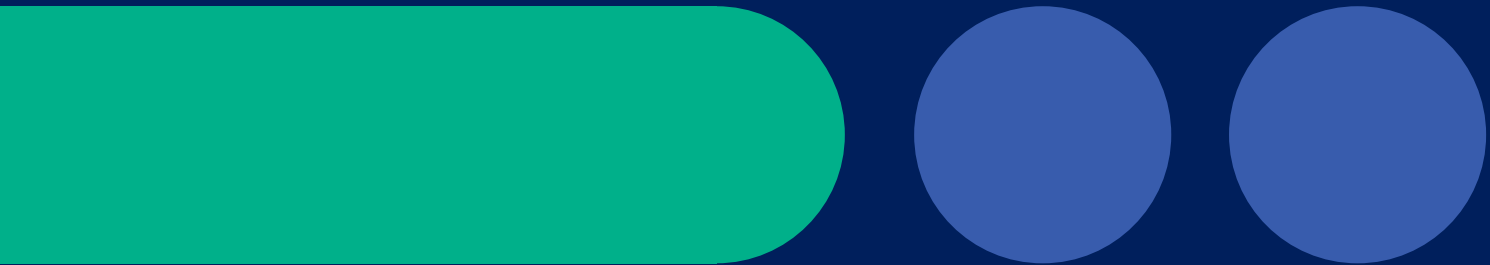

Putting Banks at the Heart of Business





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Executive summary

Over the last ten years, challenger banks, neo banks, payment processors, accounting package vendors and fintechs have been responsible for fraying the edges of banking in what many commentators have described as the ‘unbundling’ of banks. Regulation and advances in technology have lowered the barriers to entry and will continue to do so. Rather than there being a slow-down in the unbundling it is likely to increase.

A lot of focus has been placed on SMEs who have long been neglected by banks and whilst banks have attempted to react, it feels more like a sticking plaster fix rather than the major overhaul that is required. Person-to-person lending, foreign exchange and buy now pay later have all been introduced, as have alternative lenders – all chipping away at perhaps less profitable customers or lines of business, but we are on the cusp of these alternative providers moving into the mainstream.

When it comes to SMEs there are already examples of accounts receivable coming under threat from the likes of GoCardless, Stripe and PayPal, and with the advent of open banking and the ability for third parties to make payments on behalf of customers, the next area ripe for disruption is accounts payable.

In recent times we have also started to see non-banks taking deposits, whether that be in the form of a pre-paid card or commercial card, a payment account or fully fledged white labelled current account. Once deposits are added to the list of unbundled services alongside payables and receivables, the natural conclusion for the next attack vector is lending. And if a bank isn't the main source of lending then they face what can only be described as an existential threat.

This paper examines the threats and provides banks with a suggested path to the promised land of trusted advisor to SMEs. The transformative path will take banks from being a transactional product-based organisation into a customer-centric workflow-based platform that puts them at the heart of a business and cements their position as the essential component of their customers' day-to-day business operations.

SME banking in need of a major overhaul

Over recent years Banking services have been attacked by various parties for many reasons. Services that have been typically offered exclusively by banks have been picked off by fintechs and others who have offered specialist alternatives. Highly visible examples have been in foreign exchange through players like Revolut, Transferwise and Currency Cloud, as well as lending through Zopa, Prosper, Funding Circle and others. This trend is set to continue as traditional regulatory hurdles and accessible, available and suitable technology continues to lower the barrier to entry for new entrants.

SME RELATIONSHIP BANKING IN THE 21ST CENTURY

SME banking is increasingly coming under the spotlight. The typical combination of branch and relationship management is not cost effective for banks and more crucially it is not what SMEs demand in the 21st century.

Way back when, bank managers knew their customer personally and had an integral understanding of their business needs. More often than not banking focussed on the lending needs and in an analogue world where 'real-time' wasn't a thing, personal relationships, meetings at the branch and bureaucratic form filling worked. In a world now dominated by real-time everything those old models simply do not work.

As well as the cost of service SMEs are often categorised by banks as one amorphous mass when in actual fact the 'small' is incredibly fragmented and often more like a consumer than a business, whereas the 'medium' can be more like a corporate.

SMES ARE THE BACKBONE OF THE GLOBAL ECONOMY

Taking the UK as an example (but these numbers are mirrored the world over), according to EY, micros make up 99% of all UK private companies and 60% of the workforce, totalling 5.5 million in number at the end of 2018. They also contribute £6.5 billion in revenue to the UK economy. McKinsey estimate that as much as 74% of an SME's time is spent on non-core activities, defined as anything that does not relate to revenue generation or product/service delivery. This problem is further compounded in the 0-10 employee space as all these time-consuming administrative tasks are carried out by key staff that have roles essential to successfully operating and growing their business, particularly sole traders.

DO BANKS UNDERSTAND THE NEEDS OF SMES?

To illustrate the point about the fragmented nature of the “s in SME”, 75% of Britain’s self-employed workforce (three million people) use personal bank accounts for all business transactions ([Quickbooks research](#)). A fifth of survey respondents admitted that failing to effectively manage finances almost killed their business. The study found that by not separating business transactions from personal finances, UK freelancers and sole traders lose 15 days of paid work a year, spending two hours each week retrieving company expenses out of their personal bank accounts.

The problem is not the use of the personal account, it is the lack of technology that enables business owners to separate their business finances from their personal finances.

Collections and late payments

Late payments is a particularly big issue in the UK. The Federation of Small Businesses conducted research with over 1000 businesses in 2016 reporting the following key findings:

- 30% of all payments to SMEs are late
- The average value of each late payment is £6,142
- 37% of SMEs report late payments causes cashflow issues
- Ending late payments could have prevented 50,000 business failures in 2014 alone

Chasing late payments is one of the major contributors to the administrative burden highlighted above with 35% of respondents stating they spend an average of 1.2 days per month chasing late payments. Moreover, a fifth of businesses cite late payments as the reason for slower profit growth and 16% delay investment decisions and a further 8% delay hiring staff.

According to ABFA, the gap between the smallest and largest companies in terms of average payment period is significant, with SMEs waiting over a month longer to get paid. This represents an average wait of 71 days for companies with a turnover less than £1 million, compared to a wait of 38 days for the largest companies. According to Celent, 80% of invoices in the UK have 30-day credit terms, indicating SMEs are providing cashflow for larger companies and are actually providing almost 2.5 times the amount of credit days.

Market analysis would therefore suggest that one of the main reasons for SMEs to require working capital finance is due to the issue of late payments and the lack of time micros have in particular to chase them up.



THE EFFECT OF COVID-19

The late payment problem has undoubtedly been worsened by Covid-19, with unpaid B2B invoices having increased by 23% in the UK, along with direct debit cancellations topping 40% in some sectors ([Credit Protection Agency](#)). UK banks believe up to 50% of the 608,000 businesses that had taken out bounce back loans by July 2020 – totalling £18.5bn – could default, which emphasises the need for the timely collection of payments to assist in servicing the debt, the need for expert help, advice and support alongside fit-for-purpose working capital products ([Financial Times](#)).

Working capital finance

A poll conducted by IPSOS Mori reported in the EY SME research mentioned above concludes that 36% of micros use either personal sources (18%) or family and friends (18%) for loans. Only 39% applied for overdrafts in 2017 compared to 44% who chose to use the most expensive instrument, the credit card. Even though the UK is the largest invoicing finance market in the world with a value of £300bn, 75% of which is provided by the five largest UK banks, only 40,000 businesses that turnover less than £500K use it. The reluctance to use bank products includes discouragement by the bank (47%), an assumption they would be turned down (30%) and the hassle and expense of the process (29%).

According to the EY report, the segment is increasingly looking to alternative finance, and 30% of sole traders and 50% of micro-businesses sought external financing in 2018.

There were 39.3 billion payments made in 2018. By 2028 that number will be 43.3 billion ([UK Finance data](#)), which include:

- Debit cards 22.3 billion
- Direct Debits 4.3 billion
- Faster Payments 3.2 billion

Total value **£9,926 billion**

SME specialist Banking Circle claims that small businesses in the UK were owed £14.9 billion in late payments in 2018 and it is a similar picture in Europe with 42% of all B2B payments paid late. The average value owed to UK small firms is likely to grow from £14.9 billion to £16.3 billion. The need for small businesses to be able to access the amounts owed to them earlier and therefore improve working capital will continue to grow.

Invoice financing is an unsuitable product for sole traders/micros. Eligibility requires significant volumes of invoices and credit assessments of each customer along with expensive credit insurance. The only other viable working capital product is merchant cash advance, which requires the business to receive all payments via expensive cards.

The need for a new working capital finance product in the sole trader/micro business segment is clear. Advancement in AI and data analysis techniques opens up the market for innovative financing products that services any type of business that takes any payment method which is more flexible than invoice financing as it is based on the SME's payment and trading data.

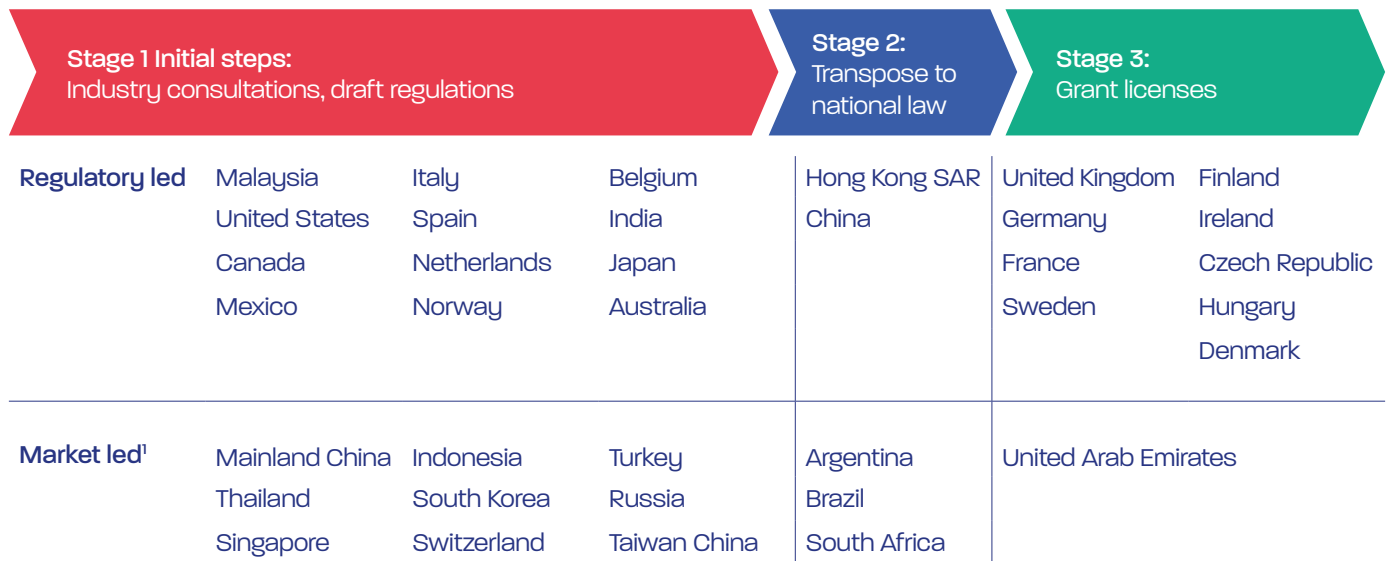


REGULATIONS, MOBILE AND APIS

Regulatory change is one of the major contributors to the changing SME landscape. In the UK and Europe in particular, we have seen the recent introduction of open banking and PSD2 forcing banks to open up access to accounts and allow regulated third parties to make payments on behalf of customers provided they have given their consent. Open banking is now a global phenomenon, regulatory driven or otherwise as the following schematic illustrates:

Of equal importance to the regulatory catalyst is the usage of mobile phones. Their influence in the sole trader and micro business segment cannot and should not be underestimated. Even prior to their introduction of the mobile phone, these businesses were mobile and so to have services available anytime and anywhere to assist in running and operating the business has become an absolute must, rather than a nice to have.

Similarly, the rise of APIs and the adjacent growth of the data sharing economy has also been a major catalyst in providing rich joined up consumer experiences where permission based access at the click of a button on social media, retail apps and others have influenced SMEs to expect the same type of experience with services that help them to run their business.



¹Markets in which banks and non-banks lead the move to open banking, with regulators playing a more consultative role.
Source: Adaption from Press search, expert interviews

CONCLUSIONS

The evidence for the need to radically overhaul SME banking is overwhelming:

1. Relationship managed SME banking particularly at the “s” end of the market does not work
2. Regulatory change and technological advances have lowered the barriers to entry
3. Mobile phones are the preferred device from which sole traders and micros run their business
4. Covid-19 has increased the migration to digital and digital payments

A significant part of the focus on SMEs has centred around working capital finance, with much less focus on the need for solving late payments and collections. Commercial banks have tried to provide larger businesses with payables, receivables and working capital products but again for reasons of cost and low margins this has not been an area of focus for them in SME banking.

It is our firm belief that the next area for the unbundling of banking and particularly for SME banking will be payables and receivables. The opportunity created by deregulation and APIs make payables and receivables ripe for organisations that already have a significant footprint in the provision of SME services to attack banks, and crucially, it is already happening. The likes of the online accounting packages, platform players like Shopify and payment processors like Square, Stripe and PayPal are already there and what is even more concerning for a bank is that they are already starting to provide working capital products and the ability to take deposits.

If a bank starts to lose market share in lending, then what does the future hold? By protecting payables and receivables, banks will not only protect their net income margin, but they will also have happy SME customers who are prepared to pay for other value-added services.



What is embedded banking?

Building on the theory that payables and receivables are the battleground, whilst acknowledging that other parties already offer similar capabilities, banks should take learnings from adjacent industry incumbents that have had to face up to similar problems.

One of the major trends brought about by the mobile and digital revolution is the move away from a product or transactional relationship to a fully embedded experience. Banks should note that customers do not 'pay' for something, they 'buy' something. The payment is just one step in an overall experience or workflow that starts with investigations, comparisons and ends up with a purchase.

EXPERIENCE RATHER THAN PRODUCT

The essence of embedded banking is to move to a model where banking and payments become part of the overall workflow and experience, rather than just a step within it. They become features of a platform with which SMEs already have a direct relationship, rather than a product for which consumers need to develop a relationship with from a new provider to gain access.

THINK LIKE AN SME, NOT A BANK

One of the main reasons banks are in danger of losing out to competitors in the provision of services to SMEs is because they think like a bank and not like an SME.

For far too long banks have operated through a lens of 'what product can I sell' rather than 'how can I help my customer with their pain points'. Ultimately, if banks can shift their emphasis in thinking to help solving customer pain points, the consequence will be they sell more product, and in fact, sell new products.

Moving towards embedding banking services within the day-to-day tasks facing business owners will go a long way to improve the relationship that they have with their SME customers.

Let's take the example from consumers and merchants in an online purchase context. The process for the consumer probably involves research and comparison, prior to visiting the online merchant's site, with considerations such as price and delivery timeframe. From the merchant's perspective they will have oriented their site to make sure that their product and services are optimally positioned within their competitive landscape and so they will think not only pre-sale but post-sale – 'how do I get my product to my customers quickly and efficiently'. They also think about how to get paid and what options they need to offer to customers to maximise their opportunity. This whole journey is designed to be quick, easy and efficient so that customer drop-off in that journey is minimised.

Banks often play a role in this journey too, but their thinking is limited to the payment. Fundamentally their thinking is that customers go to retailers to pay for something, whereas the consumer and the retailer think that the customer goes to buy something, and there is a process and an experience that culminates in a purchase. This is the nub of the difference. The bank thinks about selling a payment product and has up until now not even thought about anything else within the journey of the process.

This is where organisations like Shopify have really started to put pressure on a bank's role, as they not only think about the customer/retailer relationship and journey, but they also provide the payment capability too.

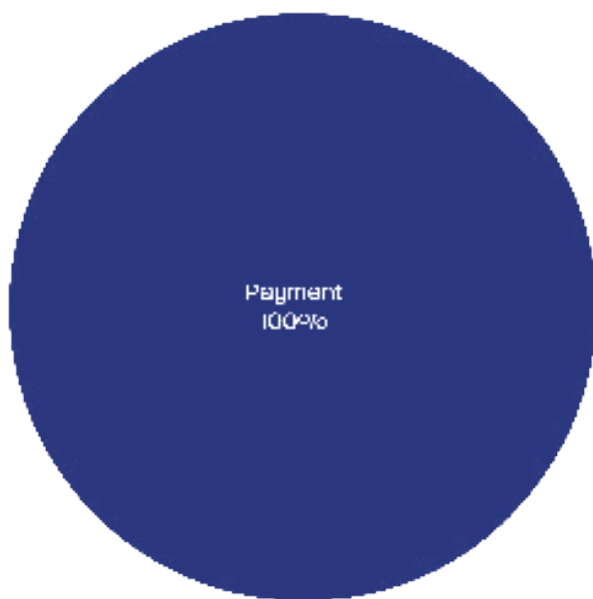
Everything a retailer needs is in one place to build their business around the customer journey and their journey with the customer from pre-sale to post-sale, delivery and aftercare. That has now progressed to lines of credit to make the purchase even easier with a wider choice of options.

There are countless examples in online retail. In fact, most if not all online ecommerce sites are exclusively built around the journey and experience whether that's something specific like selling contact lenses or more generically building any type of online business through organisations like GoDaddy.



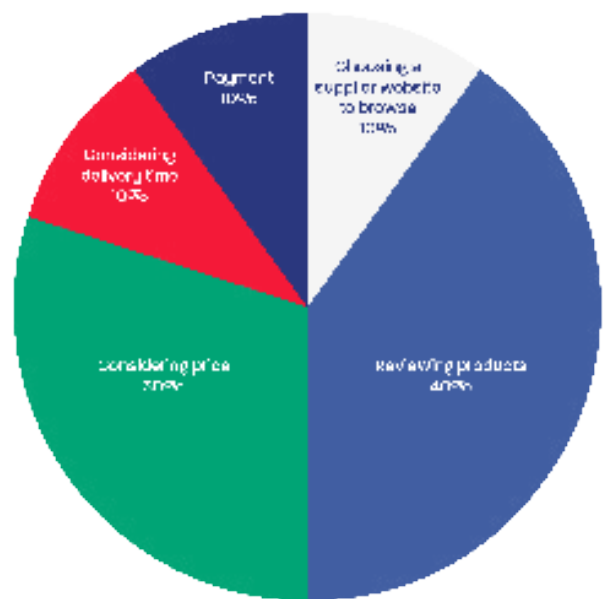
The challenge for the banks is this: can they move from being a mere mono line provider of payments to becoming an embedded workflow experience? Can they be like the contact lens provider lenstore that provides help, advice, comparison, health tips as well as the ability to purchase? They provide the consumer with all that they need to make the best choice for their needs and in doing so build a relationship of trust that leads to repeatable business from a loyal customer base.

Banks view of payment



Versus

Customers view of payment



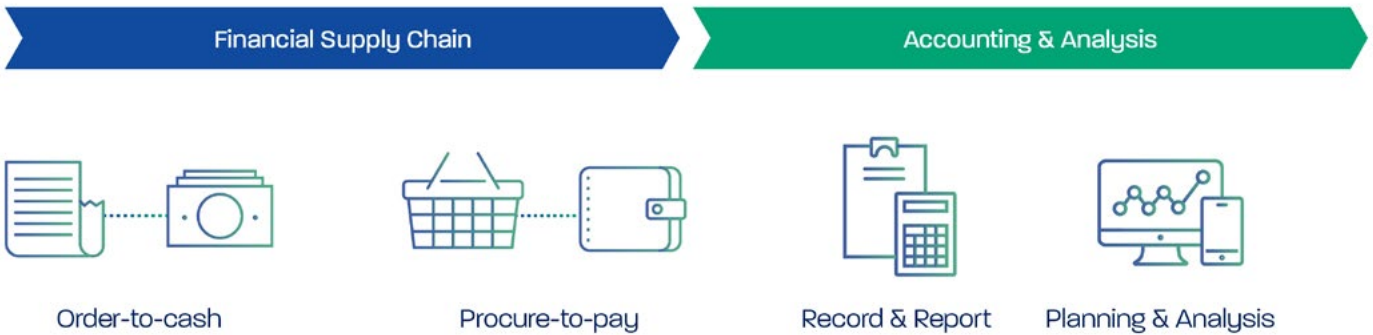
It is this way of thinking that banks need to apply to all types of business rather than just online retail or ecommerce. SMEs think in terms of process and workflow and journeys. The payment to a customer is a step in a journey that started with a need to buy something. This resulted in a process flow that ultimately saw the customer place an order, the supplier issue an invoice which was generated in their systems, the invoice being paid for and the systems being updated to reflect the goods being paid for. In supplier SME language this is the 'procure to pay' process and the associated finance term of accounts receivable.

On the SME customer side of this same example, they placed an order with a supplier, received an invoice, made a payment and then received the goods. This is referred to as 'procure to pay' and all things associated with accounts payable.

These are symmetrical processes within B2B transactions and obviously a business of any size has both an 'order to cash' process and a 'procure to pay' process. Typically, larger businesses have whole departments dedicated to both processes whereas in smaller businesses – and in particular micro businesses – both processes are done by the business owner making them very manual, and therefore time consuming.

So rather than banks just thinking payment, they need to think process and workflow. They need to be able to offer tools and services that automate both these processes, and others, that ultimately make their SMEs' working lives easier.

Small businesses think about workflows



Banks think about products



Source: Adaptation from Celent, 2020. PACESETTERS IN EMBEDDED FINANCE. Reinventing Small Business Banking Part I. p.28.

The need to help and provide vital automated process support goes beyond 'order to cash' and 'procure to pay'. Financial management is a critical component of any business whether that is a role within the business or whether it is provided by an external party such as a bookkeeper or an accountant. Size matters – the larger the business the more likely it is that there is a dedicated department. The opposite is also true – the smaller the business the less likely it is that there is a dedicated department and the more likely it is that this function is outsourced. Either way it is imperative that information is up to date and accurate and of course does not come at significant cost.

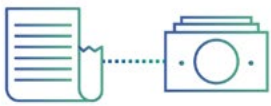
Financial management has not traditionally been seen as part of the role a bank can play, and yet as business becomes increasingly more digital and payments become almost exclusively electronic, all the information required to provide an accurate picture of a business' finances resides within the bank account, or at least a combination of the bank account and the bookkeeping/accounting engine.

Banks only provide a fraction of the financial management capability today. Bookkeeping and accounting is an essential area for SMEs, but sole traders and micros are often daunted by it and more often than not rely on accountants, or worse, a spreadsheet. Banks have a role to play in providing services such as matching and reconciliation, expenses categorisation, automated tax returns and their associated payment, constructing and displaying P&Ls and simplified balance sheets. The "s" in SMEs often find existing online accounting packages expensive, complex and not fit for their purpose, leading to a gap in the market that banks should fill, particularly against the backdrop of the increasing use of electronic payments and digital channels, catalysed by the global pandemic.

Financial management is just one critical component



But it has many moving parts and is often the most challenging to master



Order-to-cash



Procure-to-pay

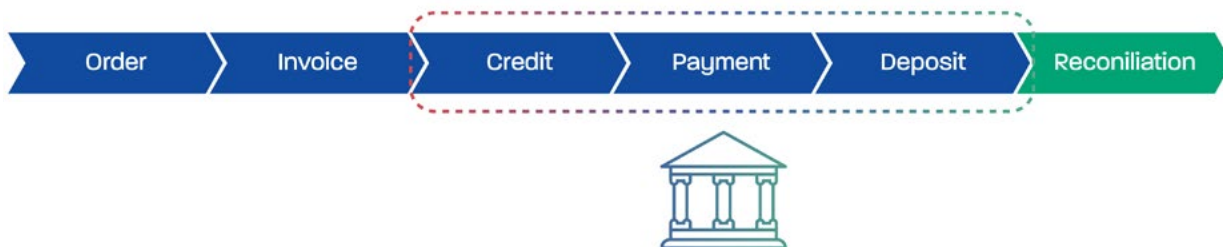


Record & Report



Planning & Analysis

Banks typically support only a few chevrons of financial management workflows



Source: Adaptation from Celent, 2020. PACESETTERS IN EMBEDDED FINANCE. Reinventing Small Business Banking Part I. p.20.

On the other hand, accounting package vendors, payments companies and platform providers have understood this and acted accordingly. All of them provide direct feeds from bank accounts and some of them have gone to the lengths of providing deposit taking accounts or payment accounts, completely bypassing the need for a bank account from a traditional bank, leaving banks in significant danger of being left behind.

The following schematic shows how various non-bank parties are solving the SME workflow challenge and providing an embedded holistic experience that helps SMEs run their business from a one-stop shop. Payments are merely a feature of the overall process flow.

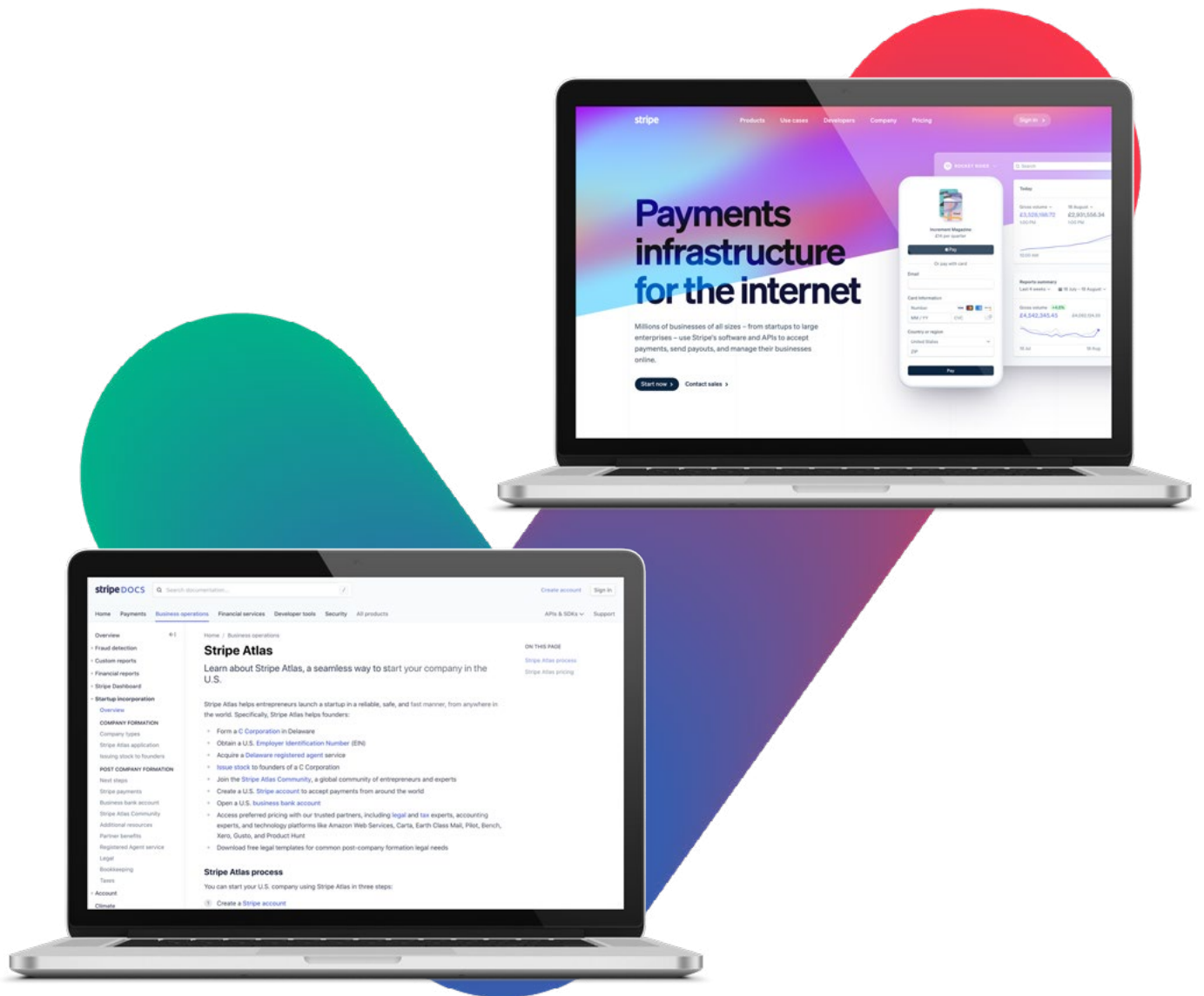
	Financial Supply Chain					Accounting & Analytics	
	Order	Invoice	Credit	Get Paid	Deposit/ Make a payment	Accounting	Analytics
Square	✓ ✓	✓ ✓	✓	✓	Square Bank (2021)	✓	✓
stripe	✓	✓	✓	✓	 (Dec 2020)	✓	✓
amazon	✓ ✓	✓	✓	✓	✓	✓	✓
shopify	✓	✓	✓	✓	 (Dec 2020)		✓
<small>intuit</small> quickbooks.	✓ ✓	✓ ✓	✓	✓ ✓	 (July 2020)	✓	✓

Legend: ✓ = proprietary ✓ = via partner ✓ = connectivity vis APIs and/or offered via app marketplace

Source: Adaptation from Celent, 2020. PACESETTERS IN EMBEDDED FINANCE. Reinventing Small Business Banking Part I. p.10.

Starting a business is very complicated with many hoops to jump through. Legal entities need to be established and registered along with banking, accounting and insurance that all need to be catered for. Complexity is compounded by the fact that all of these services need to be sourced from different places.

Organisations such as Stripe, with their Atlas product have started to provide a one-stop shop, including the provision of payment and banking services.



Similarly, Intuit in both the US and now the UK have become a major threat to the banks and the role that they play for SMEs. They now offer checking/current accounts directly to the small business along with all the payment facilities that go with it. Not only does this threaten payables and receivables revenue but much more importantly it goes to the very heart of banking – lending. The moment a bank starts to lose out on deposits the pressure starts to build on its ability to raise first tier capital for lending – and without lending, what is a bank?

Intuit has taken the embedded banking role to the next level. It not only offers banking, collections ('order to cash') but through its relationship with Fundbox also offers financing in the form of invoice discounting and factoring. Why does an Intuit customer need to go anywhere else as all of its processes and workflows are embedded within their Intuit experience which now mirrors how they run and operate their business? The one-stop shop provided by Intuit includes opening a business current account online in less than five minutes to add to all of the following:

The user experience is designed in a way that the SME never needs to go outside of the Intuit portal with all the necessary services available from the dashboard at the customer's fingertips.

Even in the context where the Intuit user has decided not to open an Intuit bank account, through open banking Intuit can link the customers' bank account and make payment instructions from that bank account. In such a scenario, yes the bank still has hold of the customer's deposits, but, they have all the necessary cost associated with running the accounts but the golden data provided residing in that bank account is visible to Intuit and Fundbox, enabling them to provide the all-important revenue generating value of the loan.



How should banks respond?

It's impossible to think that banks are adequately resourced to deliver a complete suite of best-in-class products that spans consumer, SME, commercial, investment and any other type of banking. For several years the idea of banks either being manufacturers or distributors has been debated.

Only a handful of global banks have the size, reach and scale to be truly manufacturers and distributors across the board, whereas the vast majority have a decision to make.

In his report titled "The Copernican Revolution in Banking", Frank Rotman describes four options for banks to consider:

In this new world, four types of players will emerge

		Manufacturer	Distributor
1	 Transactional banks	YES for core product(s)	NO
2	 Genpop banks	MAYBE for core product(s)	YES to general population
3	 Vertical banks		YES to specific segments
4	 Non-bank players	YES for core product(s)	YES to existing customers

Source: Adaptation from Rotman, F., 2018. The Copernican Revolution in Banking. p20

When considering SME and business banking in general, the only real option is vertical banking. Become the best-in-class provider to that segment that combines the manufacture of your own specialist core products, and adds in products, services and tools that provide the end-to-end capability required for the target market.

In the case of SME banking, it may go one step further into specialising in particular verticals within the sector. As we have previously highlighted, SMEs – although pigeon holed as a single group of similar organisations – are in fact a fragmented bunch that have some core overlapping needs, interspersed with specialist

requirements. A small builder has different requirements to a dentist or a vet, who in turn has a different requirement to a plumber, who likewise has little overlap with an electrical component manufacturer. Yes, they all need the core aspects of ‘order to cash’ and ‘procure to pay’, but when you move into working capital financing there is undoubtedly a need for specialist lending and risk management.

Frank Rotman describes vertical banks as ‘very disruptive to the banking ecosystem’. They will dominate a segment by offering a small number of world class products that are ‘hyper focussed on a segment’s needs’.



VERTICAL BANKS

Vertical Banks serve specific segments vs. the general population

Key characteristics: Curated offering of products (own and third party) that are tailored to the segment’s needs

Source: Adaptation from Rotman, F., 2018. The Copernican Revolution in Banking. p28

Focus on a single segment allows for the curation of a best-in-class suite of products and tailored customer experience

Landlord Bank	Agriculture Bank	Small Business Bank
Tenant screening services	Farm equipment leasing	SMB loans
Escrow accounts	Agriculture real estate loans	Accounts receivables factoring
SFR loans	Livestock loans	Accounting/tax services
Tenant/landlord payments	Cash flow insight tools	Merchant accounts

Source: Adaptation from Rotman, F., 2018. The Copernican Revolution in Banking. p30

Putting the bank at the heart of business

Overcoming the challenge and threats posed by new entrants and alternative providers is going to require significant evolution for banks.

The initial requirement is for banks to first win back and then maintain the trust of SMEs and provide evidence that they understand their needs and pain points. Without getting the basics right, banks have no chance of achieving the transformation required to become the trusted adviser which will be the game changing relationship that both protects existing revenue streams and unlocks new ones. The four-point plan that banks need to execute is as follows:

1. Earn the SME's trust
 - a. Fair pricing
 - b. Fair value exchange for data
 - c. Transparency
 - d. Reliability
2. Make the basics easy
 - a. Payments
 - b. Collections
 - c. Access to working capital
 - d. Basic book keeping/financial management
3. Make SME financial workflow easy
 - a. Streamline 'order to cash'
 - b. Streamline 'procure to pay'
 - c. Advanced financial management
4. Advise me
 - a. Actionable alerts
 - b. Optimal choices
 - c. Appropriate for stage of life and vertical

The four-point plan requires banks to respond in parallel with key deliverables that end up with them achieving the game-changing relationship that they not only desire but require.



Small business needs

1. Earn my trust

- Fair pricing
- Fair value exchange for data
- Transparency
- Reliability

2. Make the basics easy

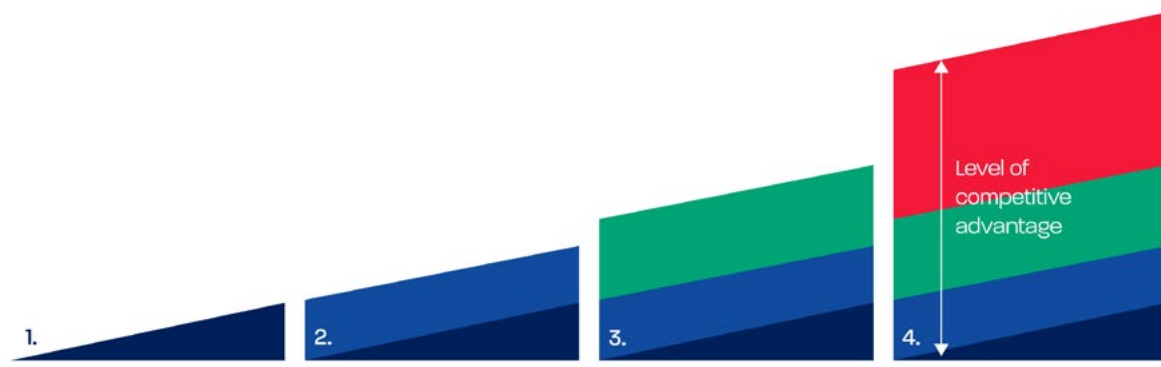
- Payments to/by me
- Access to working capital
- Basic financial management

3. Make my financial workflows easy

- Order-to-cash
- Procure-to-pay
- Advanced financial management

4. Advise me

- Actionable alerts
- Optimal choices
- Guidance by business stage and vertical



Banks response

1. Table stakes

- Achieve trust
- Excellence in online
- Call centre specialists

2. Incremental

- Product enhancements
- Excellence in mobile
- Descriptive analytics

3. Step changing Embedded finance

- Migration from products to workflows
- Data analytics dashboard
- Predictive analytics

4. Game changing Intelligent finance

- Personalised, AI-driven advice at scale
- Prescriptive analytics

Source: Adaptation from Celent, 2020. PACESETTERS IN EMBEDDED FINANCE. Reinventing Small Business Banking Part I. p.5.

When considering the journey, there is a myth about SMEs that needs to be dispelled regarding their desire for choice. This may seem like a slight contradiction when previously we have argued that smaller SMEs in particular can behave more like consumers than businesses. In the context of their work they just want solutions to pain points rather than be given options on how to solve those pain points.

So, essentially banks can respond in one of two ways:

1. Marketplace or platform
2. Embedded banking

This could be loosely defined as the Shopify model versus the Quickbooks model. The Shopify model provides flexibility and choice and critically requires a knowledge-based decision whereas the Quickbooks model takes away the unnecessary burden of research, evaluation and decisions. The SME needs their bank to take the pain away in this process and provide the end-to-end solution that combines bank products with selected partnerships in a seamless holistic approach that solves 'order to cash', 'procure to pay' and financial management from one place. The only choice the SME wants to make is whether the services are consumed on a mobile or desktop, with the answer (of course) being both, depending on the context of what the SME is doing from where and the complexity of their business.

The platform approach may look like this:



Whereas the banks approach is for them to be at the heart of the process and all the services to be accessible from online or mobile banking.



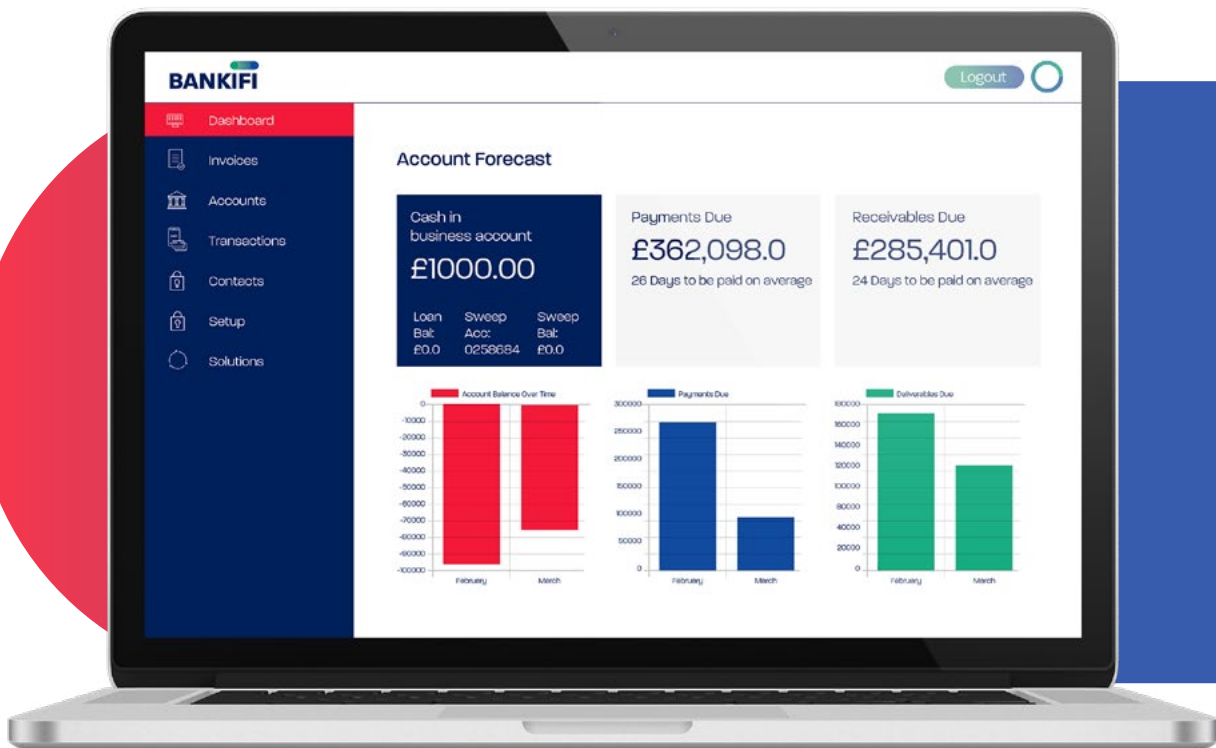
By utilising the services and components provided by BankiFi, the bank can achieve its goal of being at the heart of business. The embedded approach provides the necessary workflow-based solution that SMEs demand, which in turn means banks will defend their position within payables and receivables which will also protect deposits and ultimately maintain and grow their loan book.

Banks need to remove the perceived shackles of regulation and move into adjacent areas that are powered by the data that is held within bank accounts, most notably bookkeeping and accounting. Particularly for really small businesses that have no finance department or outsource their bookkeeping to expensive accountants, there is a huge gap in the market for an entry level bookkeeping and accounting platform. Price and complexity are the major drivers here, but a solution that offers the basics of invoicing, expense categorisation matching and reconciliation of payables and receivables, tax returns, constructing and viewing P&L with a basic chart of accounts would add to the list of solutions to common pain points and further enhance a bank's position as trusted advisor and essential partner.

The new era of online and mobile banking requires banks to transform cash management into bank accounting with all the necessary workflows embedded inside a rich one stop user experience that allows the SME to access the services that are commensurate with the complexity of their business, and how they choose to best run it. For the "s" in SME that's likely to be the mobile, as they are always on doing their admin on the road between jobs, whereas for the "m" in SME it is likely to be a combination of mobile and desktop as situations will dictate and demand that flexibility.

Furthermore, as complexity within their business grows, they will need access to more specialist personalised features that they will need to subscribe to and consume. Their evolving needs cannot be satisfied by moving them from one channel-based product to the next. Banks' channel strategies need to be designed around an API first model that embraces the subscription economy so that ultimately SMEs can pick the services that they need at the right time for them, as their complexities and needs change with the evolution of their business.

The days of when banks segmented their customers and forced them down a meaningless siloed channel strategy are gone and have been replaced by SMEs requiring a personalised service that demands a far more flexible approach.





About BankiFi

BankiFi is a technology platform designed to make business banking better, enabling banks to provide a set of integrated services - accounting, invoicing and payments - designed around the processes your customers use to run their business. We equip banks to become customer centric, rather than product centric - increasing your revenues and reducing costs while allowing your business customers to thrive.

Learn more at www.bankifi.com