

**DOBLIN**

a Deloitte business

# Serving small businesses in a time of crisis: How banks can help

Resilient Innovator Series | COVID-19 & SMALL BUSINESSES



# Table of contents

## **03.**

Overview: Why you should read this

## **05.**

The impact of COVID-19

## **11.**

Emerging opportunities and implications  
for the financial services industry

## **17.**

How Deloitte can help

# Why should you read this and who is this for?

COVID-19 continues to spark uncertainty in the hearts and pockets of small business owners nationwide. Between February and April 2020, the number of working business owners decreased by 22 percent,<sup>1</sup> the largest drop on record. Small business leaders are now forced to shift priorities and adjust to a new normal filled with personal and financial stressors. One small business shared, “We are facing the lowest cashflow point ever. I need financial flexibility from partners in this crisis. These are the kind of moments that will build lifelong relationships.”

This is a moment of truth for financial service institutions to help the small business segment recover and thrive from the COVID-19 crisis. Today, banks are seldom viewed as partners for small businesses. Instead, this segment leans on banks for loans or managing financial accounts, placing banks in a largely transactional position during a time of crisis.

Facing thinning staff, jargon-filled resources, and lack of support, small businesses require a new wave of understanding from their business partners—begging the question, how can these impacted small businesses be better supported by the financial services industry? Deloitte embarked on a mission to answer this question, and our findings are backed by primary and secondary research that uncovers new emerging needs and opportunity spaces.

## This report will:

- 1.** Introduce you to Deloitte’s perspective on the sharpest and most prevalent needs of small businesses
- 2.** Help you understand how these are evolving in the current COVID-19 context
- 3.** Identify specific opportunity spaces for financial services partners to empower small businesses to recover and thrive

# The state of small business pre-COVID-19:

There are 32 million small businesses in the US, and this segment has seen steady growth over the past five years. Although concentration varies across the country, small businesses account for more than 98 percent of enterprises and play a key role in the US economy by employing almost half of the total workforce.<sup>2</sup> The small business segment growth has been driven by the gig economy, with gig workers accounting for 36 percent of the US workforce today and expected to surpass 50 percent by 2027.<sup>3</sup> Needs of this segment have been traditionally underserved by financial services.

Through Deloitte's previous research with 26 small business owners in May 2018, we uncovered five universal needs of small businesses:



**01.**  
**Show that you know me**

I know my industry inside and out to remain competitive and expect the same from business partners.



**02.**  
**Help me save time**

I want to focus on sales and marketing but waste a lot of time doing activities which don't add value to my business.



**03.**  
**Guide me with expertise**

I know I can't be an expert on everything and am looking for reliable and consistent advice.



**04.**  
**Prepare me for the unexpected**

I am always on call for my customers, and like to deal with problems quickly and personally, but I don't often feel I get the same from business partners.



**05.**  
**Share my values**

I feel connected to my customers, and like to deal with problems quickly and personally, but don't often feel the same treatment from business partners.

In May 2020, we conducted new research with 305 US small business owners and employees to assess how their needs changed in light of COVID-19. We listened as business owners tried to articulate the impact the pandemic had on the employees they considered family, and the financial hit their businesses took.

# The impact of COVID-19

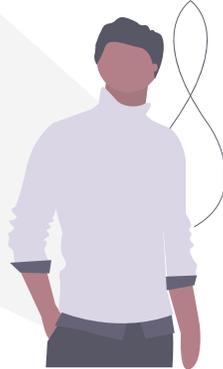


# 01. Show that you know me

“COVID has made the employee bond stronger because we have refocused on building internal and client relationships.”

**Bennett**

Manager of a small professional service firm



During COVID-19, businesses expressed the desire to be evaluated on an individual basis, using non-traditional metrics: “I would like banks to look at things more realistically than just what makes sense on paper. Certain businesses need more loans or leeway due to the odd circumstances of COVID-19. I wish that it could be more easily accessible to those businesses who really need the help.”

Because of the situation, many small businesses need support to reduce expenses (41%) and generate additional revenue (40%). Fewer businesses were interested in raising capital (25%) or applying for a new loan or line of credit (19%). This segment was most interested in access to financial advice (62%), protection services (59%), and funding support (58%). These present tangible opportunities for banks to directly support small businesses, shifting the relationship to be more trusted and strategically aligned.

**62%**

of small businesses were most interested in access to financial advice (Deloitte)

**59%**

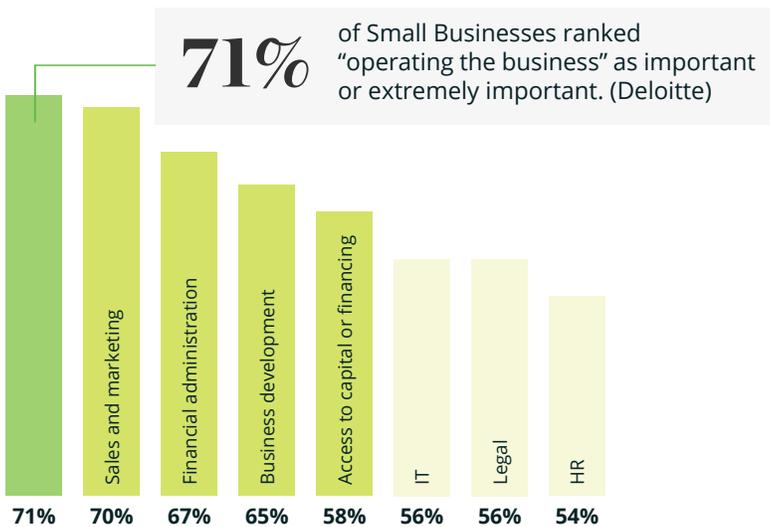
of small businesses were most interested in protection services (Deloitte)

**58%**

of small businesses were most interested in funding support (Deloitte)

## 02. Help me save time

Pre-COVID-19, the most important activities of small businesses were focused on efforts to operate and grow the business; specifically the following activities small businesses ranked as important or extremely important:



Small businesses are spending less time overall on core activities for the business—namely operations, sales, marketing, and business development. This segment faces more administrative burden because of COVID-19—from determining how to manage employees who they have had to lay off or furlough to understanding how to apply for loans. With limited resources, these businesses must make tradeoffs in how to spend their time. Many businesses spoke about shifting their time to new priorities, adapting the business to the new normal (e.g., virtualization) and exploring new revenue streams (e.g., shifting from dine-in to delivery-only) at the expense of core business activities.

Having a financial services partner covering administrative burden, low value activities, and playing the role of an the expert would give small businesses "more hours in the day."

“My new bank was open on Sunday and that was the biggest factor to join. I grew my relationship with the bank manager and that reduced stress.”

**Diana**

Owner of a small real estate business



## 03. Guide me with expertise



“It was overwhelming to go through the financial support application process. Applying for financial support added to the stress of keeping my business alive and not knowing if I’d get the money was extremely stressful.”

**Taylor**

Owner of a small retail business

Facing tremendous uncertainty and helplessness on how to proceed, small businesses surveyed were most likely to turn to friends or family (31%), financial advisors (29%), and banks (28%) for financial advice. We learned that banks are seldom viewed as a source of business advice; instead, this segment leaned on banks for specific financial needs, such as accessing loans or financial accounts.

**31%**

During COVID-19, the businesses we surveyed were most likely to turn to friends or family for financial advice. (Deloitte)

The businesses we spoke to all struggled with the loan process and understanding the “legal-ese”; one employee stated that she “read the documents dozens of times with the co-owners and still could not understand everything.” The Paycheck Protection Program (PPP) directed more than \$530 billion to 4.5 million companies.<sup>4</sup> In reality, small businesses represented only 5 percent of money received during Round 1 of PPP funding.<sup>5</sup>

Moreover, 41 percent of small businesses plan to scrap their current banking provider due to slow support during COVID-19.<sup>6</sup> Banks are missing the opportunity to deliver a time-sensitive solution to meet the needs of small businesses that form the backbone of the economy. According to MarketWatch and Inc. reports, these businesses are now turning to fintechs such as Kabbage or Credibly to receive loans in a seamless digital experience.<sup>7</sup>

**41%**

of small businesses plan to scrap their current banking provider due to slow support during COVID-19. (Deloitte)

Overall, small businesses are looking for a partner that provides targeted advice and expertise for their unique needs. One owner relayed a story about his relationship with his law firm who provided hyper-specific industry advice, “It has been amazing to have them as a partner, and we plan to have an expanded relationship with them after this is over.” With the many priorities small businesses juggle daily, these findings highlight the opportunities for banks to provide greater expertise. At a minimum, small businesses expect banks to become a trusted expert on financial matters.

# 04.

## Prepare me for the unexpected

Small businesses are particularly vulnerable to economic shocks, given that only 75 percent have enough cash to cover two months of operations.<sup>8</sup> Small businesses experienced numerous negative effects due to the pandemic, including:

**28%** of small businesses needed to lay off or furlough employees (Deloitte)

**25%**

Shut down operations

**23%**

Delayed or missed expense payments

**23%**

Had employees who contracted COVID-19

**17%**

Delayed or missed loan payments

In light of these negative events, only 28 percent of surveyed small businesses felt “very prepared” to handle the current crisis, with 67 percent of respondents believing they will recover in the next 12 months. Few small businesses have neither cash nor resources to cushion against a minor financial shock, let alone a crisis of the magnitude of COVID-19.

Because of the pandemic, businesses learned the need to establish an emergency plan, whether in funding or actions. One manager of a restaurant in New York mentioned, “The biggest lesson is that a business should always have an emergency fund

along with a line of credit to carry it through any disturbance. There must always be a contingency plan.” Being proactive, rather than taking reactive actions, matters to small businesses now more than ever. Indeed, scenario planning can help small businesses better prepare for a future and clarify implications of their choices.<sup>9</sup>

Despite the volatility, some businesses are not only recovering, but even thriving, using the pandemic to pivot their business and find new customers or revenue streams. One owner expressed that, “COVID forced me to think out of the box and explore new business areas, such as calling all my neighbors to offer my help.” The pandemic will change both business and customer behavior, carving out windows of opportunity.



*“I’m paralyzed between all our room reservations disappearing and knowing I have all the mortgages going on for other business properties.”*

**Paula**

Owner of a small professional service business

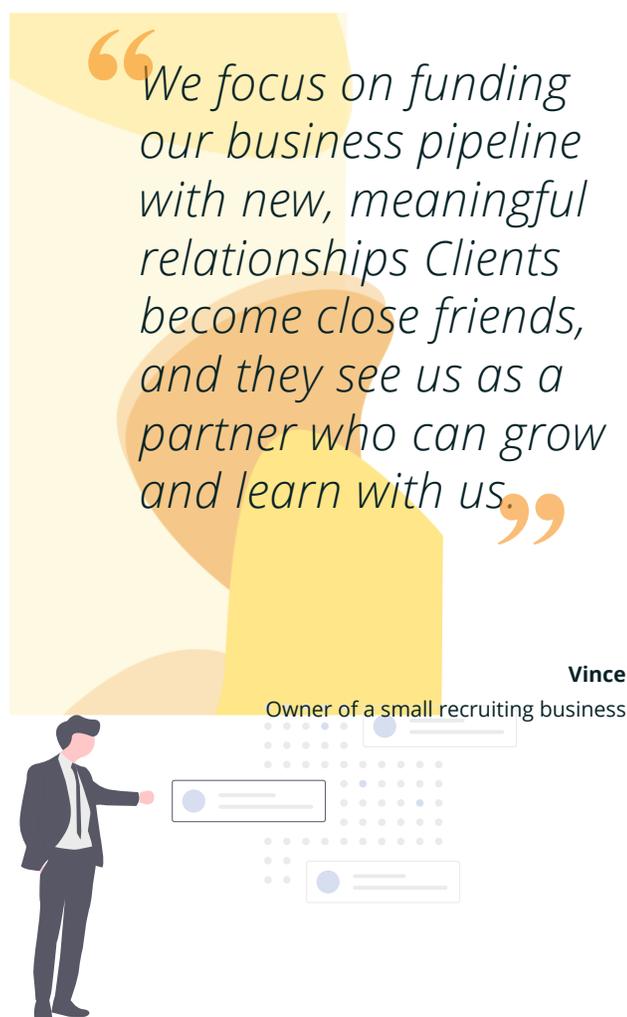
# 05.

## Share my values

Small businesses spoke about the community and close relationships they developed with employees, even alluding to their staff as a “family”. Many businesses spoke of the significant time spent providing support and problem-solving for their employees who were laid off or furloughed. The segment strongly values and expects empathy from their banks in crisis situations. One owner shared that, “the empathy and personal touch is not always there from banks, which is normally OK, but in these unprecedented times it makes my job much harder.”

By taking an empathetic, human approach and supporting small businesses proactively with resources, banks can help businesses safeguard their future and build trust. One way to gain even greater trust and build stronger relationships is through common values. For one business, “My ideal bank would start a fund for things like this current pandemic to give back to communities and business, giving grants instead of loans. Get the 1% involved and they would donate for good.” When challenging situations arise, small businesses can take comfort in working with financial partners that make decisions based on similar values.

In the next section, we’ll explore recommendations that enable the financial services industry to better meet the needs of this segment during a time of crisis.



# Emerging opportunities and implications for the financial services industry

The financial services industry needs to show up for small businesses differently, now more than ever before. These firms need to swiftly transform to leverage growth opportunities emerging from recent market shifts for small businesses. Our research yields five overarching opportunities for financial services:

**01.**

Enable an easier lending journey

**02.**

Invest in innovative, digital-led initiatives for this segment

**03.**

Forge stronger relationships with businesses, built on trust for this segment

**04.**

Tap into the small business community

**05.**

Offer personalized, context-rich engagement

# 01.

## Enable an easier lending journey

### Help me save time

Timeframe: Short-term

Small businesses are interacting more with the federal government, especially as they apply for loans. Interfacing with government has proven problematic for small businesses attempting to navigate a bureaucracy rife with poor user experiences and lack of transparency. There is an opportunity for financial services to provide the customer-facing storefront and help navigate the experience for government stimulus programs.

### Show that you know me

Timeframe: Short-term

Part of understanding a business is seeing the impact of COVID-19 on its workforce. In cases of layoffs and furloughs, the burden of slack demand is passed on to workers, who then may face cash flow problems themselves. There could be an opportunity to offer loans in a coordinated manner to both businesses and their furloughed or laid off employees, allowing the debt obligation to be spread between multiple borrowers but packaging the service according to how businesses see these issues as one unified challenge.

### Help me save time

Timeframe: Short-term

Targeted loans focused on business renovations and other investments, especially manufacturing and retail, could help small businesses take advantage of production/service downtime. Additional integration with current accounting and expense management systems can streamline the loan process and provide a personalized loan offer based off where small businesses are financially.

### Show that you know me

Timeframe: Short-term

Loans can also be marketed to small businesses that pivot or reinvent themselves, with special terms for businesses that shift to key public goods, such as respirators or sanitization supplies (or whatever may be applicable in the next crisis). The latter, in addition to helping coordinate and support the civilian response, can be used for cause-based marketing.



According to Harvard Business Review, TurboTax's Design-Driven approach, centered around helping small-medium businesses manage their taxes has been key for the success of the firm. With a stimulus registration service, banks can help small businesses access government loans easily.<sup>10</sup>

# 02.

## Invest in innovative, digital-led initiatives for this segment

### Help me save time

Timeframe: Long-term

COVID-19 became a catalyst for banks to dramatically digitize key processes, such as account opening and onboarding, to support remote work for bank employees, lower operational burden, and meet changing customer expectations. Even before COVID-19, more than half of transactions were moving through digital channels, and branch traffic was projected to decline by 36 percent by 2022—this trend has only accelerated. Now more than ever, consumers expect compelling digital experiences that rival the tools of established tech giants. While some banks previously eschewed the small business segment as less profitable, an increasingly digitized branchless model enables banks to more profitably serve their customers, both large and small, through scalable tech solutions.

Accelerating digital innovation will be crucial for banks to expand their services within the small business segment. With only 12 percent of online users reporting satisfaction with their digital banking services and an additional 40 percent expecting to visit their local branch less often after lockdown restrictions end, there is ample opportunity to elevate digital capabilities and re-imagine how to build relationships and trust in the evolving digital era. Some examples of digital investments include shifting to e-commerce, accepting digital payments, and automating bill pay.

### Show that you know me

Timeframe: Medium-Term

As digital banking platforms become more popular, financial service firms providing superior digital offerings will retain and grow their customer base. Innovation will remain central to deliver a differentiated, targeted client experience that captures the small business mindset. A Deloitte study found that digitally advanced small businesses—compared to businesses with low digital engagement—earned 2X as much revenue per employee and 4X revenue growth over the previous year.<sup>11</sup> Fintechs, such as Square and Stripe, are creating and expanding digital solutions for small businesses, helping them manage all their financial needs in one place.

**stripe**

According to a recent MIT Sloan Management Review issue, new financial services such as Stripe offering powerful tools for e-commerce targeted towards small-businesses needs (e.g., subscription service, on-demand marketplace, e-commerce store) will grow even further.<sup>12</sup>

# 03.

## Forge stronger relationships with businesses, built on trust for this segment

### Share my values

Timeframe: Short-term

There is an abundance of fear and uncertainty in the small business community. As they imagine what their business will need to succeed, answers are largely informed by the instincts of friends and family, rather than financial institutions. Small business decision makers do not feel that their bank is in touch with their emotions and underlying values, both of which are being tested like never before. An institution that understands this is more likely to forge a strong bond with its clients.

### Show that you know me

Timeframe: Long-term

Many financial institutions are aggressively rolling out new and better robo-advisors, and the global conversational AI market is expected to grow from \$5 billion in 2020 to \$16 billion by 2025.<sup>13</sup> The proliferation of messaging platforms creates myriad opportunities for banks to create an automated, personalized advice center or chatbot, specifically targeted at small businesses. This advice center would be equipped to answer questions with a personal touch and provide immediate, relevant responses, which is critical in a pandemic.



According to articles on The Financial Brand, chatbot services, such as the Monzo AI chatbot, will gain traction in the financial service space. Banks can think about virtual advisors building a real human connection through an in-app chatbot to help small business owners avoid call center wait times and receive help when needed.<sup>14</sup>

# 04.

## Tap into the small business community

### Prepare me for the unexpected

Timeframe: Short-term

Small businesses often turn to one another to build relationships and learn. Banks could enable the community further by hosting forums and discussion boards for specific types of businesses. They could host workshops with small business experts from specific industries to further build credibility and trust. With financial advisors from banks hosting these sessions, this could help banks cultivate prospective clients while also humanizing actions.

During the Covid-19 crisis, many businesses have resisted borrowing and instead pursued funding from digital crowd-sourcing platforms. Banks looking to better serve small businesses could offer similar tools, allowing businesses to secure the funding they need to survive in return for special perks given to funders. This could also come with a funding user guide to help small businesses decide how to finance their business.

### Prepare me for the unexpected

Timeframe: Short-term

Financial services will be needed to create stronger payment supply chains. Small businesses want greater assurance that their supply chains are resilient, virus-free, and transparent. In this new paradigm where suppliers will be paid in real time and goods tracked end to end in the supply chain, banks can play the role of supply chain backbone and enabler, leveraging their blockchain infrastructure.



**KICKSTARTER**

According to The New York Times, digital crowd-sourcing platforms such as Kickstarter or Indiegogo are on the rise. Those platforms solicit funds from a broader cohort of individuals interested in a project that needs funding but in return they receive perks, such as t-shirts with a logo or early access to the output of the project (often a physical product).<sup>15</sup>

# 05.

## Offer personalized, context-rich engagement

### Prepare me for the unexpected

Timeframe: Long-term

While financial institutions and small businesses are adapting to a “new normal”, banks can contextualize their recommendations. For instance, banks could help businesses safeguard their future by offering to develop tailored emergency protocols with small businesses, going through a guided tutorial or checklist to develop a specific plan for a variety of emergency situations.

### Guide me with expertise

Timeframe: Short-term

Financial institutions can attract more small business clients by demonstrating a clear understanding of their clients’ business and personalize subsequent interactions. This could manifest as a newsletter that highlights industry-specific thought leadership and monthly trends to get businesses back on their feet.

### Guide me with expertise

Timeframe: Short-term

Banks could also host in-house experts in specific industries to hold seminars or be available for personalized Q&A. They could select these experts from an applicant pool of small business owners and hire for this part-time work with a small stipend.



The role of institutions such as American Red Cross has been crucial for the society to prepare, respond, and recover from crisis. By providing training, guidance, planning templates, disaster preparedness kits, and a mobile app to individuals and businesses, they prepare for natural disasters such as earthquakes, hurricanes, and fires. While economic disasters look quite different, scenario planning of this sort could help businesses become more resilient in difficult times.



*Artist in Residence*

The department of cultural affairs launched a program to support artists to gather, connect, and inspire audiences who may have little exposure to the arts. In some arts organizations, artists are invited to set up their practice in a provided studio where they can practice while receiving a stipend. In return, they serve as a resource for any students who wish to ask them questions or get feedback on their own work. Hosting a business owner or manager at a bank in a similar manner could help build ties with the small business community.<sup>16</sup>

### theSkimm

As reported by the New York Times, the new social network is shifting towards email newsletter platforms such as theSkimm. By providing a subscription-based newsletter containing quick stories, theSkimm is gaining traction across segments, including millennials. Providing this service to small businesses with relevant content, information, and guidance could be mutually beneficial.<sup>17</sup>

# How Deloitte can help

Experience often takes a back seat to factors that are easier to quantify during unprecedented times, but this is when customers, including owners and managers of small businesses, are in their most emotionally vulnerable state. Rather than turning to the quantifiable, this is when experience matters the most. The ideas, emerging opportunities, and implications presented in this paper prioritize this human-centered approach, empathizing with the people behind small businesses and understanding their needs.

To further explore an opportunity, either described in this paper or related to your financial services company, you will need human-centered research tactics: in-depth interviews, contextual observations, and data analytics on human behavior. These extensive capabilities will uncover insights, challenges, and unmet needs used to build and design experience-led solutions. These solutions lie at the intersection of insights, design, technology, and business.

At Deloitte, it is our mission to elevate the humanity present in every business, bringing the user to the center of your ecosystem. We believe great experiences build connections and drives business results.



# Sources

- 1 National Bureau of Economic Research 2020
- 2 Deloitte SMB Growth Path Banking POV Deck
- 3 Business Insider Intelligence – The Gig Economy Financial Ecosystem
- 4 <https://www.washingtonpost.com/business/2020/06/09/how-effective-is-ppp-small-business/>
- 5 <https://www.lendingtree.com/business/just-5-percent-small-businesses-received-ppp-money/>
- 6 <https://thefintechtimes.com/41-of-businesses-plan-to-scrap-banking-provider-due-to-slow-support-during-covid-19>
- 7 <https://www.marketwatch.com/story/fintech-unicorn-kabbage-ends-q3-with-nearly-100-in-revenue-amid-loan-growth-2019-10-23>
- 8 Federal Reserve Bank of New York – Small Business Credit Survey 2020: <https://www.newyorkfed.org/smallbusiness>
- 9 Deloitte Perspectives 2020 – The world remade by Covid-19
- 10 Harvard Business Review – <https://hbr.org/2015/01/intuits-ceo-on-building-a-design-driven-company>
- 11 <https://www2.deloitte.com/us/en/pages/technology-media-and-telecommunications/articles/connected-small-business.html>
- 12 <https://sloanreview.mit.edu/article/leaders-must-have-the-courage-to-choose-the-future/>
- 13 Conversational AI makes its business case – Deloitte Insights 2019
- 14 <https://thefinancialbrand.com/71251/chatbots-banking-trends-ai-cx/>
- 15 <https://www.nytimes.com/2020/03/26/style/gofundme-coronavirus.html>
- 16 <https://www.transartists.org/air-collections>
- 17 <https://www.nytimes.com/2019/03/19/technology/new-social-network-email-newsletter.html>

# Authors

## David Ortiz

Digital Banking Transformation  
Deloitte Consulting LLP  
davortiz@deloitte.com

## Andrew Cowley

Dublin, Applied Design  
Deloitte Consulting LLP  
ancowley@deloitte.com

## Luke Van Meter

Dublin, Applied Design  
Deloitte Consulting LLP  
lvanmeter@deloitte.com

## Menes Kum

Dublin, Applied Design  
Deloitte Consulting LLP  
metinguekum@deloitte.com

## Willa Zhang

Dublin, Applied Design  
Deloitte Consulting LLP  
wzhang@deloitte.com

## Olivia Mikkelsen

Dublin, Applied Design  
Deloitte Consulting LLP  
omikkelsen@deloitte.com

# Advisors

## Gys Hyman

Digital Banking Transformation  
Deloitte Consulting LLP  
gyshyman@deloitte.com

## Jeff Wordham

Dublin, Applied Design  
Deloitte Consulting LLP  
jwordham@deloitte.com

# Special mentions

Sarah Huey, Karthik Reddy, Houg Lee Brendan, Pat McCool,  
Julius Tapper, Chris Tonk, Ana Santos, Maddie Gleason

**Deloitte.**  
Digital



About Deloitte - Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Doblin" means an innovation practice of Deloitte Digital within Deloitte Consulting LLP, a subsidiary of Deloitte LLP. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.