activity, and supporting macro-economic conditions, the outlook for the small business credit card business is promising. Taking advantage of this opportunity, however, will require promoting and creating awareness of the small business credit card offering. Communications should be clear, highlighting the benefits of the card and the features that matter most to small businesses (for example, fees, rewards, and relationship benefits). Forward-thinking financial institutions use all channels to promote the product—from direct marketing and the website to the branch—to help increase the chances of becoming the preferred card provider.

Financial institutions need to leverage online and mobile channels to help promote, acquire, and manage the small business credit card portfolio given the growing importance of digital channels.

Despite the need for a multichannel approach, financial institutions need to leverage online and mobile channels to help promote, acquire, and manage the small business credit card portfolio given the growing importance of digital channels. Product information on the institution's website should be easy to find and focused on relevant product features. Moreover, a digital account opening capability can help make it easy for small businesses to apply. In addition, small businesses need to be able to track and manage the card through digital channels, with flexibility to do so anytime, anywhere. Smaller institutions should leverage their technology partners to offer such capabilities.

Finally, strategies to engage new customers early on can help improve the chances of becoming the preferred business credit card provider. Several moves can be effective, including getting the card delivered as soon as possible, providing appropriate lines of credit and managing them over time to meet customers' evolving needs, and promoting card usage and engagement early on to help increase the chances of becoming the top-of-wallet provider.

The time to take advantage of the small business credit card opportunity is now.

Author



Monica Gabel, principal, Boston
monica.gabel@atkearney.com

About A.T. Kearney

A.T. Kearney is a leading global management consulting firm with offices in more than 40 countries. Since 1926, we have been trusted advisors to the world's foremost organizations. A.T. Kearney is a partner-owned firm, committed to helping clients achieve immediate impact and growing advantage on their most mission-critical issues. For more information, visit www.atkearney.com.

About Visa

Visa Inc. (NYSE: V) is the world's leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payment network – enabling individuals, businesses and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second. The company's relentless focus on innovation is a catalyst for the rapid growth of connected commerce on any device, and a driving force behind the dream of a cashless future for everyone, everywhere. As the world moves from analog to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce. For more information, visit usa.visa.com/about-visa.html, visacorporate.tumblr.com and [@VisaNews](https://twitter.com/VisaNews).