

SMB Banking in 2021

Reinventing Small Business Banking

marketing@autobooks.co

Agenda

- Redefining small business banking
- Can your financial institution “disrupt” itself
- Growing small business relationships (Developing an ROI)

Moving small business banking forward
today, tomorrow, and beyond.

October 5-6, 2021

9am-12pm CST

[Register Now](#)



Redefining small business banking

We recently analyzed 100,000 SMB account holders

- Square deposit volume
- Intuit deposit volume
- Number of customers in business versus personal

REINVENTING SMALL BUSINESS BANKING PART I PACESETTERS IN EMBEDDED FINANCE SPOTLIGHT ON AUTOBOOKS

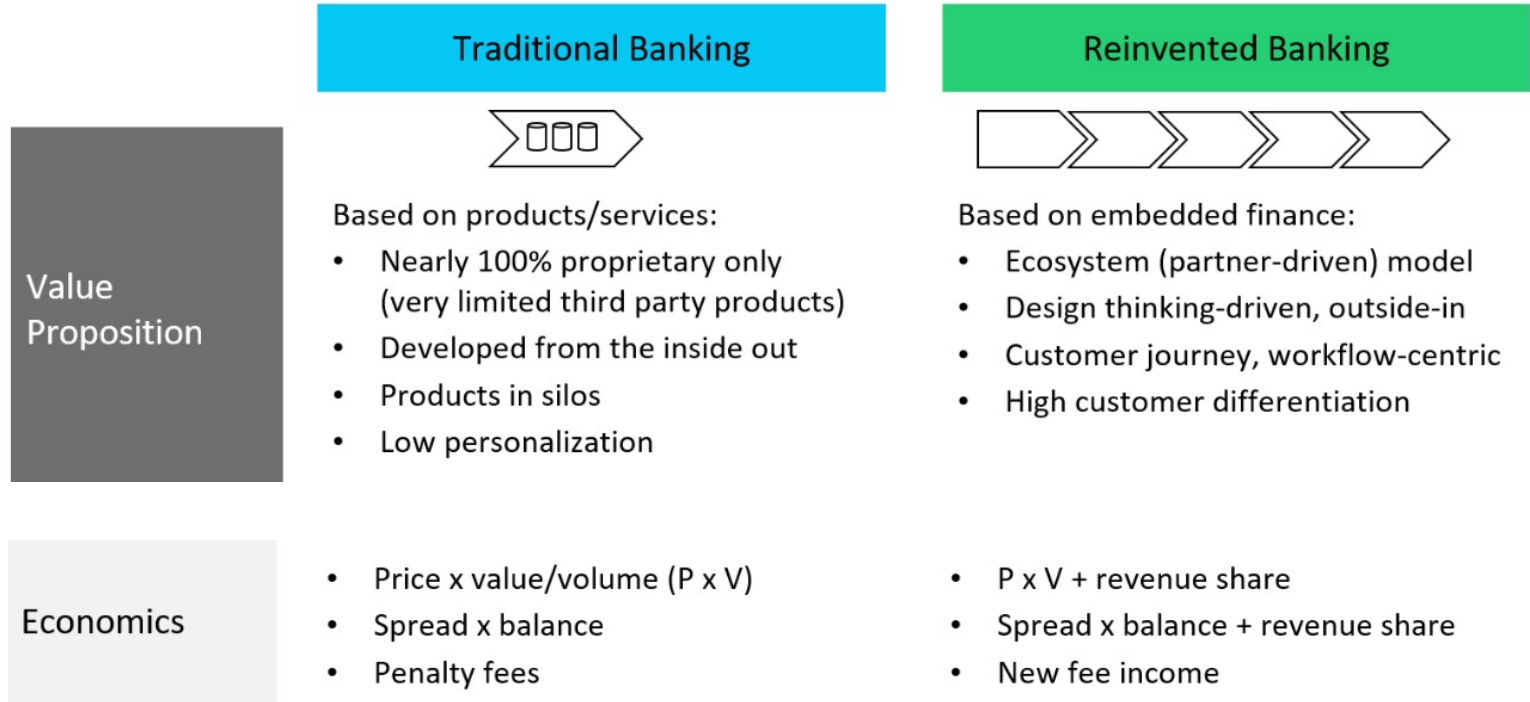
December 18, 2020

Alenka Grealish

The **winners** in small business financial services over the next decade **will not look like today's banks.**

They will take a **customer-centric approach** and deliver not banking products per se but rather easier financial workflows, simple smart analytics, and actionable advice. They will **embed bank products** in a broader services-oriented offering.

Figure 1: Reinventing Small Business Banking



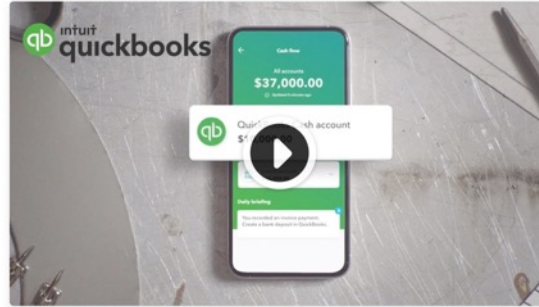
Third-party SMB banking competition

COMING SOON

Managing cash flow made easy

Soon, you can use Cash Flow to manage your business finances, forecast your cash flow, and get actionable insights, in one place¹.

[See plans & pricing](#)



Demand-side Marketing



Products

Business Types

Why Square?

Resources

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

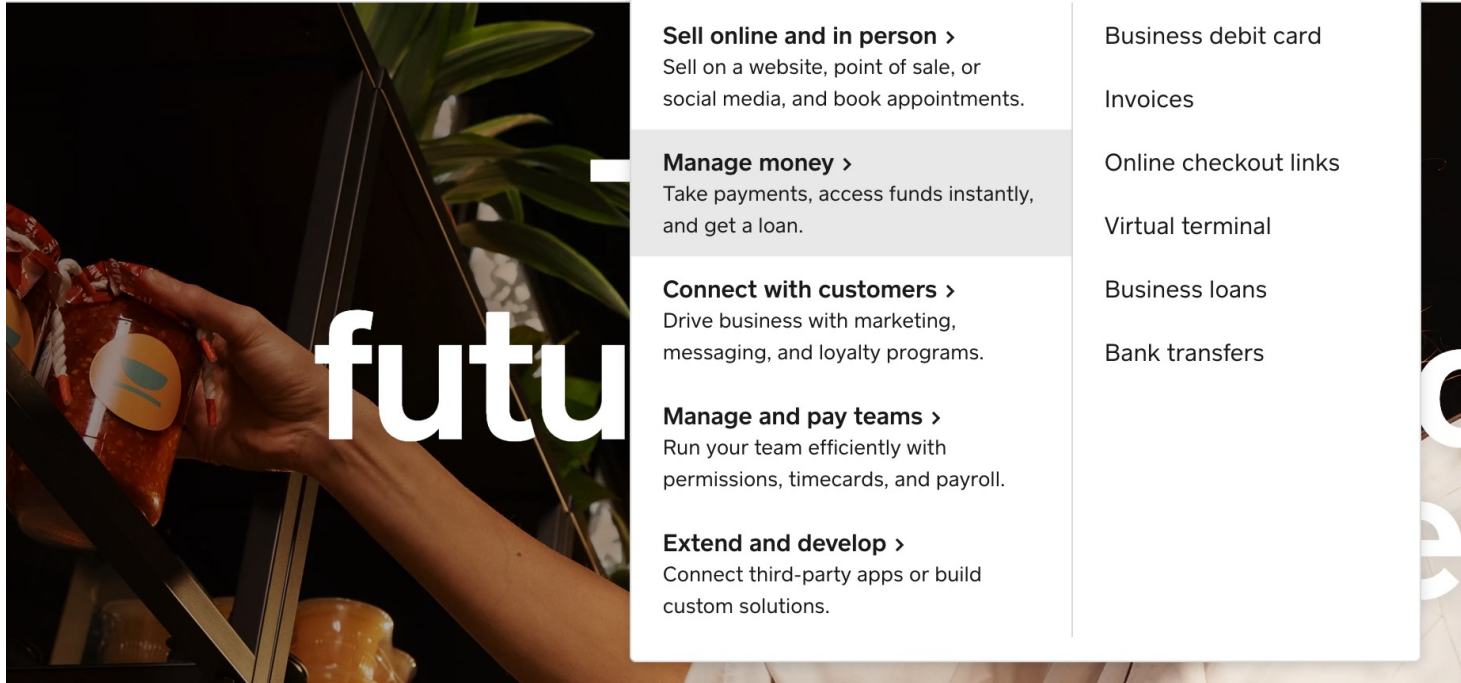
Invoices

Online checkout links

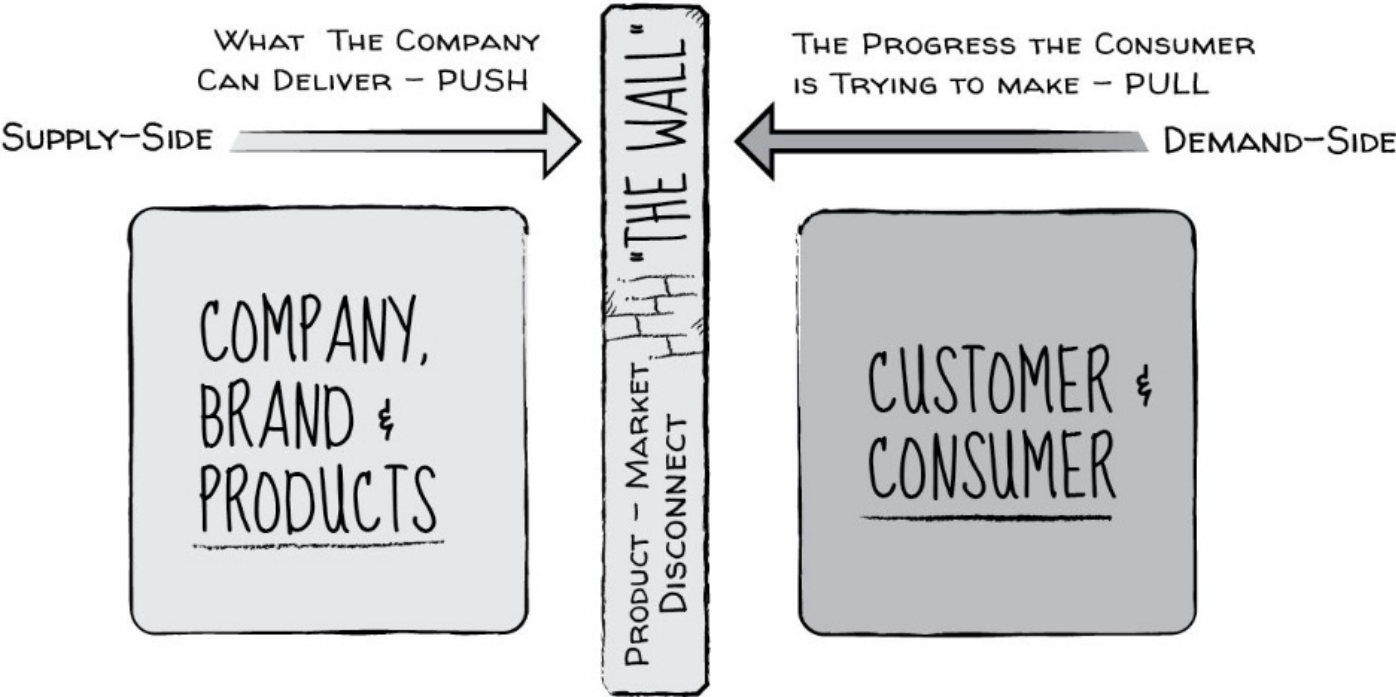
Virtual terminal

Business loans

Bank transfers



SUPPLY-SIDE VS. DEMAND-SIDE INNOVATION



Supply-Side

Demand-Side

Traditional Banking



Based on products/services:

- Nearly 100% proprietary only (very limited third party products)
- Developed from the inside out
- Products in silos
- Low personalization

Reinvented Banking



Based on embedded finance:

- Ecosystem (partner-driven) model
- Design thinking-driven, outside-in
- Customer journey, workflow-centric
- High customer differentiation

Value Proposition

Economics

- Price x value/volume ($P \times V$)
- Spread x balance
- Penalty fees

- $P \times V$ + revenue share
- Spread x balance + revenue share
- New fee income

Supply-side Marketing

Business Advantage Fundamentals™ Banking

Value and flexibility to help manage your small business:

- Zelle® for your business¹
- Business Advantage 360², our small business online banking and Mobile Banking with fully integrated Cash Flow Monitor tool, Bill Pay and Mobile Check Deposit³
- Business debit cards with \$0 Liability Guarantee
- Business savings account (\$10 or \$0 per month)

\$16 or \$0 per month

Ways to avoid this fee

[Open now](#)

[Learn more](#)

Business Advantage Relationship Banking

Premium tools for large or growing businesses

All of the features of Business Advantage Fundamentals™ Banking, plus these extra benefits:

- Additional business checking and savings account included for no Monthly Fee
- Easy QuickBooks® integration⁴
- Ability to grant and customize account access levels per employee
- No fees for incoming wires, stop payments, electronic deposits and more

\$29.95 or \$0 per month

Ways to avoid this fee

[Open now](#)

[Learn more](#)

Demand-side Marketing



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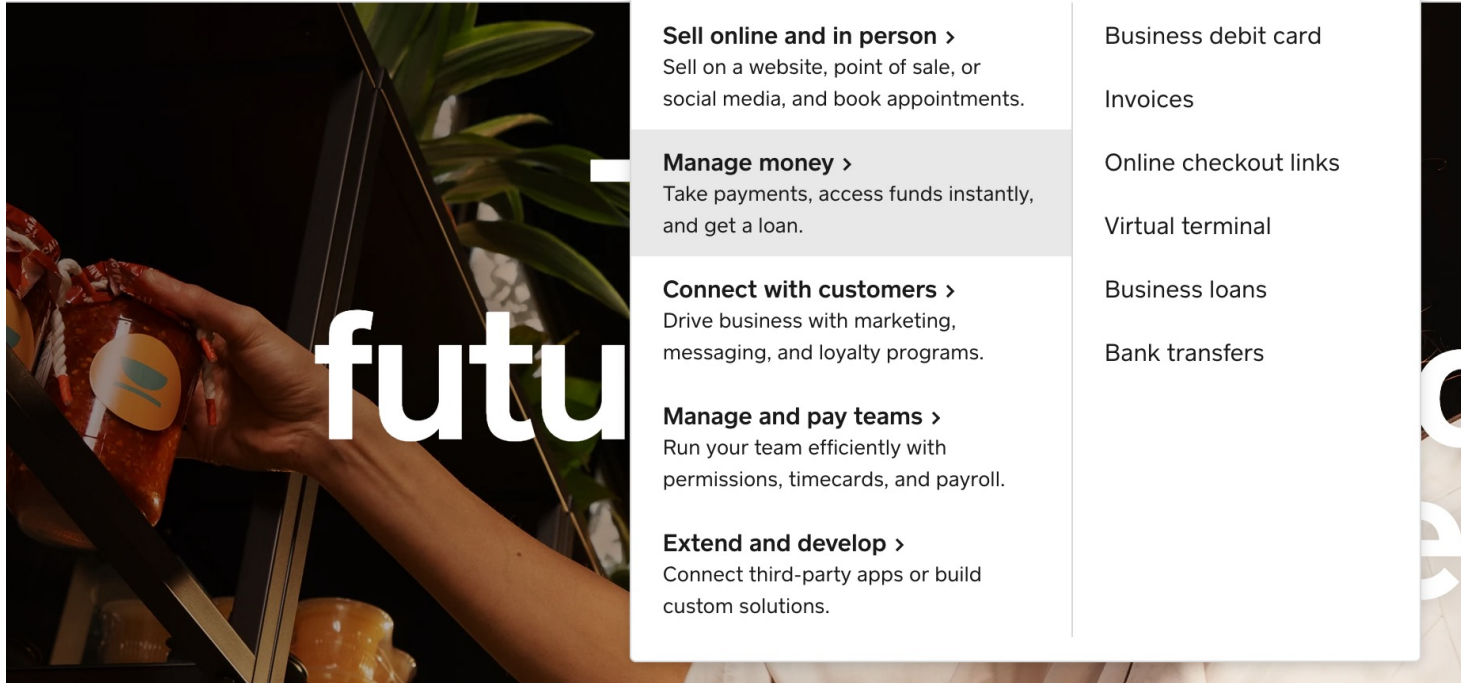
Invoices

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Square Card: a better business debit card.

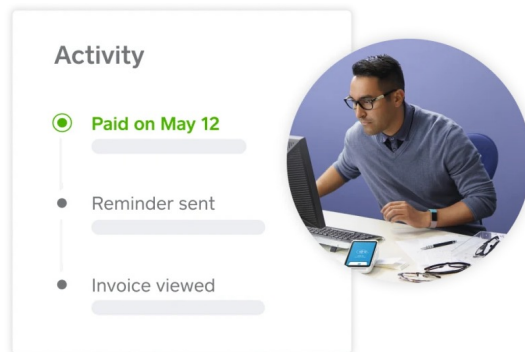
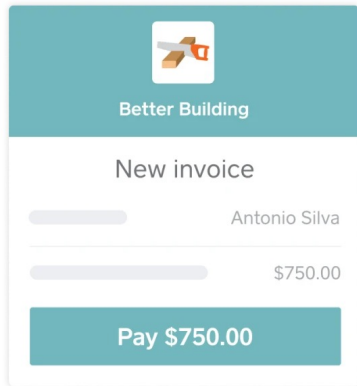
No more waiting on bank transfers—spend your money instantly with Square Card.

[Order card](#)



Send in seconds, track from anywhere.

Quickly send digital estimates and invoices from anywhere. You can track in real time which invoices are paid and unpaid, send reminders, and accept payments. Deliver your customers a seamless service experience, all from the same solution.



Get paid faster by accepting payments 24/7.

Customers can pay in one click. They can pay an online invoice through their computer, in person, or right through their phone with their credit card, Apple Pay, or Google Pay.

[+ View sample invoice](#)

SQUARE VIRTUAL TERMINAL

Accept and record payments on your computer.

Get started in minutes, no monthly fees.

Take your first payment

[For help getting started, connect with us ›](#)

autobooks

Money to keep your business moving forward.

Square Capital small business loans from \$300—\$100,000.

[Check for offers](#)

Not a Square seller? You could become eligible by [processing with Square](#).

Transfer money at the speed of your business.

Get your funds instantly, in one to two business days, or on a regular schedule.

Standard transfer

Your money gets transferred to your linked bank account automatically as soon as the next business day, free of charge.

[Learn more >](#)

TRANSFER SPEED

1-2 Business days

Same-day

Custom

Instant transfer

For a fee, your money gets transferred to your bank account instantly, or on a same-day schedule of your choosing.

[Learn more >](#)



Instant

Square Card

No transfers necessary—just spend your Square Balance instantly with Square Card. (You can still transfer money out to your bank, too.)

[Learn more >](#)



More ways to transfer your money.

See all of the ways you can move your money with Square.

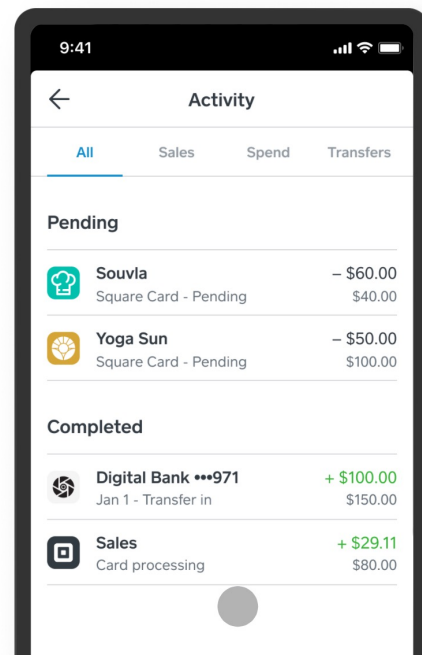
Compare transfer options	Price	Speed
Standard	Free	Next business day into your bank account
Instant	1.5% of amount	Instantly on demand into your bank account
Same Day	1.5% of amount	Instantly on an automated schedule you choose
Square Card	Free	Instantly available in your Square Balance
Add money to Square Balance	Free	Instantly on demand

Square Balance is home to your business's money.

When you take a payment, the money you earn lives in your balance, and you can instantly access it whenever you need.

[Learn about balance >](#)

- ✓ Total cash flow control
- ✓ Monitor money all in one place
- ✓ No hidden fees
- ✓ Spend or withdraw with Square Card
- ✓ Keep money safe and secure



Traditional Banking vs. Square Relationship Depth Model

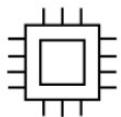
Traditional Banking Model



Square's Model

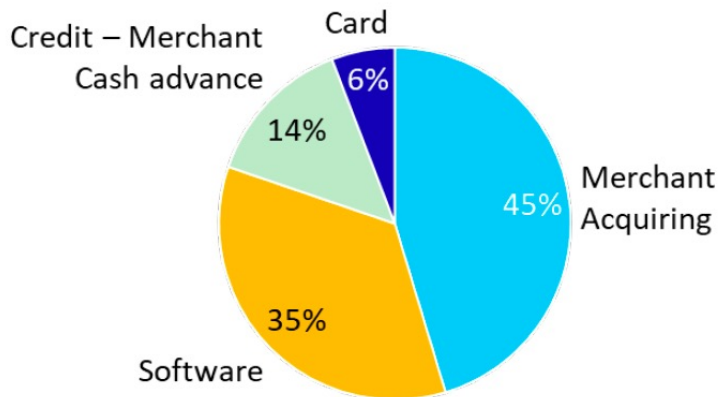


Figure 6: ... and Targeting 80% of Banks' Revenue Pools

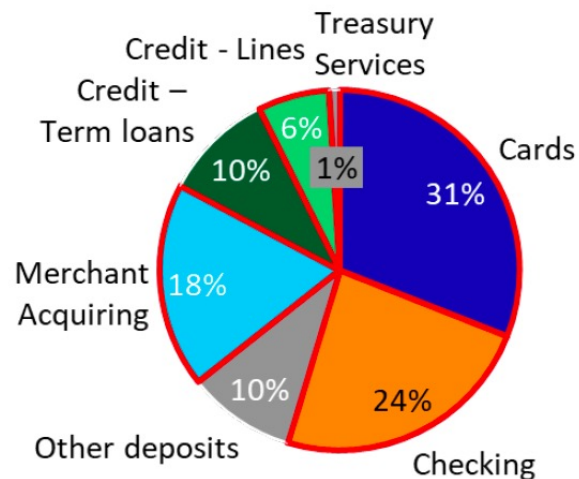


Platforms Players Are Targeting...

Example:  Square



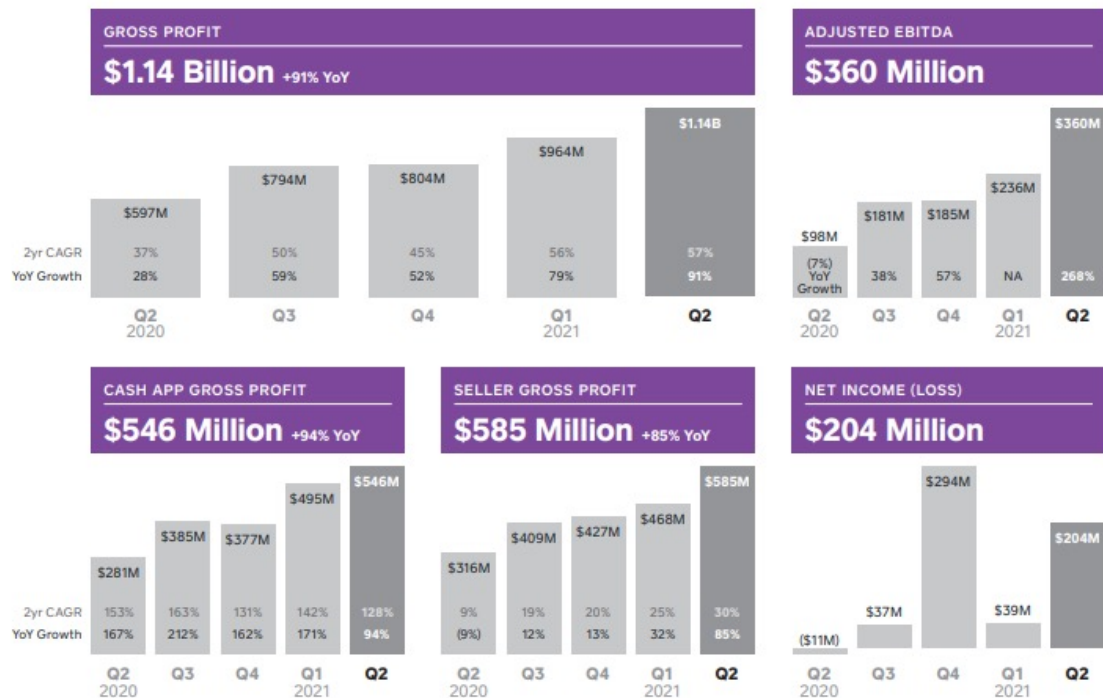
Nearly 80% of Banks' Revenues



Source: Celent analysis, Oliver Wyman revenue pools, and Square

Square Q2 Earnings Report

SECOND QUARTER FINANCIAL METRICS



Capturing the full value of their customer relationships

Business Relationship

- Deposits
- Non-interest income (card interchange + merchant)
- Business credit card
- Lending

Consumer Relationship of business owner + their employees

- Deposits
- Non-interest income (card interchange)
- Lending (mortgage + auto)
- Investment, wealth management, insurance, etc

Highlights from Square's Earnings Call

Cash App – Consumer Bank

- Gross Profit up 94% YoY
- Primary focus is growing deposits
- Gross profit increased 2.5x per active customer in past 2 years
- 40MM active users
- Transaction volume up 4x within past 2 years
- Investments user count up 3x with past year, with 4.5MM holding a stock or ETF in Q2 alone

Seller Ecosystem – Business Bank

- Launched Square Checking, Savings, Loans
- Gross Profit up 85% YoY
- Facilitated roughly 105,000 loans in Q2
- Growing upmarket – Midmarket has grown 2x in past 2 years; now represent one-third of total payments volume

Cash App – Deposits

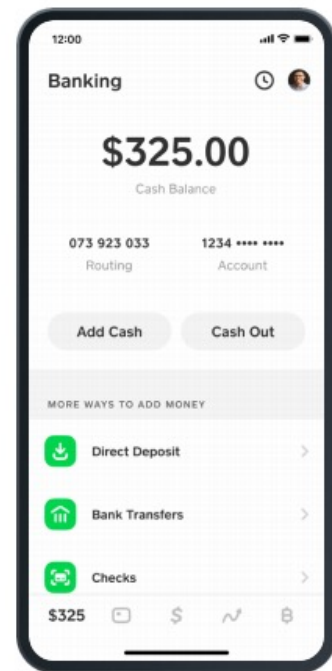


Within the Banking tab, we have made the ability to add money to Cash App much more discoverable for customers, whether direct depositing their paycheck, adding money from their external bank account, or depositing a check.

Increasing deposits into our ecosystem

A primary focus for Cash App is attracting greater inflows, or the amount of money our customers pull into Cash App. In June, Cash App released a redesigned interface to make it easier for customers to bring money into the ecosystem. Within the Banking tab, we improved discoverability by making account funding features like bank transfers, direct deposit, and recurring deposits more prominent and easy to understand. We intend to continue to invest in Cash App's foundation by expanding our deposit and limit capabilities. As customers find value across our ecosystem, they have brought

more money into Cash App: Inflows per monthly transacting active customer nearly doubled compared to two years ago, benefiting from recent increases in consumer spending. Growth in inflows has continued to be the primary driver of Cash App gross profit growth. In the second quarter, gross profit per monthly transacting active customer was \$55, up 2.5x from two years ago.



Cash App - Payments and Debit Cards - NII

Payments

Send and receive money with anyone, donate to an important cause, or tip professionals. Just enter a \$cashtag, phone number, or scan their QR code to pay.

Cash Card & Boost

The Cash Card is a free, customizable debit card that lets you pay online and in stores. It's the only way to get Boosts—instant discounts that work at places where you want to spend.

CASH APP ECOSYSTEM

Strengthening the network

We remain focused on the health of our network, including attracting and retaining engaged customers. In June, Cash App reached 40 million monthly transacting active customers. With our marketing efforts, we are focused on attracting customers who could use more products and bring greater funds into our ecosystem. We believe customers have found increased utility across our ecosystem as nearly two-thirds of our monthly actives transacted each week on average in June. Peer-to-peer has continued to strengthen our network effects and we've seen growing engagement: In the second quarter, volume sent through Cash App's network increased by nearly 4x compared to two years ago, driven by growth in existing customers and newer customers transacting more frequently.

Cash App - Investments/Wealth Management

The image shows two smartphones displaying the Cash App Investing interface. The left phone shows a stock price of \$24.15 with a green line graph. The right phone shows a Bitcoin price of \$25.00 with a blue line graph. The background is green with the word 'Investing' in white. There are also stylized illustrations of a laptop and a hand holding a pen.

Investing

Stocks

Whether you're an expert or just getting started, Cash App is the fastest and most accessible way to invest in stocks. Start now with as little as \$1.

Bitcoin

Cash App is the fastest way to convert dollars to bitcoin. From your home screen, six taps are all it takes to stack sats, buy an entire bitcoin, or just see what it's all about.

Driving engagement

We believe everyone should be able to participate in the economy, and Cash App strives to help more individuals access and understand investing. Since its launch, our stock brokerage product has seen significant adoption: Nearly 4.5 million customers held a stock or ETF in the second quarter alone, an increase of more than 3x from a year ago. To help customers make more informed investment decisions, Cash App's Investing tab shows key financial stats for stocks, such as revenue growth, gross profit, and valuation metrics. We have also launched Custom Orders, which allows customers to easily set specific buy and sell orders based on price, simplifying a traditionally complex process. Our ecosystem continues to be a differentiator as we find that customers who are trading stocks or holding them in their portfolio have engaged more with other products like Cash Card or bitcoin and have generated greater gross profit per customer.

Robust Integrated Ecosystem – Business Banking

Sell, save, spend, and borrow as fast as you need to.

Your payments, business banking accounts, and cash flow, synced together seamlessly. When you take payments and bank through Square, everything is connected. Watch your sales flow directly into Square Banking, so accessing and moving your money is fast, easy—and can even be automated.



\$0 overdraft fees



\$0 opening deposit



\$0 minimum balance



\$0 monthly account fees

SELLER ECOSYSTEM

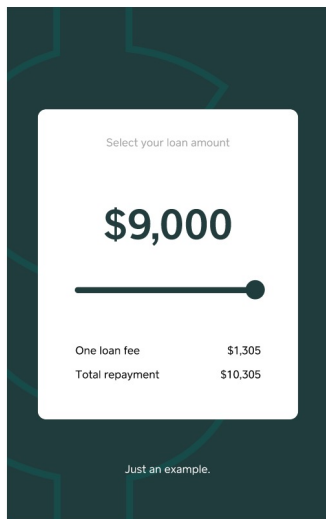
Enhancing our ecosystem of products

In continuing our commitment to expand access to financial services, we launched Square Banking for our U.S. sellers, which includes Square Savings, Square Checking, and Square Loans (formerly known as Square Capital). Square Savings, powered by Square Financial Services, simplifies budgeting for sellers by allowing them to automatically set aside funds from daily sales into savings accounts. Square Checking provides sellers with an FDIC insured account that lets them access funds for business expenses using their Square Debit Card or for paying employees via Square Payroll. We believe that many sellers have had to rely on personal bank accounts, which create challenges when it comes to understanding the state of their business, accounting, and taxes.¹ With the newly launched account and routing numbers, sellers who also sell goods on other platforms, such as Amazon or Etsy, can direct all of their business finances to one consolidated home with Square. These critical banking tools work seamlessly with other Square solutions, giving sellers a unified look at their payments, account balances, and spending directly on their Square Dashboard or Point of Sale.

Square Loans

Money to keep your business moving forward.

Square small business loans from \$300—\$250,000.



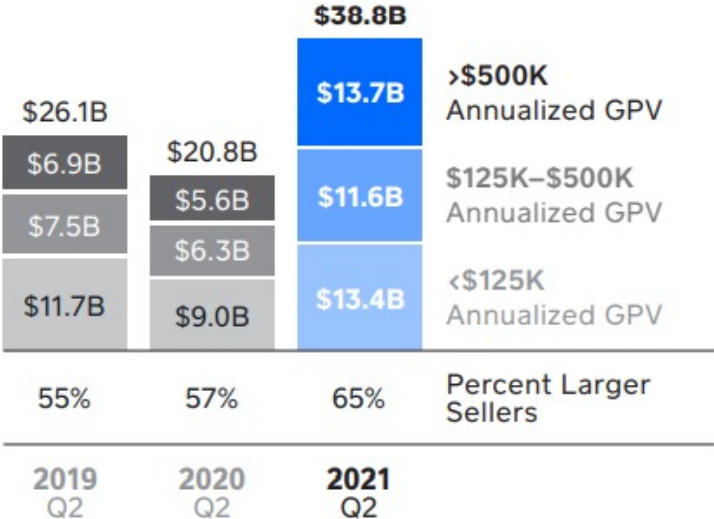
Get a customized offer based on your card sales through Square, and then choose your loan size.

There's no ongoing interest. Just a simple flat fee.

Square Loans: Square Loans (formerly Square Capital) achieved strong gross profit growth during the second quarter of 2021, facilitating approximately 105,000 loans totaling \$778 million in originations. PPP loans totaled \$151 million across more than 15,000 loans. Flex loans totaled \$627 million across more than 89,000 loans. After pausing flex loan offers from early March to late July of 2020, we continued to expand loan offers during the second quarter behind improvements in underlying Seller GPV trends, nearing pre-pandemic quarterly origination levels for core flex loans.

Seller ecosystem is growing upmarket

SELLER GPV MIX BY SELLER SIZE



Growing upmarket

Mid-market sellers showed strong momentum in the second quarter as GPV from these sellers doubled since the same period in 2019, and represented more than one-third of total Seller GPV. We believe the breadth of our omnichannel software offerings is a primary reason that mid-market sellers join and stay with Square. These sellers use more products on average, and in the second quarter, software and integrated payments accounted for approximately 75% of mid-market seller gross profit. Our dynamic

If you're an Autobooks client,
we'd like to **analyze your
data.**

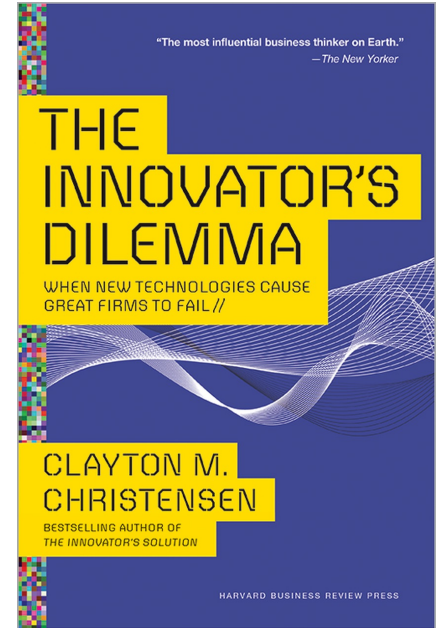
Send us an email

marketing@autobooks.co

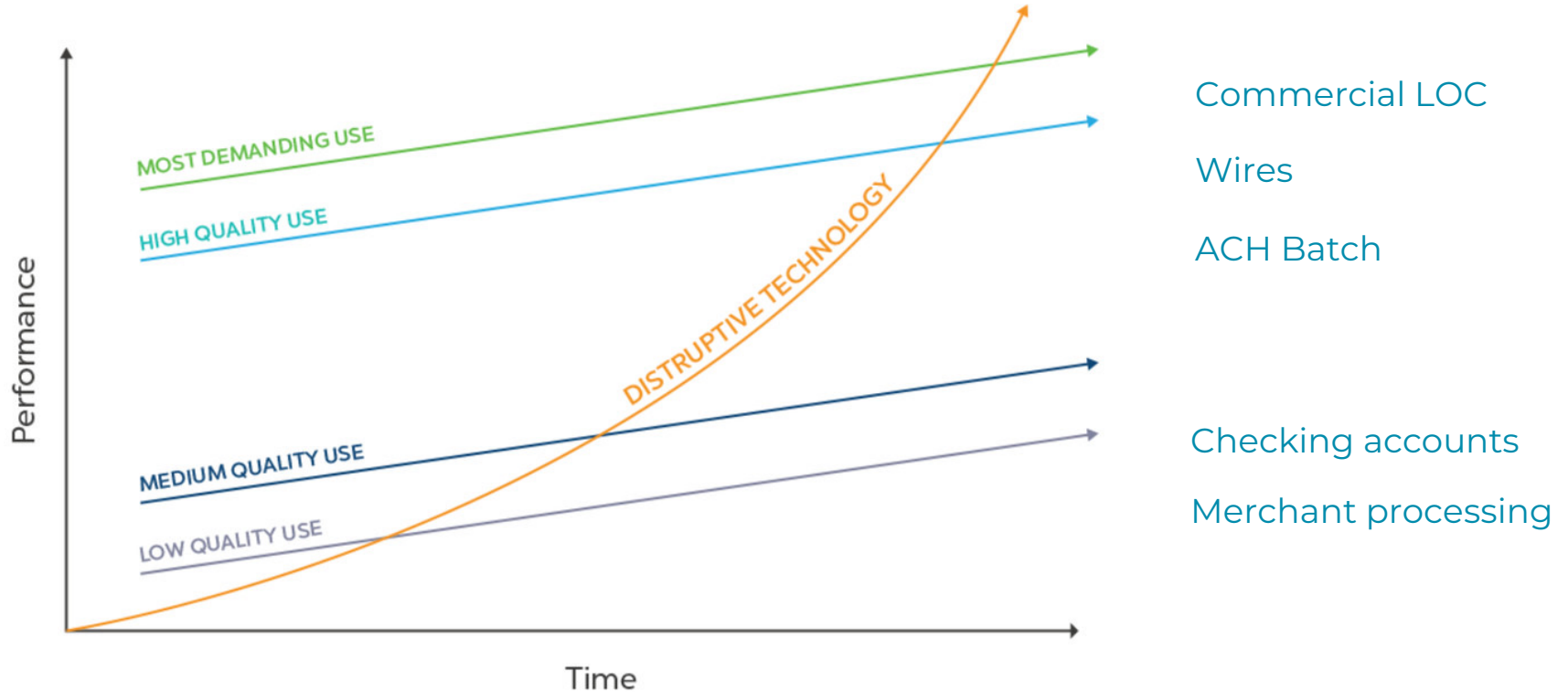
**Can your financial institution
"disrupt" itself?**

Clayton Christensen on Disruptive Innovation

A process by which a product or service takes root **initially in simple applications** at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors.



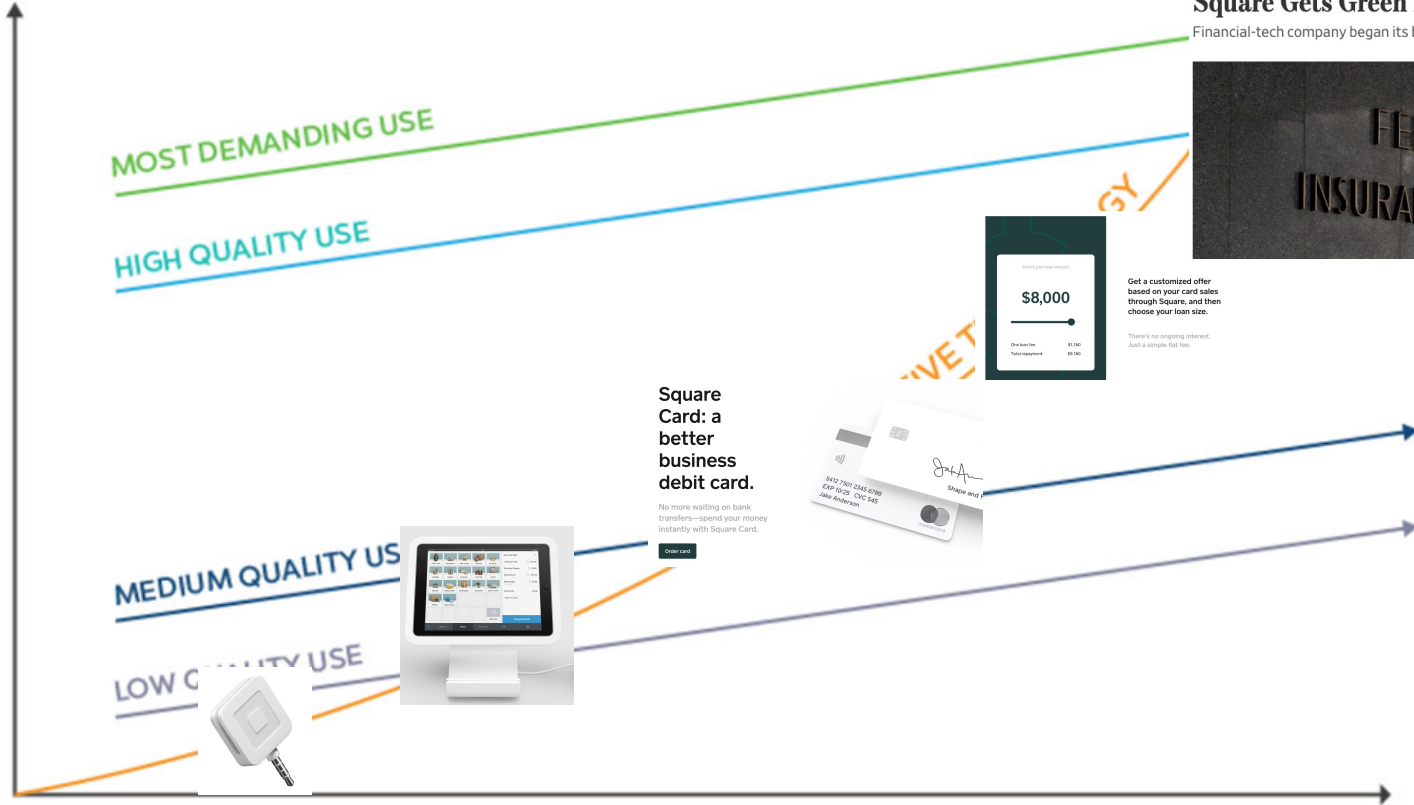
Disruption Theory – Business Banking



Qualities of a disruptor

- Willing to take on low margin opportunities to get into a market
- Unlocks non-consumption
- Scales solution up to higher margin opportunity
- Displaces legacy incumbent for market share

Performance



MOST DEMANDING USE

HIGH QUALITY USE

MEDIUM QUALITY USE

LOW QUALITY USE

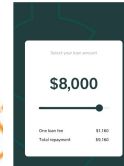
Square Card: a better business debit card.

No more waiting on bank transfers—spend your money instantly with Square Card.

Order card

Square Gets Green Light to Open a Bank

Financial-tech company began its bid for a bank for 2½ years ago



Get a customized offer based on your card sales through Square, and then choose your loan size.

There's no ongoing interest. Just a simple flat fee.



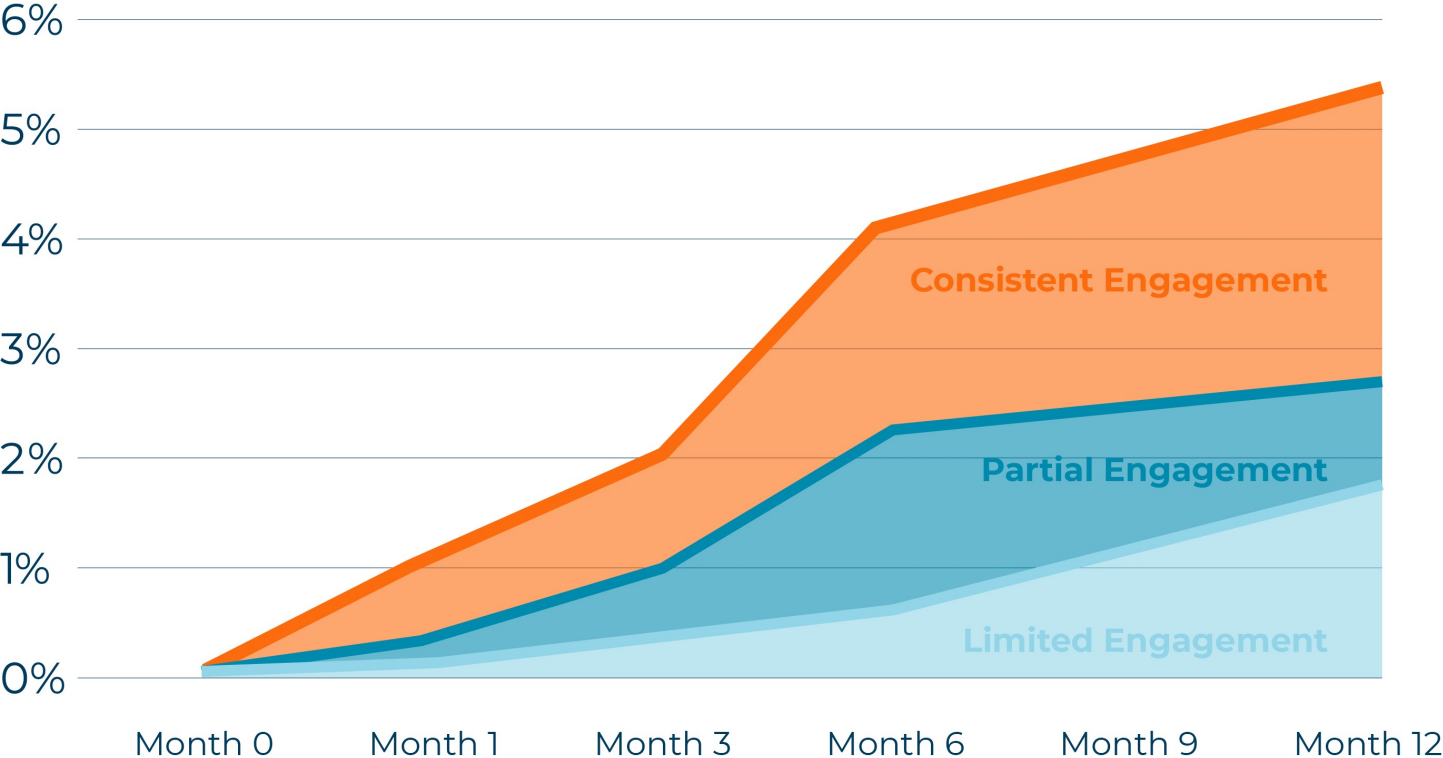
Can your FI "disrupt" itself?

- **Are you willing to** - Take on low margin opportunities to recapture a market?
- **Is there opportunity to** - Unlock non-consumption of services provided your FI?
- **Can you** – Start simple and scale a solution over time?
- **Will you lead your market** – By displacing legacy incumbents that don't prioritize digital.

Engagement best practices

- Consistent marketing
 - Email
 - Website landing page
 - In app ads
 - Social ads
- Trained front line sales teams
- Prominent placement of receivables in UI

CONSISTENT ENGAGEMENT INCREASES ADOPTION



Hey Kristina, what are you seeing with your FIs?

- Account bundling
 - Embedding invoicing and payment acceptance within the account
- Account positioning
 - Updating small business checking positioning on website
 - Including functionality within feature list/comparison
- Integration with account opening
 - In branch
 - Online
- Measuring funding and retention

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](#)



Hey Kristina, what are you seeing with your FIs?

Integration with account opening

- In branch
- Online

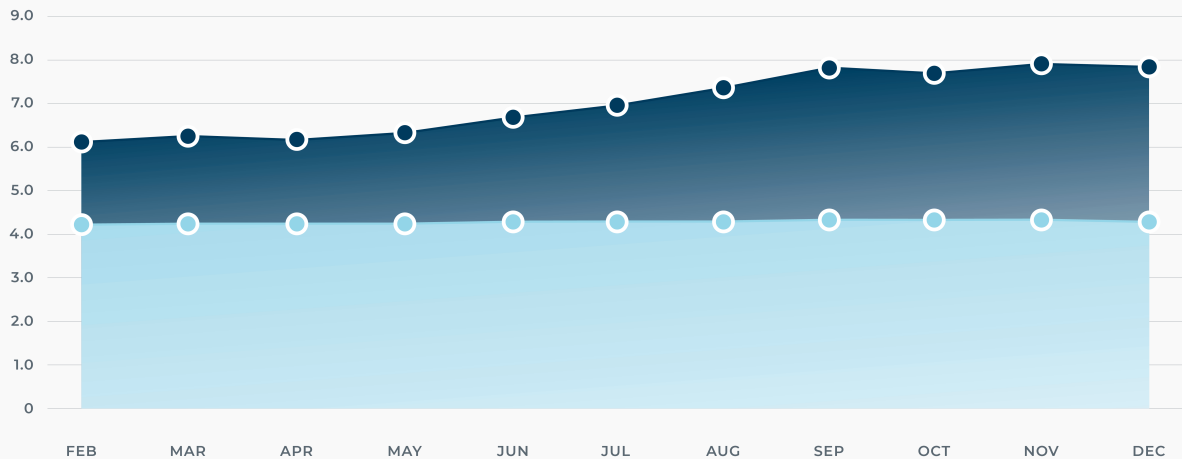
Measuring funding and retention

- Integrating receivables features at time of account opening
- Decreases funding time
- Increases funding amount

Autobooks increases relationship depth for existing customers

Existing Customers Relationship Depth

Month-Over-Month Trend

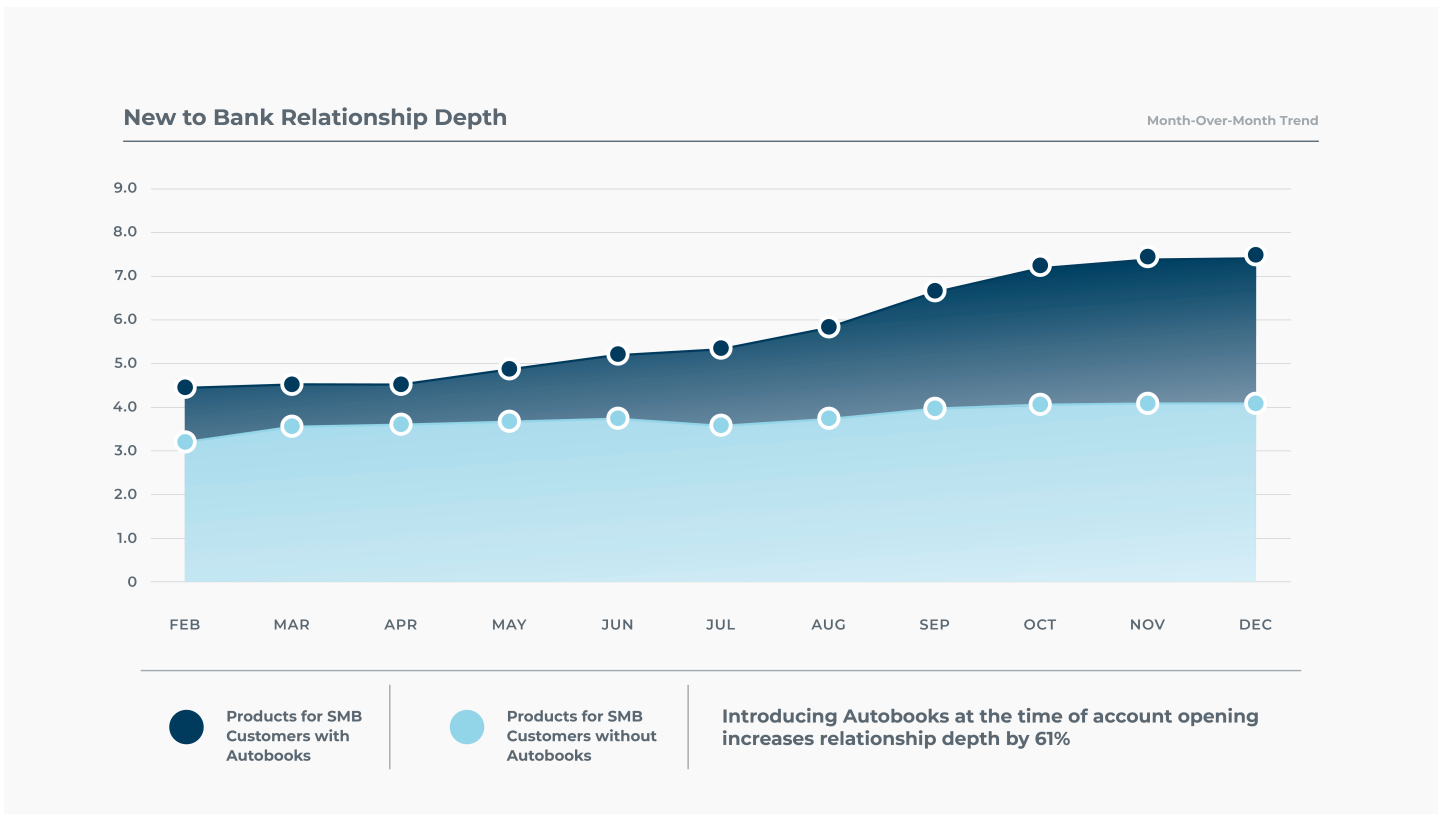


● Products for SMB Customers with Autobooks

● Products for SMB Customers without Autobooks

Autobooks increases relationship depth by 26% for existing customers

Introducing Autobooks at the time of account opening drives increased relationship depth for new customers



Amanda's New Business

- Search starts local.
- Focused on personal service and someone to "go through the ins-and-outs of starting a business."
- Turns to Google and YouTube videos for help.
- Search results turn into trust: "This bank keeps popping up over and over in everything I read."
- Shopping via search does the matrix comparison for them.
- Shopping creates the impression that all small business checking accounts include the ability to invoice and receive payments.
- "Another thing that I wanted out of a bank was just not having to worry about having to take extra steps to, you know, get my payments in, make sure they were on time, and make sure that they were ending up in my account."

Opened a new business checking account as ***she shopped for the things she needed to start her business.***



Dr. Richard's Loan

- In business for over 20 years as an organizational consultant.
- Moving family and business to Texas. Referred to a new bank for his mortgage.
- Banker establishes relationship and spots a primacy opportunity.
- Richard has struggled in the past with online payments from PayPal and Venmo (transferring to checking account is clunky + “holding tank”)
- Opens a checking account to consolidate how he gets paid:

“It’s 2021, my business is all online. My bank and the way I get paid should be too.”



If you're interested in **bundling**
and **marketing** invoicing and
payment acceptance as part of
your business checking
accounts!

Send us an email

marketing@autobooks.co

**Creating value – For small
businesses and financial institutions**

New Autobooks Guide to ROI Coming Soon!

Calculating end of year 1 monthly revenue

Now that we've established the above estimates, we can calculate the monthly revenue at the end of year 1.

Step 1 | Total retail transaction monthly revenue

150	×	\$8.46	=	\$1,269.00
Active retail SMBs getting paid through Autobooks		Estimated monthly revenue		Total monthly transaction revenue from retail

Step 2 | Total business transaction monthly revenue



200	×	\$11.59	=	\$2,318
Active business SMBs getting paid through Autobooks		Estimated monthly revenue		Total monthly transaction revenue from business



Real transaction alerts from August 26, 2021



Example of an SMB that consistently uses Autobooks to capture customer payments:

- The payment below was for **\$247.50**
- The business has received **659 payments in total**

  [Redacted] received a Payment Form payment | Amount: \$247.5 | Type: Credit Card | Chap ID: 12330 | FI: [Redacted] Bank | Payments Received: 659

Example of an SMB that processes larger payments through Autobooks

- This payment received was for **\$134,746.00**
- The business has received 3 payments in total (recent enroll)

  [Redacted] Ltd received a Payment Form payment | Amount: \$134746 | Type: Credit Card | Chap ID: 18661 | FI: [Redacted] Bank | Payments Received: 3

Value to SMBs

Signed up: 10/3/2020

Volume: 124 payments for \$84,279.82

I own [REDACTED]—we are a sign printing shop. We do everything from vehicle wraps to simple business cards.

I clicked on it [REDACTED] because I was just curious what it was—I had never seen it before. And at that point, we were doing so much more remotely with our customers... I decided it would be a convenient thing to have because [REDACTED] is our bank.

I was taking payments through PayPal, and then I realized I can do this through my own bank. That would be better for me, because then the money is being deposited right into my own account. It's a no-brainer.

I'll tell you what happened to me—this is a true story. I had money in PayPal, ok? The customer would make a payment, and it would deposit in my PayPal account. Now, I would have to transfer that money to [REDACTED], and it might take a couple days for it to get there. But I left \$1,500 in my PayPal account for two months because I totally forgot it was in there. That's another thing I didn't like about PayPal: You had to physically go back in and transfer the money yourself. But with Autobooks, I don't do that. The money is automatically deposited into my account.

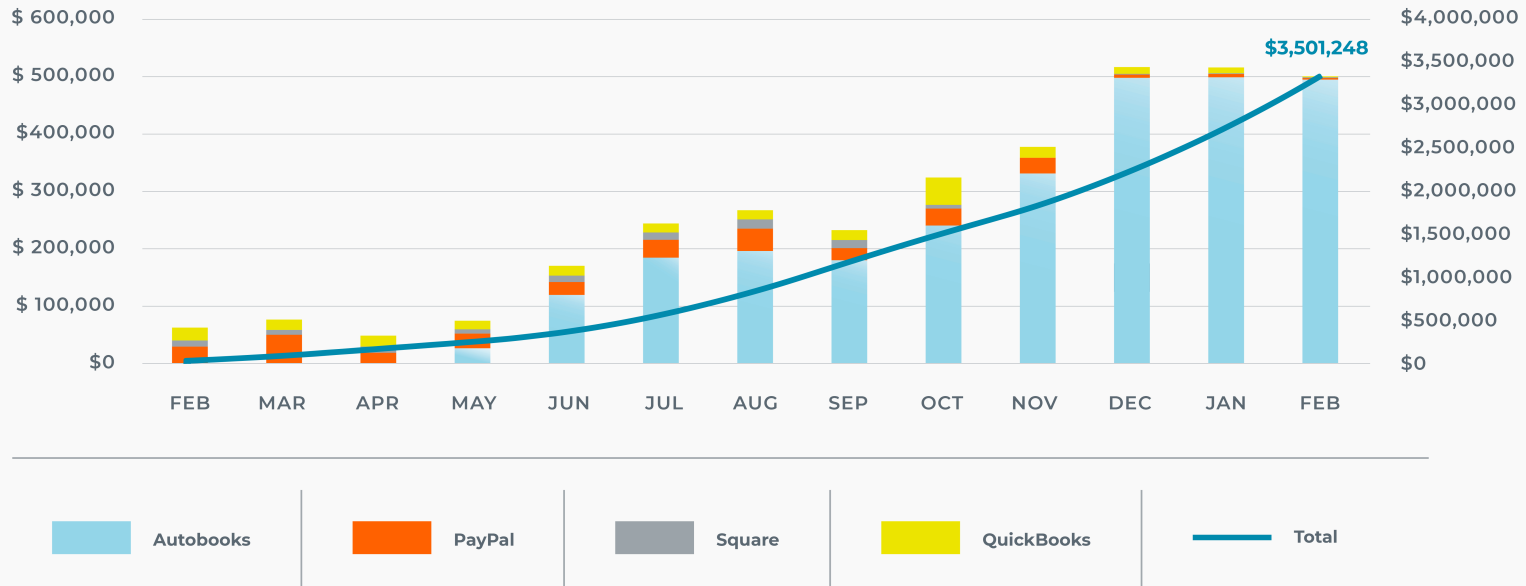
It's made my life easier because now if somebody has to do a remote payment, I don't have to go get their credit card information, go to the machine, put all their information in, write it all down. Now, the customer is responsible for their own payments, which I love because it's so much easier. And then I get the notification that they made a payment.

[REDACTED] 2/1/2021



Autobooks out-competes non-bank providers

Non-bank provider usage declined **-77%** within 9 months of launch
Autobooks usage grew **+347%** during the same time



Autobooks out-competes non-bank providers

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Pmt Service	Feb - 20	Mar - 20	Apr - 20	May - 20	Jun - 20	Jul - 20	Aug - 20	Sep - 20	Oct - 20	Nov - 20	Dec - 20	Jan - 21	Feb - 21	
Autobooks	Pre-launch			\$25,976.15	\$126,642.89	\$193,931.19	\$201,278.22	\$188,435.96	\$225,608.03	\$341,540.46	\$516,582.15	\$519,101.11	\$514,486.37	+347%
PayPal	\$28,026.76	\$49,829.69	\$20,306.61	\$25,738.61	\$23,182.90	\$30,526.63	\$39,182.80	\$22,965.30	\$28,488.89	\$27,504.56	\$6,592.33	\$5,731.53	\$3,663.40	-84%
Square	\$9,822.45	\$11,288.60	\$13,553.99	\$7,496.58	\$13,837.55	\$14,899.49	\$19,026.95	\$16,273.23	\$6,318.06	\$538.88	\$448.45	\$1,976.71	\$1,106.64	-90%
QuickBooks	\$20,954.00	\$16,175.00	\$18,881.00	\$15,226.50	\$16,697.00	\$15,448.00	\$13,743.95	\$16,713.75	\$44,119.40	\$18,012.09	\$12,146.52	\$10,285.36	\$935.00	-58%

*Bank achieved 3% adoption (308 SMB enrollments) in first ~9 months.

*Cohort (above) represents ~10% of enrolled SMBs (31) that utilized Non-Bank Providers + Autobooks for 12 consecutive months upon deployment.

**Join us at our upcoming SMB
banking event**

www.smbankingforward.com

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