

# Small Business Banking: *A World of Opportunity for Fintechs*

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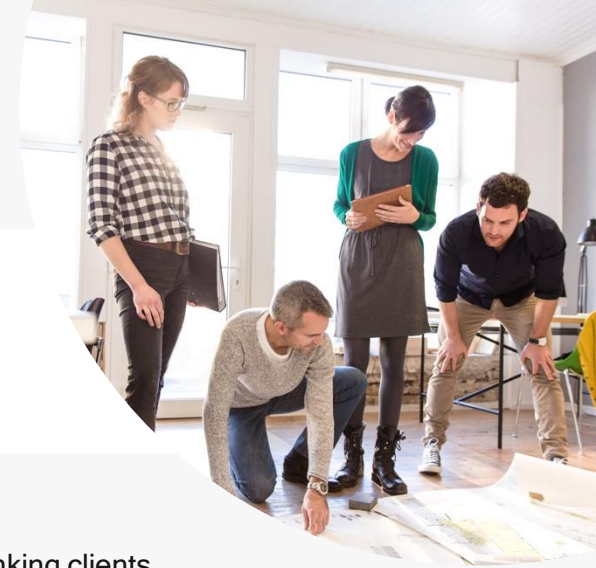
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


# Small businesses come in all shapes and sizes

## Small Business (noun)

'smɒl | 'biz-nəs - a company with 50 or fewer employees, having less than \$10 million (or local equivalent) in annual revenue, and which has been in business for at least one year



 Segment	 Employees	 Revenue
Micro*	0-10	<\$500K
Small	11-50	<\$10MM

- ~20% of personal banking clients also run their own small business
- Small businesses tend to consolidate business and personal financial services
- Owners tend to be responsible for all operations of the business and, therefore, share many of the same concerns as large enterprises
- Small businesses are both payers and acceptors of electronic payments

\*Including the Gig segment



# Collectively, they have a huge impact on the global economy

**35%-50%**

They make up **35%** of GDP in **developing countries** and **50%** of GDP in **developed countries**<sup>1</sup>

**2/3**

Small businesses employ **2/3** of the world's workforce<sup>2</sup>

**\$30T**

Small businesses contribute **\$30 trillion** to global spend<sup>3</sup>



1: World Trade Organization, World Trade Report 2016  
2: "The Future of FinTech: A Paradigm Shift in Small Business Finance", World Economic Forum 2015  
3: Kaiser Associates, "Commercial and Government Spend Analysis," June 2018



# And the same is true in the UK....



There were **5.8 million** UK small businesses at the start of 2019

SMEs account for **99.9%** of the UK business population

SMEs account for **three fifths** of employment and around **half of turnover** in the UK private sector

Total employment in SMEs was **16.6 million** (60% of the total), whilst turnover was estimated at **£2.2 trillion** (52%)



# Four major groups are significantly changing the small business landscape and how small business operate

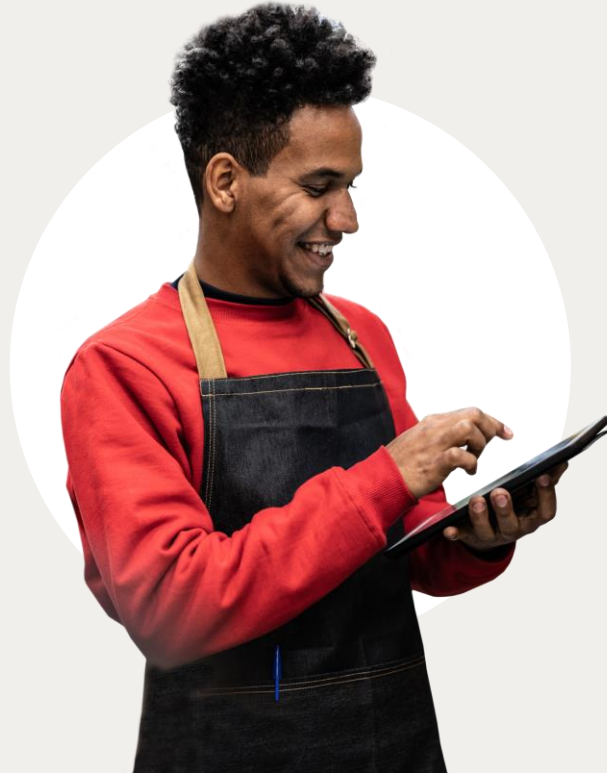


Governments are eager to drive growth in the small business market given its impact on the economy

bcr



Gig platforms are changing the nature of work (e.g., Uber, TaskRabbit, Fiverr), accelerating the growth of independent workers



Digital marketplaces are providing simple building services, addressing key small business needs (e.g., Amazon, Alibaba)

amazon marketplace



FinTechs are swiftly expanding to address both financial and business needs (e.g. Ezebob or Esme Loans)



esme  
not your typical business loan



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Banking Competition Remedies

The UK Government is keen to drive SME growth, recognising their impact on the economy by supporting SMB's **access to cash** and innovation from the *Capability and Innovation Fund* by **BCR**. Regulation in relation to **overdrafts** squeezing bank margins further.



**BCR Incentivised Switching Participants**

## Pool A



£120m



STARLING BANK

£100m

Clear.Bank®

£60m



£60m

## Pool B



Building Society

£50m



£15m

The co-operative bank

£15m

## Pool C



Atom bank



£10m Each

**BCR Capability and Innovation Fund Participants**



*BCR fund: the most innovative challengers already choose Mastercard*

# Mastercard has identified the three core SME needs

Despite their variety  
SMEs share

## 3 common needs:



### Cash flow

Get paid faster and flexibility  
in making payments



### Control

Transacting safely and  
managing my budget



### Recognition

Feeling recognised and  
supported as a business

# Small businesses have to stand on their own two feet

People establish small businesses because they're passionate about a personal or family trade.

They work long hours, and want to minimize the amount of time they spend on banking, bookkeeping, and tax accounting.

As small business owners, they are responsible for making every decision on behalf of their business, without the support of an executive team.

They need solutions that save them time, so they can focus on what matters most to them.





Given the untapped potential of this segment, Mastercard is investing in a segment based strategy in order to design holistic solutions that meet the evolving needs of small businesses and help them save time to focus on things that matter.

Business Life Stage



Establish

Newly established businesses are implementing more sophisticated processes and laying the foundation for further growth.



Grow

Growing businesses are implementing more sophisticated processes and laying the foundation for further growth.



Expand

Expanding businesses are looking to extend into new markets and distribution channels, and to maximize rewards.



Mature

Mature businesses are a dominating presence in their market and are looking for sustainable growth, greater efficiencies, and new opportunities.



The small business market has a huge untapped value, representing \$30T in spend. Prioritizing and investing in this segment allows our partners to capitalize on the opportunity.

1 2 3

Solutions that meet small business needs

New partnerships to deliver strategic advantages

Optimization through services and tools



# Thank you

Questions?

