

The Fintech Revolution

Five Ways to Slice the SMB Market for Fintech



Helping Fintechs Reshape SMBs

Fintech is one of the world's fastest growing categories today. As the fintech industry continues to grow, many fintech companies are attempting to disrupt the small business market by leveraging the latest technology in AI and data analytics.

This ebook opens with a broad introduction of the fintech landscape—what constitutes this category of technology— and goes deeper into discussing how fintech companies are positioned to support the growing needs of the small to mid-sized businesses. Much of it is deeply rooted to the extent that many fintech companies' existence stems from the mission to serve SMB segments, largely left underserved in the hands of the traditional institutions such as banks.

In that sense, fintech companies have truly come a long way in introducing innovative products and solutions to service the unique needs of SMBs. From loans, to payment and expense management solutions—without the support from fintech, the small business landscape would not be as we have come to know it—burgeoning, confident and inclusive.

Some of the factors enabling fintech companies to roll out innovative solutions thus far inaccessible to SMBs is the availability of alternate data sources and technology to assess SMBs and also reduce processing friction.

Our ultimate objective with this ebook is to familiarize you with the availability of such market sizing and prospecting tools and methodologies to accelerate your go-to-market motion when targeting SMBs. Then, we'd be delighted to help you execute on it.



Table of CONTENTS

Fintech is One of the World's Fastest Growing Categories	01
Five Key Ways Fintech is Reshaping the SMB Market	02
Neobanks: New Solutions for Basic Banking Options	03
> Basic Banking: What Do SMBs Want?	04
> Who is Leading the Trend?	05
Lending Solutions: Fintech is Broadening Loan Access to SMBs	06
> Top Challenges for SMBs	07
> Financing the SMBs	09
> How Fintech Companies are Making Lending More SMB-Friendly	12
Human Capital Management: Transforming HR Functions Into a Growth Center	13
> Most SMBs Aren't Adequately Staffed for HR Excellence	14
> HCM in the Cloud	15
> Sizing & Targeting: Which SMB Firms Have HCM Services?	16



Table of CONTENTS

Payments: COVID Accelerated Change in Payment Methods	17
> Payment Services: Market Sizing & Prospecting Tools	19
Expense Management: The Fintech Revolution is Fixing Expense Management for SMBs	20
> Fintech Corporate Cards for SMBs: Trend Leaders	22
Putting It All Together: How Fintech Companies can Optimize Their Marketing and Prospecting Efforts	23
> Fintech Companies are Leveraging New Data Sources & Models – for Product Design & Marketing	25
> Fintech Companies are Leveraging “Filter Stacks” to Find High-Value Prospects	26
> Data-Driven Marketing & Prospecting Example: Payments	27
More Resources on SMB Account Intelligence Data	28



Fintech is One of the World's Fastest Growing Categories

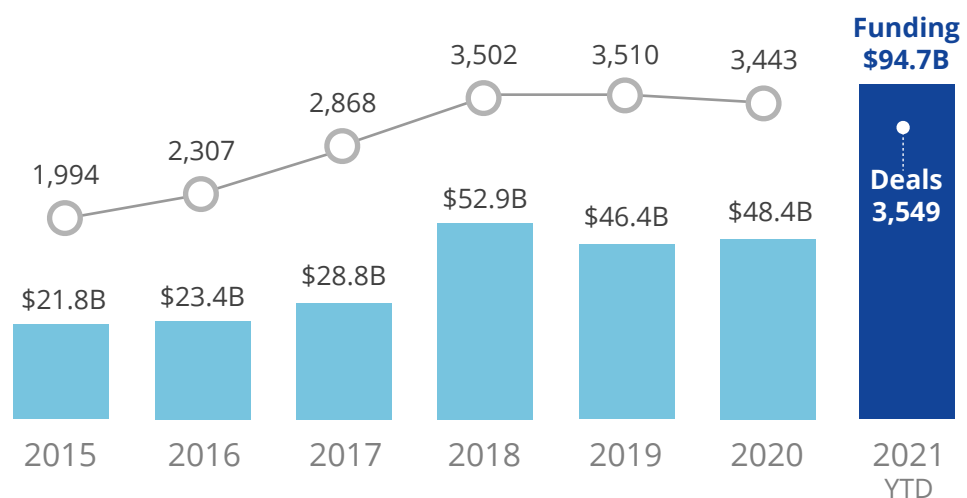
It's no surprise that fintech ("financial technology") is a booming field. It is reshaping investment markets and consumer behavior alike, greatly impacting how businesses transact with their customers.

Global funding in the first three months of 2021 nearly doubled the full year of 2020.

There are over 100 fintech "unicorns" (private companies valued at over \$1 billion).

Fintech Reshaping Investment Markets

Global funding in 2021 YTD blows past 2020 totals by 96%



State of Fintech | Global Trends | Investment Trends As of Q3 2021

Source: CB Insights

Fintech Reshaping Consumer Markets

Fintech has reached mass adoption. In terms of consumer technology penetration, fintech has entered the stratosphere of video streaming subscriptions (**78%**), and social media (**72%**) and is nearing par with the internet (**93%**).

Source: Plaid

More than **seven in ten** SMBs say their customers expect online transactions, and nearly the same proportion have an ecommerce presence.

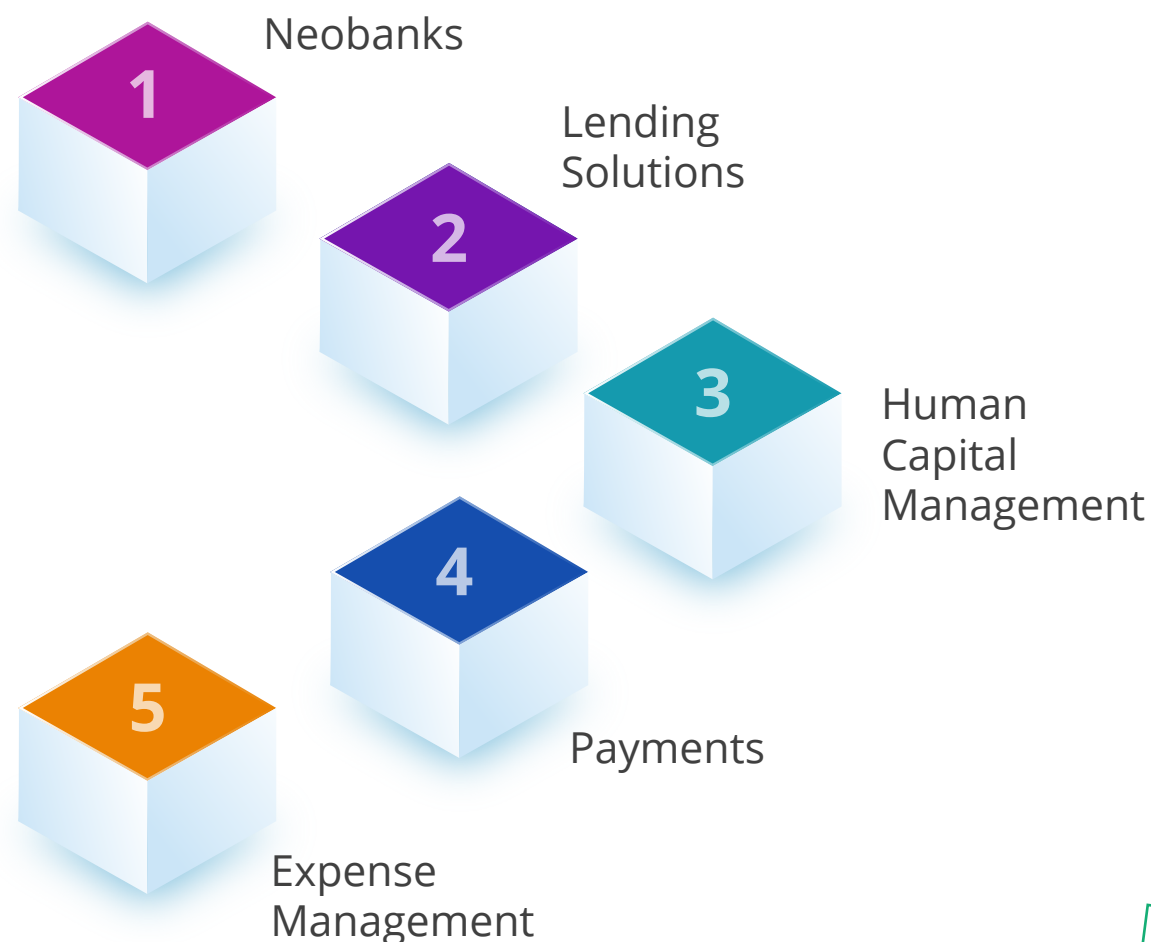
Source: Salesforce, SMB Trends Report



Five Key Ways Fintech is Reshaping the SMB Market

Fintech solutions aren't just reshaping private equity markets and consumer behavior. They are greatly changing the game for small and medium businesses as well. While digitization has overall been a top priority in recent times, making it one of the strongest differentiators for thriving SMBs, business operations catered to by fintech has seen unprecedented adoption. *As an example, a majority of SMBs (79%) plan to offer contactless services, which is particularly true for those in the consumer goods, retail, and technology industries.*

This report details five key ways that fintech solutions are reshaping SMB markets.



1. Neobanks

New Solutions for Basic Banking Options

Banking: The Next Generation

Neobanks – aka “challenger banks” – are fintech providers that use technology to provide low/no cost basic banking services (such as checking and savings accounts).

Many of these nimble providers are digital-only, with no in-person branches.

Many include easy access to data/analytics to help them understand their customers and identify key prospects, the construct that positions them well to service the key banking needs of SMBs.



1. Neobanks

Basic Banking: What Do SMBs Want?

Neobanks are well positioned to deliver on the key banking needs of SMBs

- **Broad and easy access:** 27% of small business owners use the same checking account for personal and business finances.

Source: TD Bank; SmallBizTrends

- **Inexpensive access:** 58% of small businesses list “no fees” as the top benefit of a business checking account

Source: TD Bank; SmallBizTrends

- **Quick and easy decisions:** Simple online applications with fast turn-around times

- **Comprehensive services:** 83% of small businesses have sought comprehensive financial services (beyond savings/checking) from banks. This far outpaces those seeking services from traditional financial service companies or credit unions.

Source: Securities and Exchange Commission’s Office of the Advocate for Small Business Capital Formation



1. Neobanks

Who is Leading the Trend?

Several companies are leading the fintech charge into banking solutions for SMBs



- No monthly fees or minimum requirements
- Digital focus: No checkbooks or cash deposits
- Application takes <10 minutes



- No monthly fees or minimum requirements
- Comprehensive solutions for lending, credit, payroll, collections and fraud detection



- No monthly fees or minimum requirements
- Lines of credit and lending solutions with decisions in <5 minutes



2. Lending Solutions

Fintech is Broadening Loan Access to SMBs

“

Before the rise of platforms that focused on streamlining loans to small businesses...obtaining a small business loan from a bank could take several months. And, that's only if the application process and underwriting went smoothly. But as the fintech industry continues to grow, many fintech lenders are attempting to disrupt the small business lending market by leveraging the latest technology in AI and data analytics.

| Ruben Izgelov, Forbes

“

Fintech lenders have substantially expanded the small business finance market by reaching borrowers less likely to be served by traditional lenders and that businesses using online lenders are younger, smaller, and less profitable than the average small or medium-sized enterprise in the United States.

| Federal Reserve Bank



2. Lending Solutions

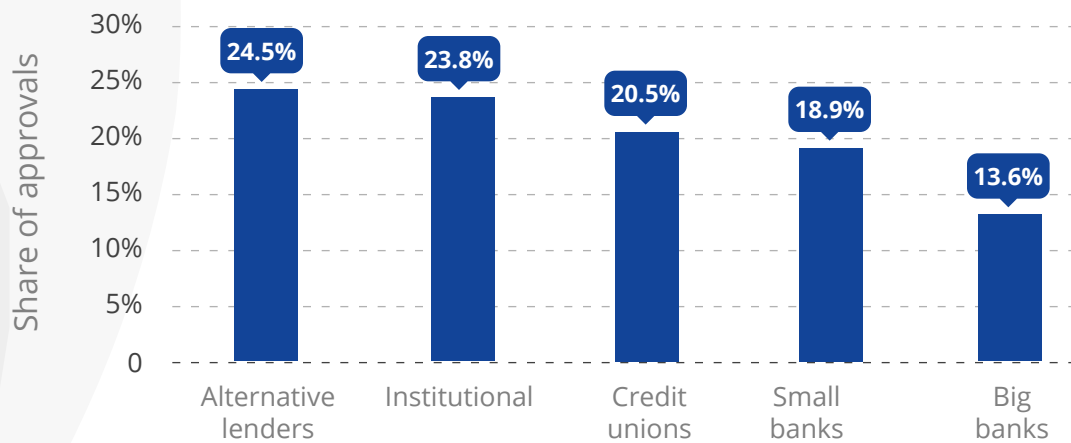
Top Challenges for SMBs

SMBs have historically struggled in getting loans.

80% of small business loan applications get rejected.

87% of applications to big banks get rejected.

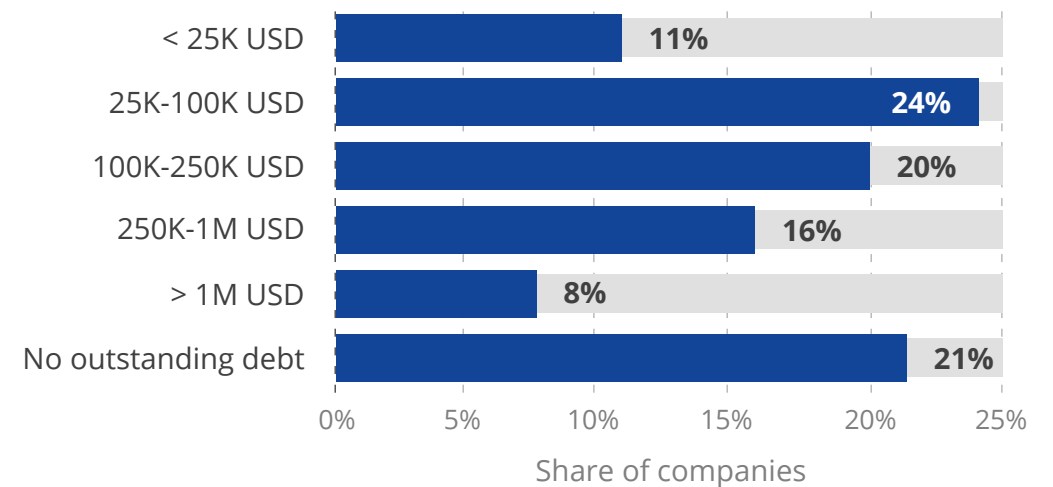
Approval of small businesses loans in the United States in the 2nd quarter 2021, by lender type



Source: Various sources (biz2credit.com) © Statista 2021

80% of SMBs Have Outstanding Debt

Share of outstanding debt held by small and medium companies firm in the United States in 2020



Source: Federal Reserve © Statista 2022

Application process has so far been slow and required manual review.

56% SMBs cited low credit scores or insufficient credit history as reasons for not seeking financing despite needing it.

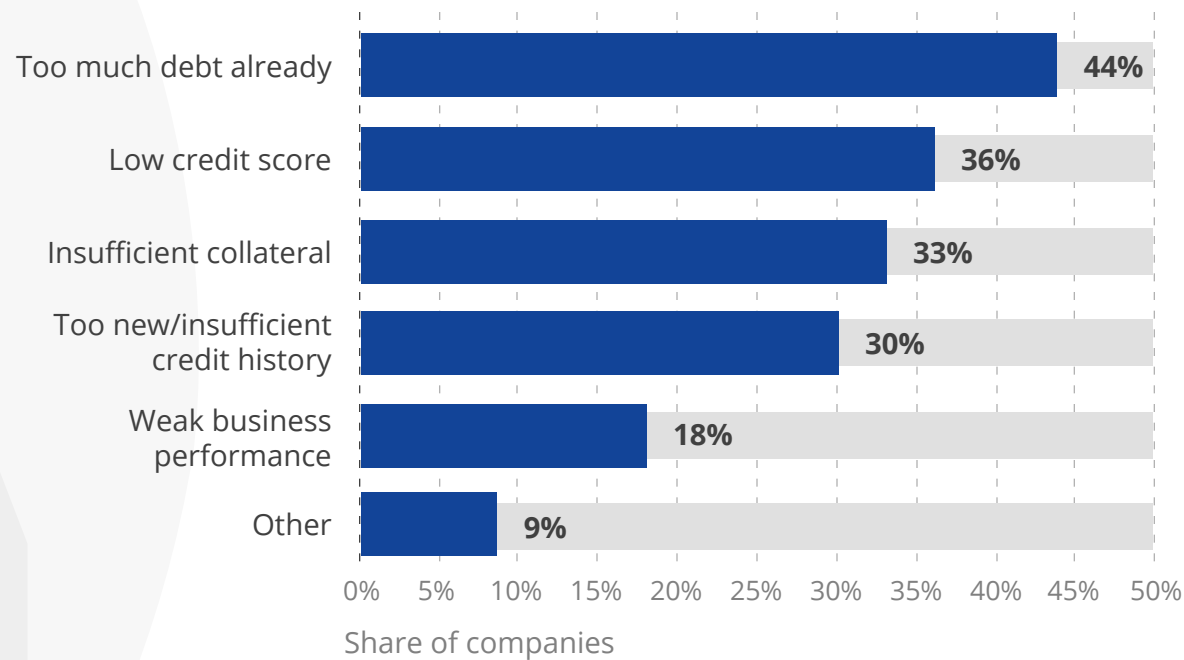
Source: Securities and Exchange Commission's Office of the Advocate for Small Business Capital Formation.



2. Lending Solutions

Debt is #1 Barrier to SMB Loans

Reasons for not receiving financing by small businesses in the United States in 2019



Source: New York Fed, Philadelphia Fed © Statista 2022

Traditional requirements of liquidity, credit score and tax returns may be challenging for SMBs.

The good news is that tech disruption is at its prime making things much more favourable for small business borrowers. Alternative lenders are more relaxed in assessing the credit-worthiness of these businesses.

While much of the criteria still mostly rely on firmographic elements of a business such as years in business, annual revenue, industry, and owner's personal credit, there are multitude of digital signals (covered in the latter part of the report) that can score SMBs overall health and growth trajectory.

Such digital health scores add a credibility dimension to these small businesses that not only help the lenders process and approve loans but also prospect more intelligently.

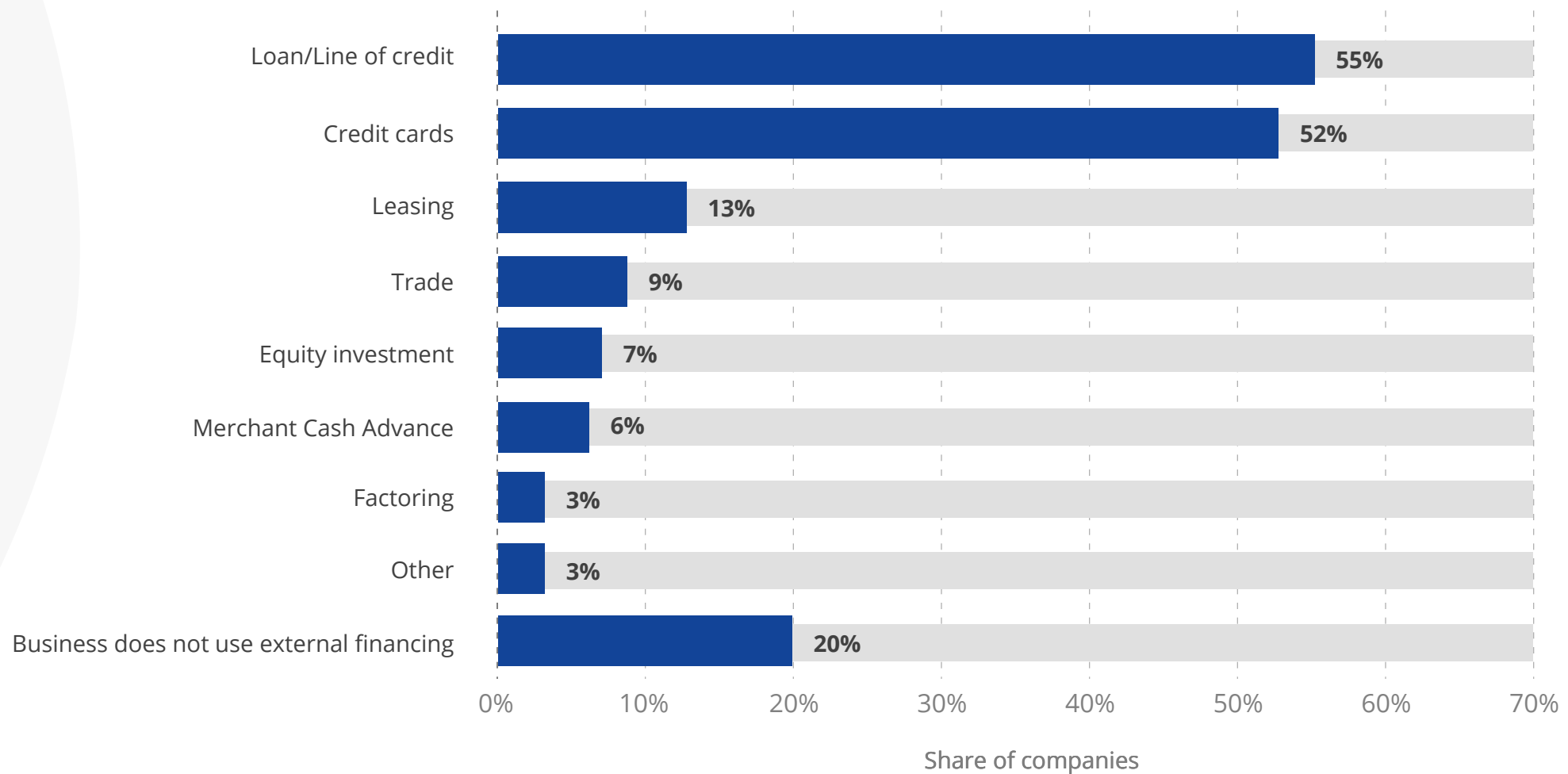


2. Lending Solutions

Financing the SMBs

Over Half of SMBs Use Credit Cards and Lines of Credit

Financing and credit products used by small businesses in the United States in 2018



Source: New York Fed, Philadelphia Fed © Statista 2022

Additional Information

United States; New York Fed; Philadelphia Fed; Q3 2018 to @4 2018; 6,513 respondents

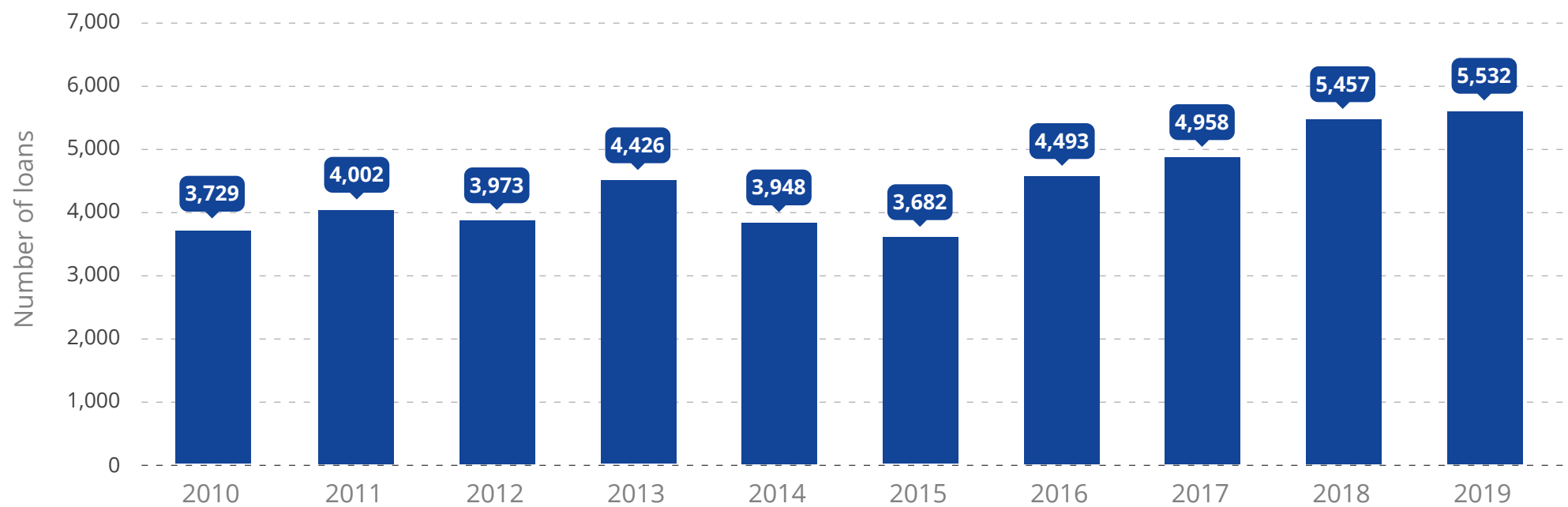


2. Lending Solutions

Financing the SMBs

New Loan Alternatives (such as microloans) on the Rise

Number of microloans granted by Small Business Administration Microloan Program to small businesses in the United States from 2010 to 2019



Source: US Census Bureau © Statista 2022

Additional Information

United States: January 3 to 9, 2022;
885,000 businesses: Online survey

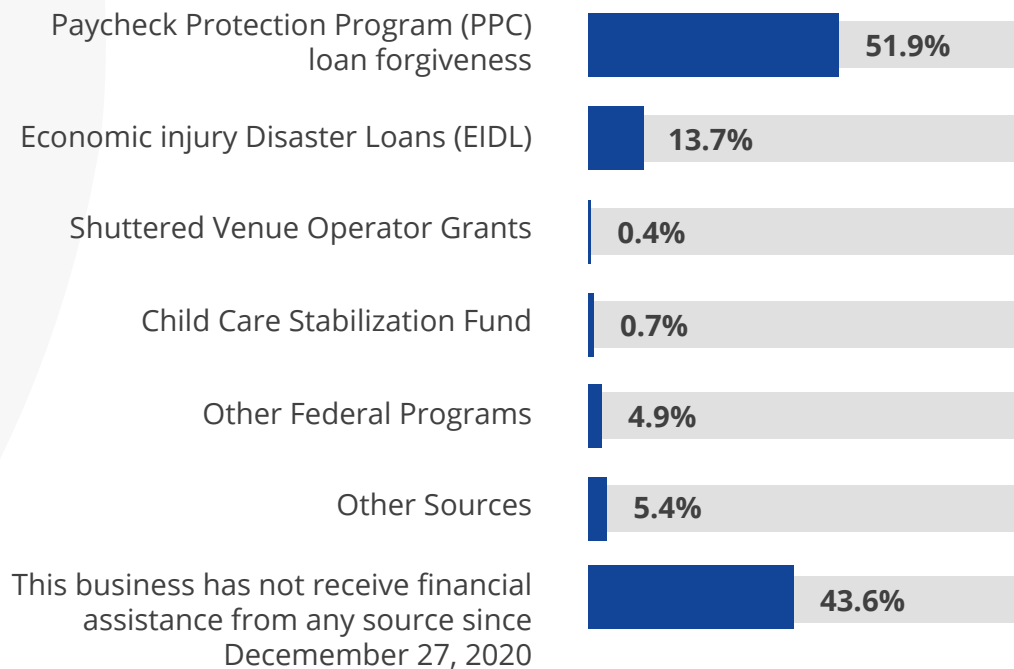


2. Lending Solutions

Financing the SMBs

SMBs Receiving PPP Loans are a Prime Fintech Target

Distribution of financial assistance sources received by small businesses during the COVID-19 pandemic in the United States as of January 2022



Source: US Census Bureau © Statista 2022

Additional Information

United States: January 3 to 9, 2022; 885,000 businesses: Online survey

The Paycheck Protection Program (PPP) was a loan program backed by the Small Business Administration (SBA). It was designed to help businesses keep their workforce employed during the COVID pandemic and was active through May 31, 2021 (although some borrowers are still eligible for loan forgiveness).

The BuzzBoard database includes 1.3 million SMB establishments that received PPP loans. About half had annual revenues less than \$350K.

This segment is a prime target for new and innovative loan solutions.



2. Lending Solutions

How Fintech Companies are Making Lending More SMB-Friendly

Some of the factors supplementing the shift in favour of small business lending roll up to the availability of alternate data sources and technology to assess SMBs and also reduce processing friction.

- Using new data sources (beyond the traditional liquidity and credit score measures).

These non-traditional signals tapping into the “growth potential and trajectory” are also a great way for these fintech companies to score and prioritize their prospecting database to be able to attract applications with better chances of conversion, reducing rejections and even bad debts.

- Leveraging AI and machine learning to develop new models that are more SMB-friendly.
- Automating and accelerating approval processes.



3. Human Capital Management

Transforming HR Functions Into a Growth Center

Fintech companies are bringing sophisticated HR capabilities – once reserved for large enterprises – to SMBs

What Is Human Capital Management (HCM) ?

Human Capital Management (HCM) transforms the traditional administrative functions of human resources (HR) departments - recruiting, training, payroll, compensation, and performance management - into opportunities to drive engagement, productivity, and business value. HCM considers the workforce as more than just a cost of doing business, it is a core business assets whose value can be maximized through strategic investment and management - just like any other asset.

Source: Oracle



3. Human Capital Management

Most SMBs Aren't Adequately Staffed for HR Excellence

70% of SMBs have “ad hoc” HR managers – those not trained in HR, and take on these responsibilities in addition to their day jobs

- Most commonly, this is the business owner.
- Often, HR responsibilities are spread across multiple people.
- 29% use no services to help with HR functions.

Source: ADP

Fintech providers are democratizing these HR services, making them more accessible to SMBs.



3. Human Capital Management

HCM in the Cloud

Cloud and software-as-a-service (SaaS) delivery models are quickly becoming the new normal for HCM technologies. The cloud approach accelerates deployment, turns variable capital expenses into fixed and transparent operating expenses, lowers IT costs, and drives agility by speeding and simplify upgrade paths.

With the advent of cloud-based solutions, **HCM** software is now both more affordable and accessible to small businesses aiming for the same efficiency, almost exclusively enjoyed by large companies until recently, in their own administrative operations.

The global **Human Capital Management (HCM)** market is expected to grow from **USD 22.3 billion** in 2021 to **USD 32.0 billion** by 2026, at a Compound Annual Growth Rate (CAGR) of **7.5%** during the forecast period. The cloud deployment model is expected to grow at a higher CAGR during the forecast period.

Source: Research and Markets



3. Human Capital Management

Sizing & Targeting: Which SMB Firms Have HCM Services?

BuzzBoard assesses usage of 17 specific technologies that fall into the broad category of Human Capital Management.

Over **180,000** SMB establishments, reflecting over **16,000** firms, use at least one of these technologies. Penetration is highest in service categories: home/trade services, professional services, and personal/health services top the list.

A list of these firms/establishments is easy to pull. Moreover, “look-alike” modeling can identify those who “should” have HCM based on their business profile, but don’t – ideal for estimating total addressable market (TAM) size, and for identifying new prospects. ***More on this in the final section of this report.***

Human Capital Management (17) ×

- With | ADP Employeease ×
- With | ADP WorkForce Now ×
- With | BambooHR ×
- With | BirdDogHR ×
- With | Cornerstone OnDemand ×
- With | Dayforce HCM (Acquired by Ceridian) ×
- With | HealthcareSource ×
- With | HealthStream ×
- With | NeoGov ×
- With | PageUp ×
- With | Paycom ×
- With | PeopleMatter ×
- With | SilkRoad ×
- With | TSheets ×
- With | Ultimate Software UltiPro ×
- With | Workday ×
- With | Zywave HRConnection ×

Less



4. Payments

COVID Accelerated Change in Payment Methods

Fueled by COVID, by mid-2020...

82% of US SMBs changed the way they receive and send payments

MasterCard

50% added a digital service to collect funds and ease cash flow problems

MasterCard

The percentage of retailers offering contactless payment rose to **67%**

National Retail Federation

Only **12%** of point-of-sale transactions in the US were made in cash (one of the lowest rates in the world)

GlobalData; WorldPay (via Statista)

39% of SMBs spend five+ hours weekly dealing with payment issues

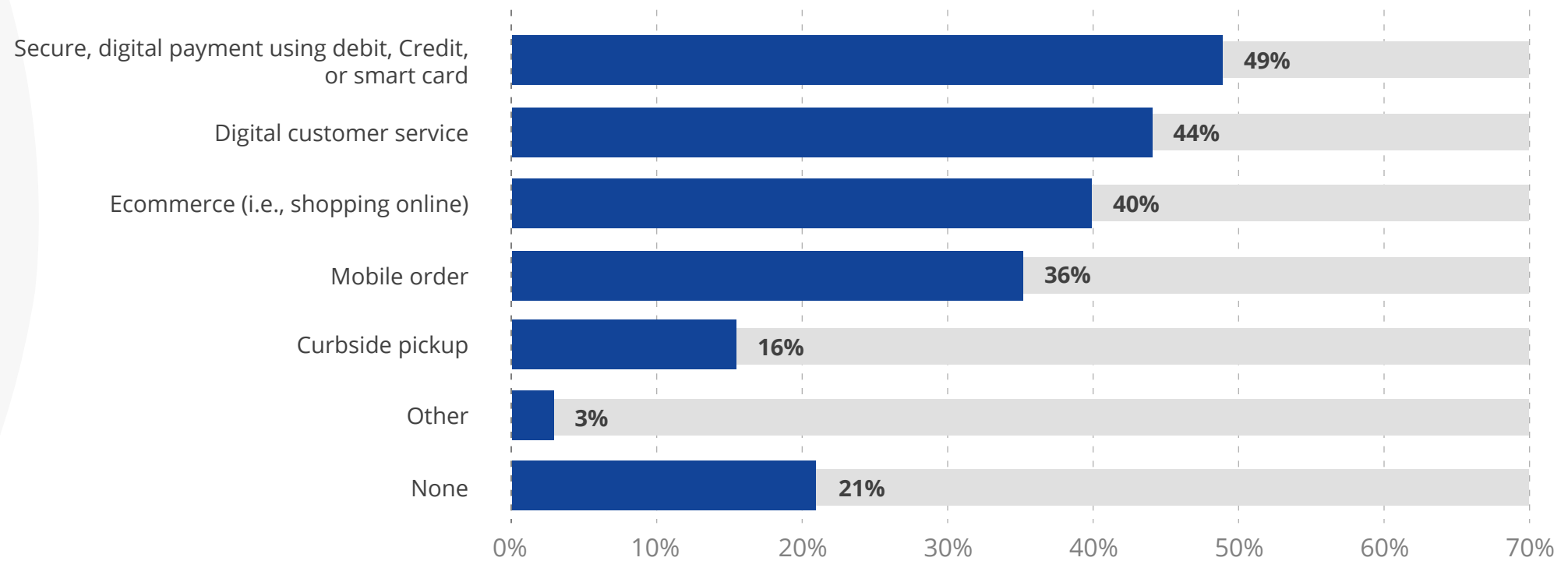
WePay



4. Payments

Contactless Services SMBs are Planning to Offer Permanently

Contactless Services Planned to Be Offered Permanently



Source: Salesforce, SMB Trends Report



4. Payments

Payment Services: Market Sizing & Prospecting Tools

Market sizing: BuzzBoard assesses usage of 119 specific technologies that fall into the broad category of payments (including Stripe, Square and PayPal)

Over **970,000** SMB establishments, reflecting over 440,000 firms, use at least one of these technologies.

Penetration is particularly high in services, non-profits and retail organizations, but is widespread across many categories.

Prospect lists of users of any of these **119** technologies can be created immediately. Overlaying this list of businesses with a set of digital signals (we call these signals 'digiographics') and allowing a AI-based scoring model to determine the propensity to buy based on need and budget, will result in the most credibly defined ICP attributes to build your most suitable TAM for prospecting.

Profiling: Current users of these services can be profiled on literally thousands of dimensions

This helps fine-tune individualized messaging to each SMB.



These rich multi-dimensional profiles can be used to create models of SMBs who don't currently use a payment service, but highly resemble companies that are current users.



5. Expense Management

The Fintech Revolution is Fixing Expense Management for SMBs

For a long time, the vast majority of employee spend fell neatly into two categories: travel and expenses incurred either while traveling or entertaining clients. But today, teams are incurring business expenses that don't necessarily fit cleanly within a single T&E category. Digital ads, SaaS subscriptions for software tools, consulting services, and home office equipment are all now part of regular modern employee spend.

With broader spend types now on the horizon as well as an increase in remote, contactless payments, expense management has moved from a legacy, time-consuming bygone to an absolute priority for finance teams.

Innovative fintech infrastructure can create a better experience for employees and managers; it can also empower finance teams with the ability to customize limits, control spend, and access real-time data to make informed decisions, automate reconciliation, and minimize fraud and policy violations.

Source: TechCrunch



5. Expense Management

Expense management is still a struggle for many SMBs

Many corporate credit cards have a 'personal credit guarantee' that some SMBs can't manage.

Reimbursement processes are time-consuming, inefficient, and ripe for fraud.

SMBs struggle to find the right solution for corporate credit cards

→ **67%** of business owners have a business credit card. But only **24%** of them use it as their primary method of business spending, and many struggle to find good solutions for their employees.

Source: Fundera

→ **46%** of small businesses use personal credit cards, and many fail to separate personal from business spending.

Source: MasterCard

→ Big banks have historically dominated the credit card market for small businesses: top issuers are Bank of America and Chase.

Source: Statista

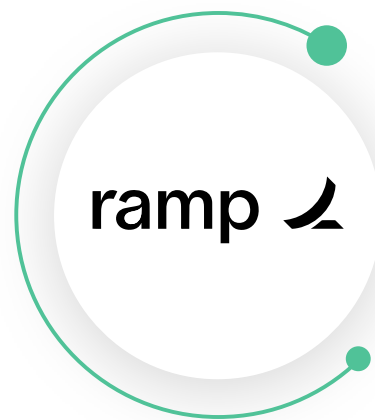
Upstart fintech providers are meeting these needs for small and medium-sized enterprises with offerings of expense management platforms, virtual credit cards, better user experiences, and more.

Fintech companies use proprietary scoring methods and links to customers' bank accounts and accounting software to lower the risk that has kept many North American banks away from this market. Fintech companies tend to also emphasize digital features over financial terms.



5. Expense Management

Fintech Corporate Cards for SMBs: Trend Leaders



Zero fee corporate credit card with cash-back reward and built-in expense-management platform that uses algorithms to identify savings opportunities.

\$1.6 billion valuation within 14 months of launching – now with over 1,000 clients



“On a mission” to eliminate expense reports. Virtual and physical cards with no fees.

The startup was bought by Bill.com for \$2.5 billion



Putting It All Together

How Fintech Companies Can Optimize Their Marketing and Prospecting Efforts

Putting It All Together

Fintech Companies Are Delivering Consolidated Solutions

Leading fintech players are delivering fast/easy access to payment, lending and banking solutions designed for SMBs – all under one roof.

Examples include...



Business checking, flexible funding,
payment processing.



The financial stack built for scale.

Software and services engineered for fast-growing companies.



Putting It All Together

Fintech Companies are Leveraging New Data Sources & Models – for Product Design & Marketing

The new wave – heavily leveraged by fintech

Mining the digital footprint left behind by SMBs

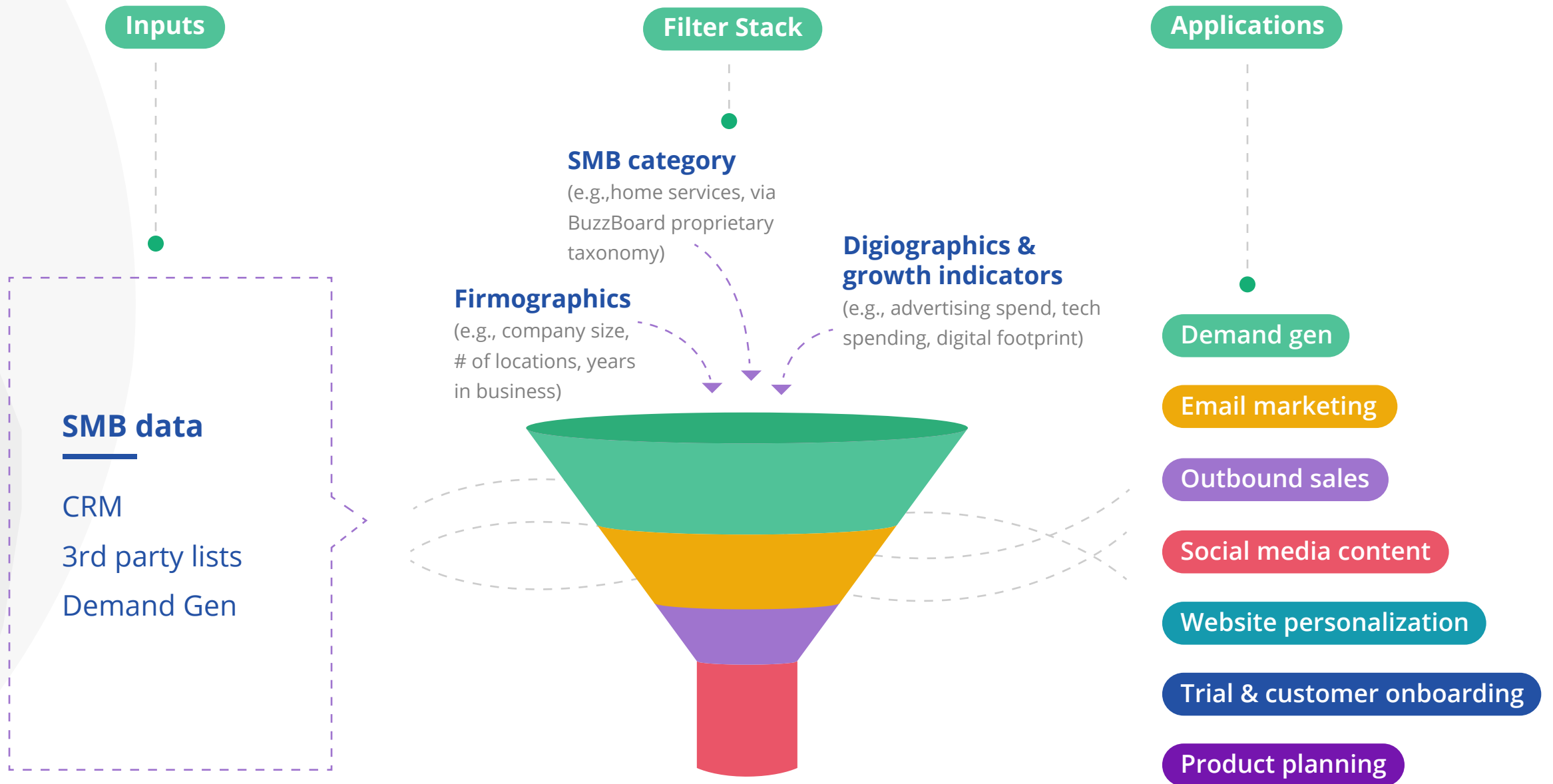
BuzzBoard has 6,400+ of these signals

Type of metric	Example metrics	Limitations/strengths
Firmographics	<ul style="list-style-type: none"> ✓ # of locations ✓ # of employees ✓ SMB category 	“Backward-looking” metrics w/ limited utility in predicting future growth/outcomes
Technographics	<ul style="list-style-type: none"> ✓ Brand of CRM solution used ✓ Brand of marketing ✓ Automation solution used 	Limited in scope – helpful in selling only specific tech solutions
Digiographics	<ul style="list-style-type: none"> ✓ Advertising spending ✓ Digital investment ✓ Cyber sophistication ✓ Customer centricity ✓ Hiring activity ✓ PPP loans 	Predictive & forward-looking B2B equivalent of “psychographics”



Putting It All Together

Fintech Companies are Leveraging “Filter Stacks” to Find High-Value Prospects



Putting It All Together

Data-Driven Marketing & Prospecting Example: Payments

Current market size

970,000 SMBs with payment services in the BuzzBoard database is obviously a large number in absolute terms. But the potential remains huge, given that the total number of SMBs is measured in the millions.

Target profiling

The **970,000** can immediately be downloaded to a list for marketing purposes. They can also be profiled on a variety of dimensions, and modeling efforts can identify the best predictors of payments need or use.

Look-alike modeling and TAM estimation

Then we can find “look-alikes” – SMBs that resemble current payment services users. This helps to quantify the total addressable market, and opens up a wealth of high-quality prospects.



More Resources on SMB Account Intelligence Data

Account Intelligence Playbook

A closer look at AID in the context of SMB data and the possibility realm of data depth and variety available (*don't be surprised if they match some of your wildest imaginations!*)—to create your ideal target list.



SMB Account Scoring is a (Real) Thing!

Break into using AID (digigraphics, in particular) for account scoring as a top-of-funnel practice—proving to be far more effective than depending on just classic firmographic based segmentation and targeting.



9 Sales Plays to Ignite Personalization with Deeper Account Insights

Let the magic begin! Learn how every aspect of your GTM gets compounded with AID. There are some cool examples to inspire you if you decide you are ready.



The Non-opinionated QCS Model

BuzzBoard's AI-driven proprietary QCS model stems from our "account-first" philosophy. The purpose of the model is simple—to qualify, segment, and prioritize accounts (as they enter your CRM or marketing automation system) for GTM activities, for a more effective resource allocation.



Thank you!



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About the Author: BuzzBoard collaborated with Dr. Stephen Kraus to create this report. Stephen Kraus writes and speaks widely about market research, social trends, demographic changes, and human behavior. He is author of three books, and delivered a TEDx talk on the impact of income concentration on The American Dream. He teaches marketing at the University of San Francisco, and holds a Ph.D. in social psychology from Harvard University. [Find him on LinkedIn](#)

