LinkedIn The B2B Institute

Building A Customer-Led Growth Strategy

Category Entry Points In Business Banking

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Introduction

With the recent collapse of our nation's regional banks, the steady rise of entrepreneurship continuing beyond the height of the Covid pandemic, and the continuous convergence of traditional FinServ brands and FinTech Disruptors, it's more important than ever to recognize that the SMB customer's needs go beyond bank deposits and withdrawals. As a result, the SMB customer has never had more brands to choose from to solve their ever-evolving needs; however, the paradox is that when these SMBs enter the market for a new financial product/service to solve these needs, they typically default to less than a handful of brands. The implication here is that the SMB customer is up for grabs, and whichever brand that understands the SMB customer the best and places their bets on the right customer needs (or what we will refer to as "Category Entry Points", as coined by Jenni Romaniuk) is going to be whichever brand that wins the SMB customer.

To make sense of what today's SMB customer actually wants, let's walk through 5 key findings of The B2B Institute's latest research (in partnership with the Ehrenberg-Bass Institute) on the Business Banking category that will help you understand:

Why Mental Availability is one of the most important metrics that FinServ Brands should be tracking.

How Category Entry Points (CEPs) help FinServ Brands build Mental Availability.

How FinServ Brands should decide where to place their bets to build Mental Availability.

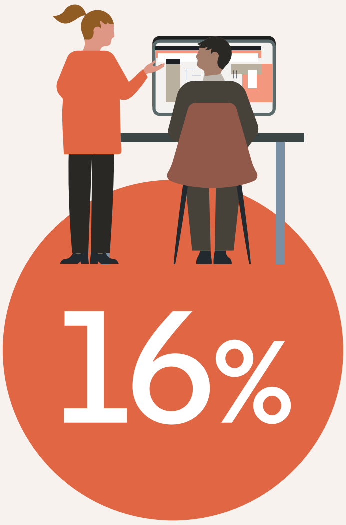
Insight #1

The Shortlist Is Short

Making The Shortlist

The Three Stats Every SMB Banking Marketer Should Know

Average Number Of FinServ Providers An SMB Does Business With



Percentage Of SMBs Who Purchased A Financial Product In The Past 3 Months

Average Number Of Brands Considered For New Product/Service

Understanding what your customers want is a crucial step in developing effective advertising. But at the risk of sounding pedantic, the first essential step of developing effective advertising is actually understanding how advertising works. So let's walk through three stats that will illustrate a key tenet of consumer behavior, revealing what the real goal of your brand advertising should be.

3.3 is the average number of FinServ Providers An SMB does business with.

The fact that the average SMBs banks with multiple brands holds multiple implications. The first is that brands will always share their customers with other brands; the Duplication of Purchase Law holds in this category, meaning that customer "loyalty" is never a guarantee and SMB customers are always up for grabs. So not only can a Bank of America (BofA) customer also be a JPMorgan Chase customer, but a BofA customer can also be a PayPal customer. Traditional banks don't just compete with other traditional banks and FinTech brands don't just compete with other FinTech brands. Today, FinTech brands like Paypal and Square not only offer Online Checkout tools and POS systems, they also offer Business Loans, Debit & Credit cards, and checking accounts, along with operational tools like payroll services. It's important to realize that customers don't view categories as rigidly as businesses do; they simply just want to pick the solution that will help solve their business needs. Understanding who you are competing against to keep your existing customers and to acquire new customers is fundamental in winning over SMBs when they enter the market.

16% is the percentage of SMBs who purchased a Financial Service/Product in the past three months.

What this means is that there are much fewer SMBs actively in-market for FinServ Products/Services every quarter than marketers probably think there are. This is an important number for several reasons.

One, it tells us that the majority of SMBs, (84% to be exact) are not going to buy a FinServ product this quarter. And by that logic, it also means that FinServ ads this quarter are mostly reaching SMBs who are out of market and have no reason to click on ads or fill out a lead gen form right now. But just because an ad doesn't get clicked on doesn't mean an ad isn't working. Most ads will never get clicked on, most SMBs do not click on ads before they buy a product, yet advertising still works, primarily because today's advertising has the power to influence the purchase decisions of tomorrow.

This underscores a fundamental truth about customer behavior: advertising doesn't trigger SMBs to enter the category. Instead, their needs (e.g., a loan to finance new equipment when old machinery breaks, a new banking partner when their main financial institution files for bankruptcy, etc.) pull customers into the category. Jenni Romaniuk from the Ehrenberg-Bass Institute has coined these customer needs during these pivotal junctures as Category Entry Points (CEPs); refer to the graphic at the end of this section to see the full list of 30 CEPs she uncovered for the SMB Banking category.

So instead of trying to generate clicks for today, ads should be trying to generate memories for tomorrow, so that when SMBs eventually do enter the market because of a particular need, and they move from the 84% to the 16%, your brand is the brand that gets remembered and the brand that gets chosen. If you're still with me and agree that the goal of advertising is to generate relevant brand memories (or "Mental Availability", which was also developed by the Ehrenberg-Bass Institute), then this next stat will further illustrate why branding is so important.

2.6 is the average number of brands considered when SMBs are in-market for a new financial product or service.

The reason why it's so important to be mentally available is that only the mentally available brands get remembered, considered, and ultimately chosen. This data shows us that buyers don't really do much evaluation; they tend to consider and buy only the brands that they remember. To put this number into perspective, this basically means that on average, a SMB only considered the one bank they actually went with and perhaps one other. And although SMBs bank with 3.3 brands on average, they only consider 2.6 brands when they're in-market, meaning that just because you have existing business with a SMB customer doesn't mean your place on their consideration shortlist is guaranteed the next time they need a new product/service. That's why the most important thing a marketer can do is to get their brand on the consideration shortlist because if you don't make it onto that list, you're out of the race. In the next section, we'll take a look at which brands are winning that race today.

To elicit these Category Entry Points in this two-stage research study, the Ehrenberg-Bass Institute surveyed 83 FinServ Decision Makers from SMBs, defined as organizations with 200 or less Full-Time Employees and annual revenue of $50 million or less. The survey included a range of questions that tapped into episodic memory and posed projective scenarios about their category experiences (as opposed to specific brand experiences) among a variety of Decision Makers from different industries, seniorities, and tenures to ensure a broad swath of experiences was captured.

The advantage of this methodology is that the CEPs are grounded in the voice of the customer as opposed to the jargon fed to them by brands. This is important because customer-centric ads aren't just about talking to customers in a language that they understand; it's also about talking to customers in a language they speak themselves. It's a bottoms-up approach that helps marketers talk to customers in the way that customers understand the category and how customers want to solve their problems.

As you read through the chart, here are several things to think about:

- → Which CEPs would you consider as a strength for your brand? Which CEPs does do you think are blind spots for your brand?
- → How would you group these themes differently?
- → Are there any other CEPs that you would add to the list? Any of the below CEPs that you would tease apart into separate ones? Why?

30 Reasons Why SMBs Need FinServ Products and Solutions (CEPs)

Future/Growth Planning Needs

- Suitable for a growing business, can help manage the 'pains' of expansion
- For a business that has a long term focus
- Could help a business be ready and lessen the impact of any difficult times ahead
- Good for a business with international interests

Emotional Needs

- To take some of the stress out of banking/finance
- Would help give everyone more confidence in the business's future
- Help someone managing finances to feel more empowered and able to better do their job

Unplanned Needs

- Will be there for a business when it is undergoing tough times
- When a business needs quick access to funds as it manages the ups and downs of its cash flow
- Adaptable enough to help a business easily change their financial products and services as needed

Service Needs

- Could provide quick service as needed, and not waste anyone's time
- Would feel like a local bank
- For someone who wants human interaction from their financial service provider
- Understands and values smaller businesses
- Would offer a good external 'sounding board' when making important or challenging financial decisions

Advisory Needs

- Would proactively keep a business up-to-date with new financial products and services
- Would take an active role in helping a business make/save money
- Would help a business take advantage of any opportunities that arise through quick and relevant advice on funding/financing options

Operation Needs

- For help with benefits/services that improve employee satisfaction and retention
- Could help improve interactions with customers and suppliers
- Looking for a positive impact on the business' administrative systems (e.g., simpler processes for taxes, payroll etc.)

Technology Needs

- Good for a business who likes to mostly use online/mobile technology
- For someone concerned about financial data security, and reducing the risk of fraud and scams
- Want to take advantage of the latest technology (e.g., AI)

Financial Needs

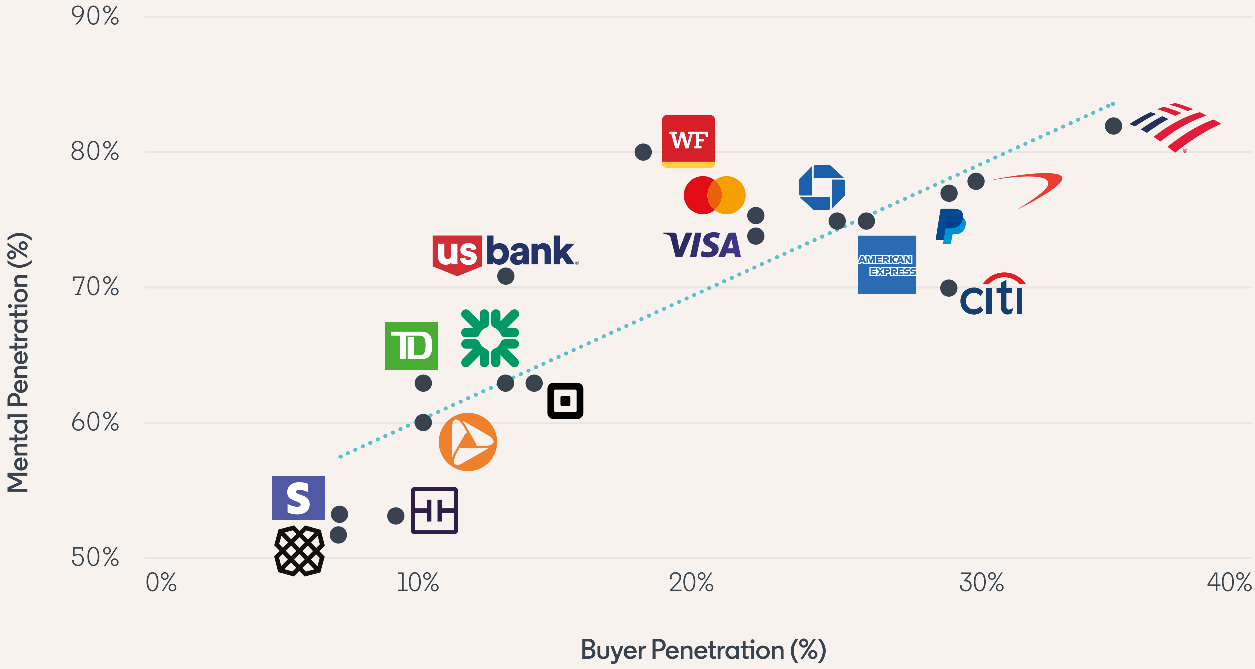
- Would keep low the costs of doing business (fees, interest rates etc.)
- Good for a business with spare money to invest
- For someone looking to prioritize stability and security from a financial services provider
- For a business that wants to manage tax time more easily
- Someone looking for a good back-up financial provider
- Would easily get senior management/ownership approval

Insight #2

Win The Mind To Win The Market

Win The Mind To Win The Market

Mental Penetration Drives Buyer Penetration



As we discussed in the last section, being on this list is important because there is a strong (94%) correlation between Mental Penetration and Buyer Penetration Brands that are known by more customers are also brands that are bought by more customers. And as trite as this may sound to you, the sophisticated marketer, (or anyone with a basic level of common sense), this truism is often worthy of investigation precisely because it is often in the deviations that we uncover the critical insights about our brands and competitors. And at the very least, the data will lead to questions that often go unexamined. Let's take a look at some examples:

Wells Fargo:

Wells Fargo, which has a nearly identical level of Mental Penetration as Bank of America, has a much lower Buyer Penetration than what we would expect. According to our research, Wells Fargo is the only brand out of the 17 that we evaluated in this study that had a brand rejection level above 10%. Bad PR like Wells Fargo has faced in the past requires a radical change in business practices. Once this is in order, marketing can and must go to market highlighting the CEPs they can credibly deliver on.

U.S. Bank:

For a bank that has a similar Mental Penetration as high as Citi (one of the Big 4), U.S. Bank is operating more like a much smaller bank, with a similar buyer penetration as Citizens. This deviation leads us to a whole host of questions to investigate why this is happening but one potential place to start looking is the percentage of overlap between these banks' Retail and Business customers. (See section 4 for more details.) What we see is that U.S. Bank has a much smaller percentage of customers who bank with them for BOTH their personal and business needs (compared to Citi) and is also half as likely to convert their Retail customers into Business customers. This could be a reason why U.S. Bank is widely known in general (3000+ branches across 26 states) but has lower penetration among SMBs than expected. While this is an untested hypothesis that requires further research, our data could make the case for U.S. bank to do a better job advertising their SMB services to their existing retail customers so that it is no longer leaving easy money on the table. That said, U.S. Bank would also be wise to research whether there is a separate physical availability problem at play with their SMB portfolio.

Citi:

Speaking of Citi and leaving money on the table, it is the only bank out of the Big 4 that has considerably lower Mental Penetration than expected. In terms of Mental Availability, it's performing more like a U.S. Bank, which only has a third of Citi's total assets. One could argue that Citi's potential is unrealized, capped by its Mental Penetration, and the data suggests that it has the opportunity to glide into the number two position if it decides it wants to step up its advertising.

Insight #3

Mental Availability = Depth x Breadth

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Mental Market Share Is A Function Of Mental Penetration And Mean Network Size

	Mental Availability (Market Share %)	Mental Penetration (%)	Mean Network Size
Bank of America	8.7	82	11.1
Wells Fargo	8.7	80	11.3
JPMorgan Chase	7.9	75	10.9
Capital One	7.3	78	9.7
American Express	6.8	75	9.4
PayPal	6.7	77	9.1
U.S. Bank	6.5	71	9.6
Citi	6.4	70	9.4
Visa	5.9	74	8.3
Mastercard	5.7	75	8.0
TD Bank	5.1	63	8.4
Citizens	4.5	63	7.4
Square	4.4	63	7.2
PNC	4.4	60	7.5
Truist	3.8	53	7.4
Stripe	3.8	53	7.3
Plaid	3.6	52	7.2

When it comes to Mental Availability, Mental Penetration is only half the equation; it's not just how many people remember your brand, it's also about how **much** those people remember about your brand for. In fact, there's a very simple formula to calculate your brand's share of Mental Availability against the category.

$$\text{Mental Availability} = \frac{\text{Mental Penetration X Mean Network Size}}{\text{Total Category Linkages}}$$

What that means is that in order to build Mental Availability, you need to increase both the depth and breadth of your CEP associations. Let's break this down into its two components:

- **Mental Penetration** measures the **depth** of your Mental Availability by looking at the percentage of SMBs that think of your brand for at least one CEP.
- **Mean Network Size** is the other half of which measures the **breadth** of your Mental Availability by looking at the average number of CEPs that SMBs link your brand to.

The reason why it's important for marketers to measure their brand across the depth and breadth of customers' memories is that it helps illuminate a path for how they can grow their brand. Let's take a look at two brands that are at the opposite ends of the spectrum, thus having two different paths to growth according to these two metrics:

Bank of America

With near-universal brand recognition and the highest Mental Penetration among SMBs, BofA has essentially saturated its depth of Mental Availability relative to the category. Maintaining BofA's Mental Penetration is critical since memories fade even for big brands. But as an incremental growth strategy, trying to deepen BofA's Mental Penetration is likely to yield marginal returns relative to broadening BofA's Mean Network Size. SMBs only associate BofA with 11.1 CEPs on average. With 30 crucial CEPs that trigger SMBs to enter the banking category, even BofA, one of the largest brands in the category, is missing out on 2/3 of its potential acquisition opportunities. That means that while it will be difficult for BofA to move the needle on Mental Penetration, there is plenty of room to move the needle on its Network Size. In other words, the goal of BofA's advertising isn't necessarily to increase BofA's awareness among more SMBs, but to broaden BofA's association with different Category Entry Points among those SMBs.

Truist

On the other hand, a smaller brand like Truist should probably pursue a different growth strategy. Because Truist is a smaller brand in the category, it falls on the losing side of the The Double Jeopardy Law which means that it has both a smaller Mental Penetration AND a smaller Network Size. Truist has to move the needle on both parts of the equation in order to compete with the big players in the category. While Mental Penetration and Network size aren't mutually exclusive, their advertising strategy could benefit from focusing on one objective at a time. Deepening penetration (essentially expanding their SOV on one CEP) is a short-term strategy that offers greater scale and faster time-to-value.

Insight #4

The Personal Is Business, And The Business Is Personal

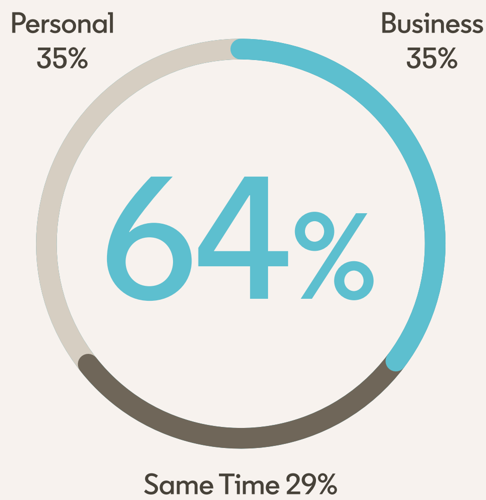
Business Is Personal

~43% Of SMBs Use Their Banks For Both Business AND Personal Needs

- ~2/3 Have Banking Relationships Influenced By Personal Relationships

% Of Customer Overlap

First Touchpoint



Thinking about < >, which came first, your business or personal relationship?

Before we get to our final key research finding, please indulge me and let me lead you down a cul-de-sac insight from this study that could either be a nothingburger or the key to unlocking your brand growth. I'd wager it's somewhere in-between. As you probably have already noticed, all these brands that offer banking products to SMBs also offer banking products to retail customers. And at their core, SMB customers are retail customers as well. They are the same people who use the same brain to remember and decide which brands they do their personal banking with. On top of that, these SMBs aren't just exposed to B2B ads across their media; your brand's B2B ads are also competing against B2C ads for the SMB's attention and memory.

Suffice to say, any brand's SMB-targeted advertising efforts are strongly influenced by their brand counterpart's B2C/Retail halo. This is suggested by the fact that on average, 43% of a brand's SMB customer base is also one part of their retail customer base. And among those overlapping customers, 64% of these customers decided to engage in a business relationship with their bank after/simultaneously engaging in a personal relationship. So why does this matter? Here are three potential implications:

Untapped Growth

Your retail customers could be an untapped/under-utilized pool of growth potential for your business banking arm. Today's retail customer is tomorrow's entrepreneur.

Increased Effectiveness & Efficiency

Your business banking advertising should be consistent with your retail banking advertising if you want your media dollars to work harder. It could be strategic to think of your B2C advertising as the assist to your B2B ads to come in and score a slam dunk. Consistent branding can lead to more efficient resource allocation, more cross-selling opportunities, and most importantly, simplicity for your customers.

Enhanced Product Strategy

Securing both a business and personal relationship with a customer allows a brand to paint a more holistic picture of that customer, uncovering insights that could lead to better risk management, product innovation, and customer support that all lead to a competitive advantage.

Insight #5

You Don't Have To Be The Best, Just More Widely-Known Than The Rest

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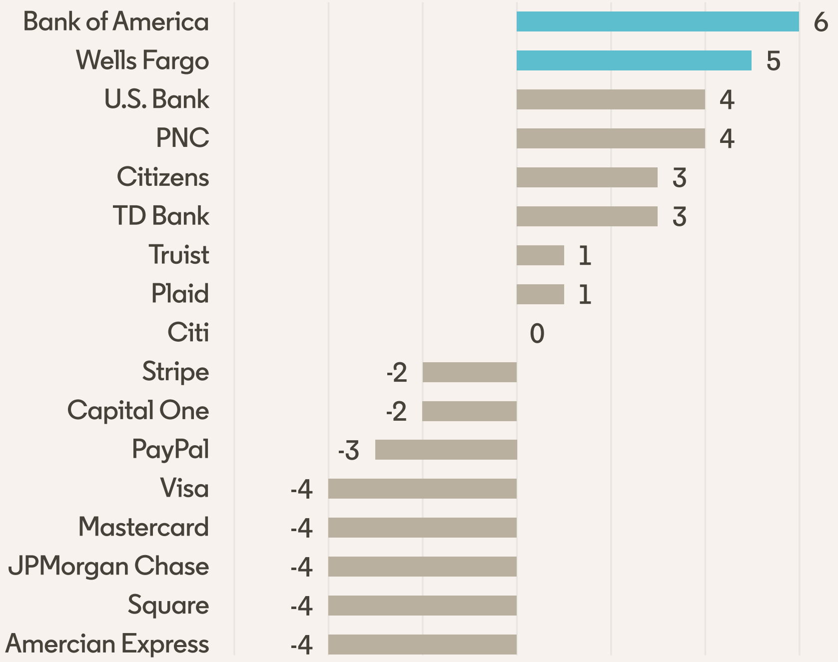
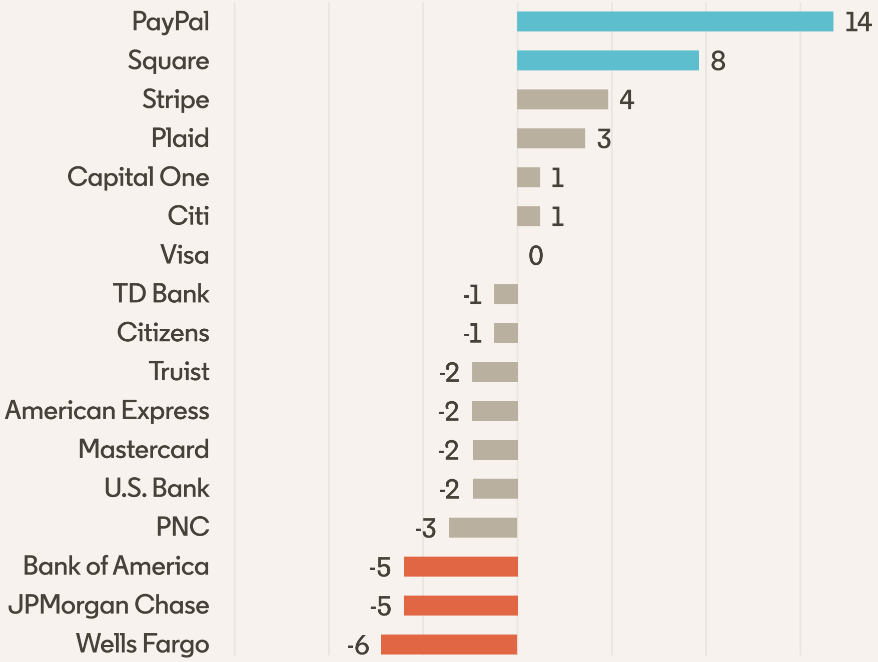
Would feel like a local bank



Good for a business who likes to mostly use online/mobile technology



Brands that score 5 or above are considered to have a mental advantage while brands that score -5 or lower are considered to have a mental disadvantage for that respective CEP).

Speaking of competitive advantages, let's take a look at a snippet of the research that evaluates how all these brands perform across the 30 CEPs that SMBs care about. One of the most common mistakes that brand marketers make is that they often evaluate their brands within a vacuum, looking at their Top2Box scores across vanity brand attributes, but those scores become moot if your brand never even makes the consideration shortlist to begin with. In other words, it ultimately doesn't matter how customers feel about your brand if they don't even think about your brand at all.

Imagine a world where we only chose brands because we loved them. We would get nothing accomplished because the truth is that we don't love many brands at all. And in the real world, where marketers operate with limited advertising budgets and customers operate with limited mental bandwidth, it's impossible for brands to effectively message against every single Category Entry Point at a time. Brands have to understand where to strategically place their bets, but they can't develop an informed strategy unless they have an understanding of the competitive landscape.

In the chart above, we see how the 17 brands perform across two different CEPs that might seem diametrically opposed to each other, but reveals some interesting insights on how SMBs view the category in terms of whether there really is a divide between traditional brands vs digitally native brands or whether this is a false binary imagined by the banks.

- **Would Feel Like A Local Bank:** For SMBs that want to bank with brands that would feel like a local bank, they disproportionately think of two brands: BofA and Wells Fargo. Interestingly enough, U.S. Bank and PNC are right on their heels, instead of Citi and JPM Chase, the remaining two Big 4 Banks that some may have expected higher results from.

- **Good For A Business That Mostly Uses Online/Mobile Technology:** When SMBs want to bank with a brand that caters to their preference of banking primarily online and/or on their phones, they also disproportionately think of two brands: PayPal and Square. It's not surprising to see the FinTech brands dominating this CEP. On the surface, these results might suggest that brands must make a binary choice between either being a brand that acts like a local bank or digital-first brand, but the data suggest that's not necessarily true. If you look at the chart, you'll see that brands like Plaid, Stripe, and PayPal have no barriers to acting like a local bank, even if they may not have any physical footprint. It turns out customers don't think of "local" as a physical state, but rather a state of mind. However, three of the Big 4 Banks get disproportionately snubbed when SMBs want to bank with a digital-first brand. And while BofA and Wells Fargo win at delivering a "local" customer experience and struggle with digitally-native SMBs, JPM Chase scores low on both.

Conclusion

Conclusion

So what now? Assuming that you now agree with the following three tenets:

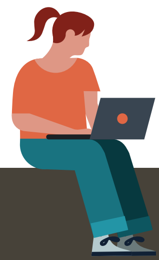
- Mental availability is one of the most important brand metrics to track
- Mental availability is the key to business growth
- Mental availability is a function of the depth and breadth of your CEP associations

...How can you execute against these insights? Contact your LinkedIn account rep to unlock the additional insights to understand:

- The relative importance of each of the 30 CEPs
- How each of the 17 brands perform across these CEPs
- Each brand's Mental Availability metrics across Buyers and Non-Buyers

And if you want to learn more about how to build a brand strategy that informs how you:

- Develop creative around CEPs
- Optimize your media plan against these CEPs
- Measure how your ads impact your brand's Mental Availability across these CEPs



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