



Driving Small Business Growth

Association of Women Business Centers

JULY 2023



Today's Discussion

Understanding Today's Small Business

Delivering on Small Business Needs

Powering Digital Enablement & Security

Enabling Greater Access to Capital

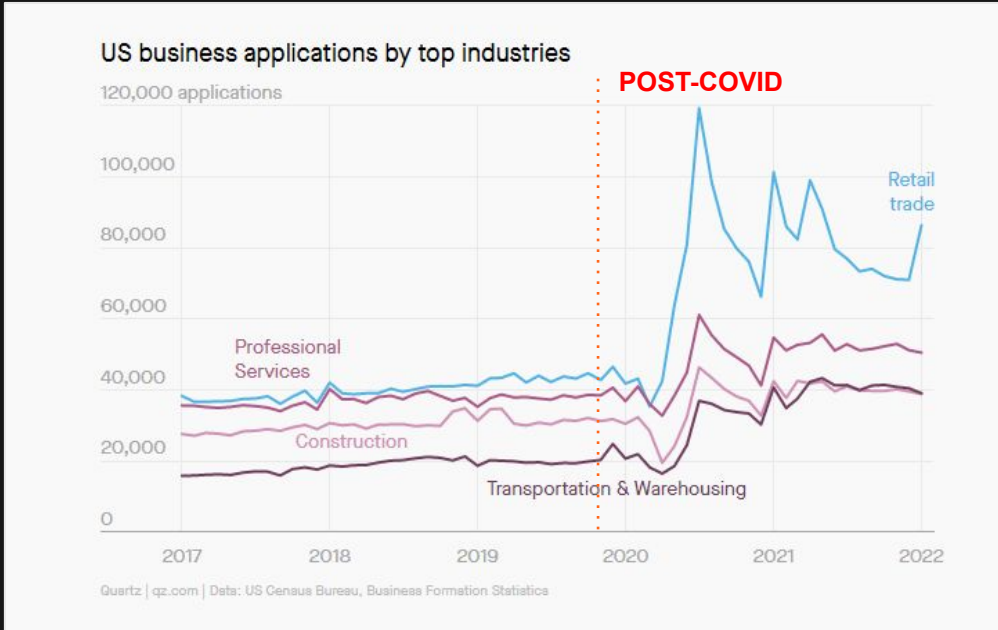




Understanding Today's Small Business



The sector has moved past COVID-19 recovery and is **experiencing strong growth** with an increase in small business filings becoming the new normal



2019
2020

870K

new small business applications

2021

Nearly **5.4 million**

applications were filed to form new businesses in 2021 – **the most of any year on record going back to 2005**

YTD
2022

While small business applications are down slightly in 2022 at **5 million** and YoY, they are up **50% vs. 2019***



Small-sized enterprises are the **backbone of the U.S. economy** and key contributors to economic growth



SMBs represent the lion's share of businesses in the U.S. today



The financial opportunity in supporting this sector is huge



Opportunity to drive revenue through better value propositions

32.5M

small businesses in the U.S., which employ 47% of the private workforce¹

1.5M

jobs are created annually by small businesses and account for 64% of all new jobs created²

70%

of SMBs have stated they are willing to invest in advancing their payment solutions³

41%

of all small business purchases are made using checks³

2.5X

Small business is growing GDV twice as fast as consumer⁴

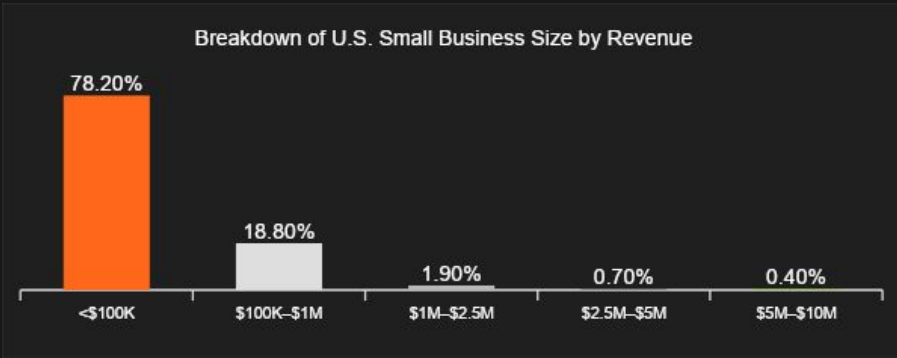
76%

of all U.S. SMBs are using personal cards for business purposes³



To capitalize on the small business opportunity, it is important to employ a **comprehensive approach to segment the market** across four key dimensions

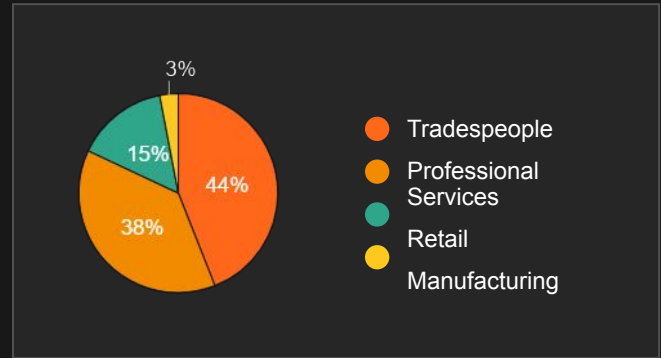
1 Business Revenue¹



2 Business Lifecycle Stage



3 Industry Vertical²



4 Underserved Segments

22% of SMBs are **women-owned**

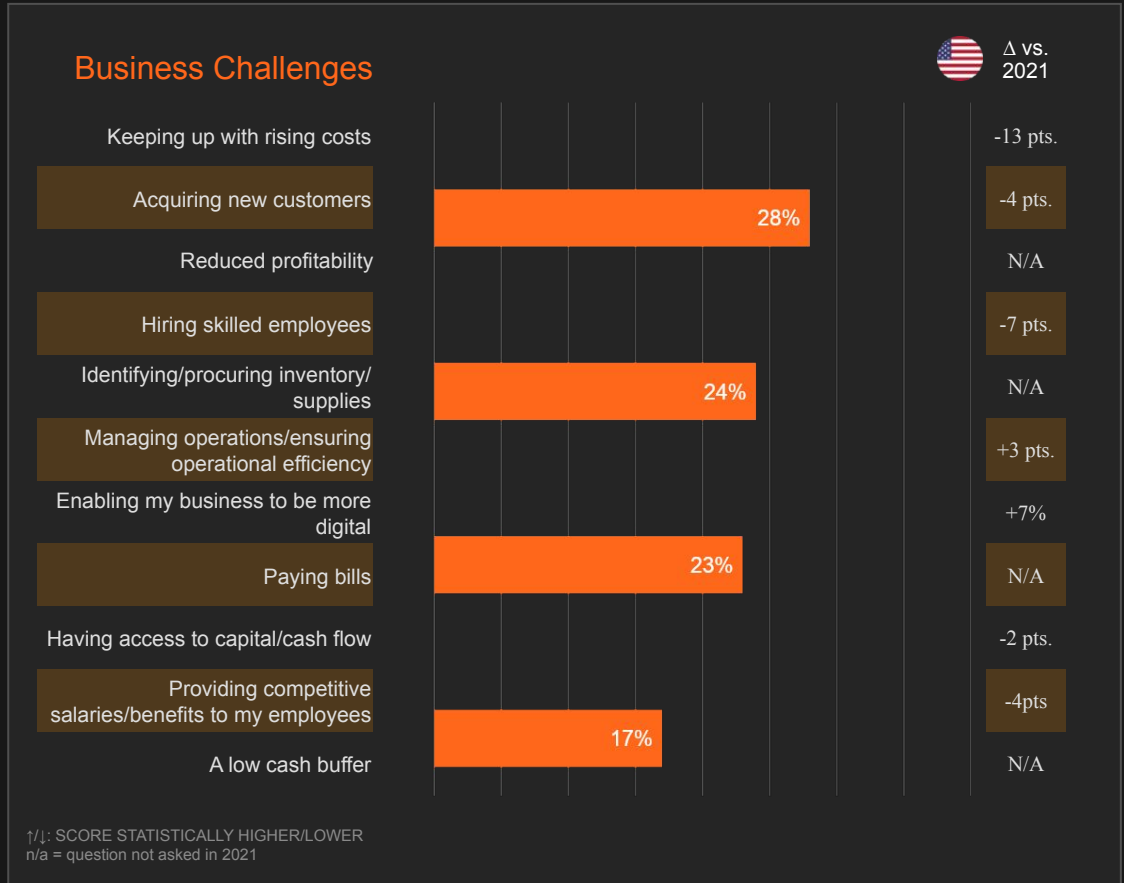
8% of SMBs are **minority-owned**



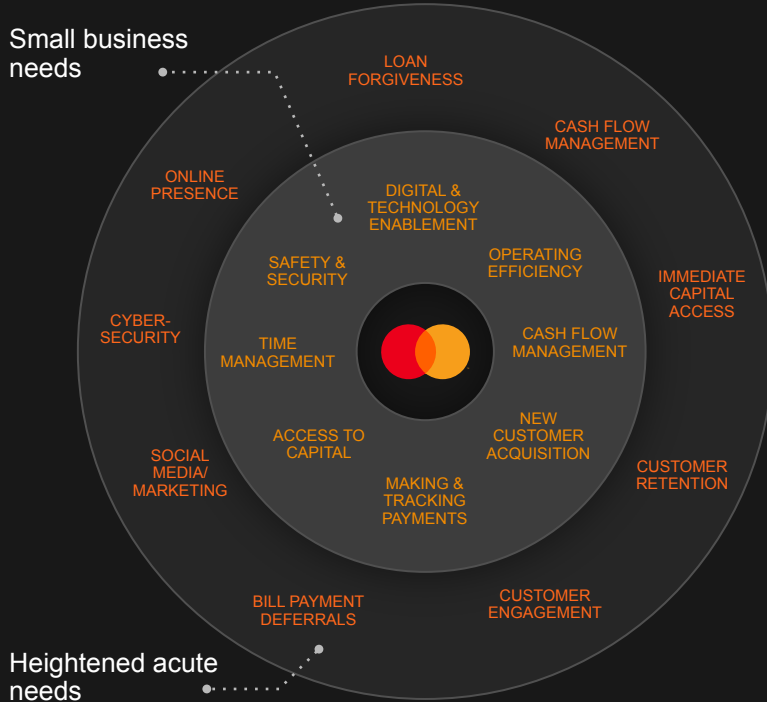
Rising costs, alongside acquiring new customers and reduced profitability, highlight the top business challenges



Notably, a low cash buffer is less of a pressing challenge.



The needs of small business have not changed, but they have **grown more acute** as a result of the pandemic



By acknowledging key pain points, we can better address their needs and seize the opportunity

ACCESS TO CAPITAL

74% of small businesses cite cash flow, providing timely payments, making payments on financial products, unpaid bills, making payroll and/or rent as a current challenge.¹

DIGITAL ENABLEMENT

67% of small businesses want their primary financial institution to work more with financial technology providers to offer more innovative/helpful products and services faster.²

SAFETY & SECURITY

81% of small businesses wish someone would proactively alert them to shifts in the cybersecurity landscape and best practices.³



The need for **capital and cash flow management** have amplified for small businesses

Lack of sufficient data is a challenge for small businesses to get access to the capital they need to grow

Rising inflation has heightened focus on cash flow



66%

of small businesses were denied because of poor or insufficient credit history.¹



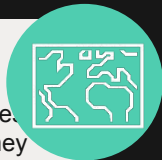
49%

of U.S. based small businesses that requested funding received less than they needed.²



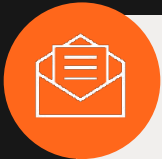
85%

of small business owners are concerned about the impact of inflation on their business.⁴



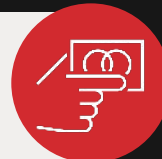
61%

of global small businesses report issues with managing cash flows; 60% say they would adopt installments solutions⁵



85%

of small businesses believe that applying for credit is too slow and manual.³

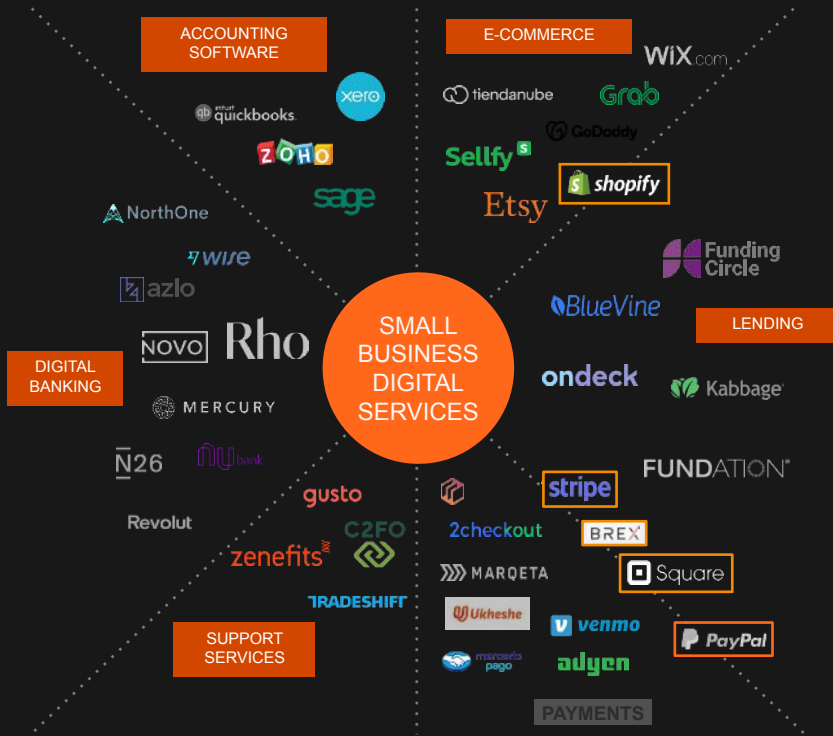


45%

of small businesses are funding their business's cash flows with a business credit card.⁶



SMBs are overwhelmed with choice and **seek integrated digital solutions** that match consumer experience



The shift to digital continues to accelerate as SMBs embrace digital payments

DEMAND FOR DIGITIZATION

75%

of SMBs state they are using digital services in day-to-day operations²

DEMAND FOR INTEGRATION

56%

of SMBs said an integrated solution – tying in with account tools and tax payment tools, for example – would help to better support them⁵

DEMAND FOR SIMPLIFIED CASH FLOW

61%

of SMBs across the globe report issues with managing cashflow³

DEMAND FOR EXPERIENCE EQUAL TO CONSUMER PRODUCTS

50%

of all U.S. SMBs are still using personal cards for business purposes⁴

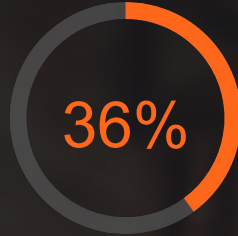
Source(s): 1. KPMG, Pulse of Fintech, 2021 | 2. Accenture, Embedded finance for SMEs: Banks and digital platforms, 2021 | 3. The State of Small Business Cash Flow, Intuit, 2019 | 4. Center, Business Spender Sentiment Report, 2021 | 5. Andrew Gilder, Matt Cox, and Anita Kimber, The five-step journey to SME banking transformation, EY, 2021



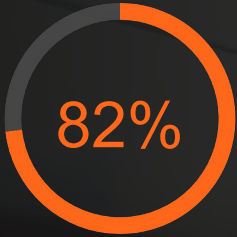
Many small business owners are taking steps to **move toward a digital future**



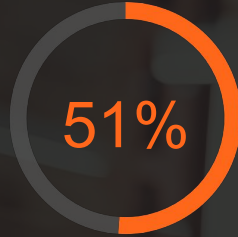
have either added new digital capabilities or enhanced their existing digital services¹



added all-new e-commerce channels¹



are changing how they send and receive payments¹



say they will invest more heavily in their online features than they did before the pandemic²





Delivering on Small Business Needs



Small businesses of all types have unique needs that, when catered to, **greatly improve the business's engagement with their bank**



Cristina
Restaurant Owner
Employs 5 FT employees
Top-of-mind need:
A fast and online application

Cristina wants to start using a business bank account and debit card to manage her business finances, but she wants to be able to enroll online



Wesley
Business Consultant
Solopreneur
Top-of-mind need:
Digital payments and security

Wesley often uses his debit card for daily expenses, and would love if his card was contactless enabled for faster and more convenient payments



Sandra
Contractor
Employs 10 FT employees
Top-of-mind need:
Managing cash flows

Sandra runs a capital-intensive business, so gaining easier access to capital would be huge benefit for her business



Lending to small businesses is an accelerating opportunity

limited by real-time, reliable, and alternative data points to enable more lending to small businesses

#1

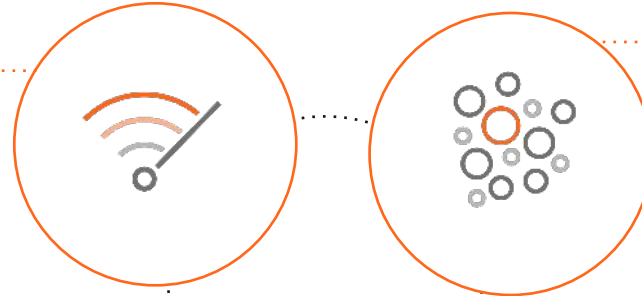
Leading source of advice for small businesses is their bank (48%).¹

67%

of small businesses want their primary financial institution to work more with financial technology providers to offer more innovative products and services faster.²

Limited sources of data

Reliance on traditional credit reporting is still one of the main drivers in determining creditworthiness, leaving a gap in the market for lending opportunities



Speed of lending

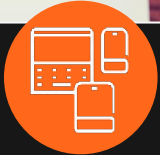
Manual data collection and review to originate, underwrite, and close small business loans can significantly slow down the process and increase operational costs to lenders

Holistic lending solutions

Service of small business segment is challenging because of its unique and complex needs

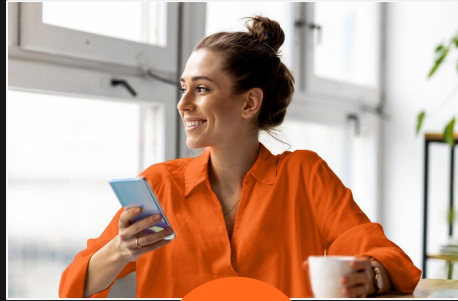


Mastercard's **research and needs based approach** to small business is focused on a deep understanding of the pain points of small business so that solutions can be developed to solve their issues and concerns.



Digital Enablement

Small businesses expect seamless onboarding and increasingly value digital tools on their payment products



Safety & Security

The SMB account is core to a small business's financials, and keeping their funds secure is a must



Access to Capital

Rising inflation has heightened focus on cash flow and access to capital



Building upon our core value proposition, we have **enhanced our benefits and solutions** to reflect business owners' needs holistically



Indicates a new benefit

Safety & Security	<ul style="list-style-type: none"> Enhanced ID Theft Protection 	<ul style="list-style-type: none"> Enhanced ID Theft Protection
Operational Efficiency	<ul style="list-style-type: none"> Mobile Receipt Management Easy Savings Mastercard Biz 	<ul style="list-style-type: none"> Mobile Receipt Management Premium Easy Savings Mastercard Biz Business Assistant*
Ease of Travel	<ul style="list-style-type: none"> Global Emergency Services MasterRental Insurance Mastercard Golf (TPC) Privileges 	<ul style="list-style-type: none"> Global Emergency Services MasterRental Insurance Mastercard Golf (TPC) Privileges



Monitor high-risk small business transactions



Always-on, digitally enabled and accessed benefits



Positive cardholder behavior/card on file



Alignment with recognizable brands in small business space



Best-in-class rebate program to drive spend





Powering Digital Enablement & Security



Mastercard Digital Doors is a needs-based program that provides small businesses with **educational resources and tools which empower them** to grow and thrive into the future



UNDERSTAND

Digital readiness diagnostic

A proprietary, complimentary digital health and readiness assessment

The diagnostic tool evaluates health and readiness across key business areas for digital growth including:

- strategy
- inbound and outbound payments
- business management
- marketing
- cyber security



LEARN HOW

Educational resources

Expert content and curriculum to help drive digitalization and financial empowerment

Small businesses learn how to:

- set up an online shop
- market their business across digital channels
- access capital
- accept and make digital payments
- defend against cyber threats



GET THE TOOLS

Products and solutions

Once small business owners understand their gaps and opportunities – and learn how to make positive changes to address them – they can access Digital Doors for:

- products and services to implement new solutions from best-in-class companies
- toolkits delivering rich offers from key program partners



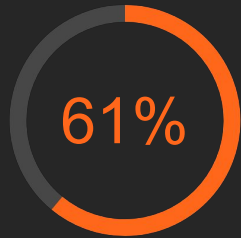
SMBs have become **prime targets for cybercriminals** as they continue to grow their businesses online and are not prepared

72%

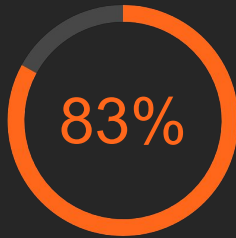
of small business owners identify digital security as a key priority for their business but only prioritize security once they have experienced at least one threat.



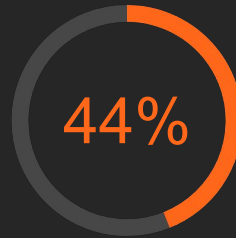
SMBs appear to be more reactive than proactive in their approach to digital security as their level of cybersecurity expertise is dependent on them experiencing a threat



have experienced at least one digital security threat**



are not financially prepared to recover from cyberattack***



of SMBs are open to exploring cybersecurity tools/solutions and data analytics*

Lack of necessity and know-how are the top barriers to investing in security decisions**

34% don't know what kind of security they need to prioritize

29% haven't had time to look into it

27% believe it's too expensive

24% can't decide between all of the products on the market

* Mastercard Marketing Thought Leadership Report, Dec 2021

** Mastercard NAM C&I Insights, Feb 2022

*** Cybersecurity Mag; May 20, 2021



Mastercard has created a **holistic approach** to providing SMBs with the knowledge and resources to **better protect themselves** against cyber threats

Mastercard has partnered with **HSB Total Cyber Insurance** to provide risk-based protection to help insure SMBs against cyber threats to reduce financial losses due to business disruption.

Zero Liability: SMBs are never responsible for financial losses due to fraud on their debit card

Antivirus and Firewall: Discounted McAfee products



ID Theft Protection™ helps defend small business owners against the threat of identity theft in 4 ways: detect, alert, resolve, and protect.

My Cyber Risk helps small businesses detect and monitor cyber risk across their organization's digital environment to proactively mitigate cyber threats before they can be exploited.





Small Business User Journey



Bella has finalized her business plan to open her dream small business – **Bella's Boutique**. She estimates to get the store going she'll need a \$40,000 loan

Bella has limited credit history as she's mostly been hustling and working multiple jobs for cash to get by

This is her first business so not only does she have a below average personal credit score, but she also has limited business credit history

However, she has a solid business plan to open her storefront and has cash flow from her online store through Etsy

Bella needs to find a lender to support her business



Bella goes to a Bank to apply for a loan where the **application process is painful** with lots of manual processes and back and forth with the Bank

Bank only asked Bella for historical statements from her primary bank account

Bella spends several hours getting requested documentation and considers abandoning the application

Bank runs a standard credit check to see if Bella can and will be able to pay back the loan. Due to lack of data comprehensiveness – The Bank denies Bella's application

Bella is frustrated but is persistent, so she decides to find another bank



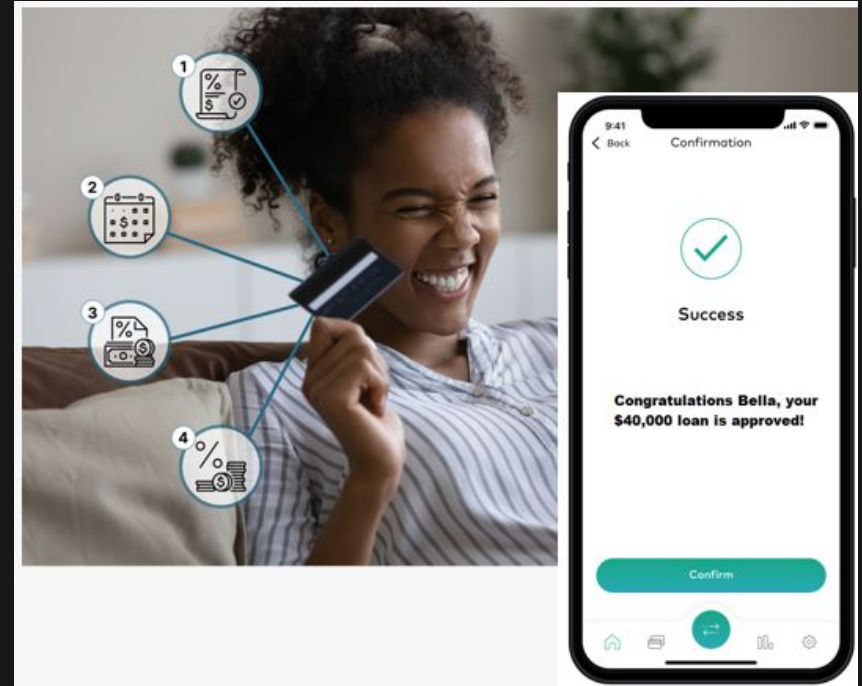
Bella tries again at another Bank that has implemented **Mastercard Small Business Solutions**

Bella applies for loan online. She simply links her external bank login credentials.

Bank has enhanced data access and collection capabilities including:

1. Account ownership and balance validation
2. 24 months of transaction data
3. Cash flow analytics and predictive insights
4. Mastercard retail sales transaction data

Bella's loan is APPROVED! She is now off and running with opening her storefront but is determined to quickly grow her business



Bella needs a **better way to market and manage her business**. She knows her Excel spreadsheet she's been working off is not the best

Bella sees that Bank offers SMB digital support tools at no additional cost

- Bella **can make her own ecommerce website** and leave behind Etsy
- Access to **educational tools** allow Bella to improve website traffic
- Bella applies for a grant and **mentorship program** and gains access to several tips to grow her business

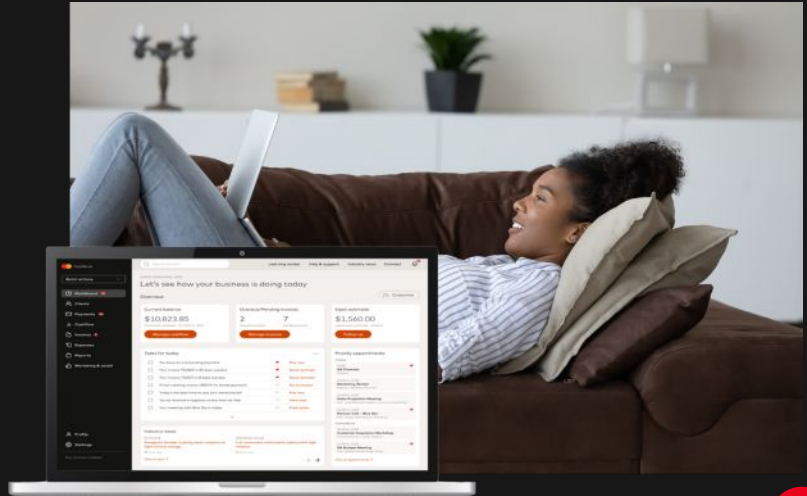
Bank offers Bella a subscription-based offer to enable Bella to efficiently run her daily business operations

Bella now manages and reviews all **payments, invoicing, expensing, cashflow, marketing, CRM, and support** in one, easy to use, web portal

Bella has been putting a lot of expenses on her personal credit card to decorate her shop. It's time to apply for a SMB credit card

- **Seamlessly approved** just like for her loan
- Bella is excited about included card benefits that can help her like **Easy Savings & ID Theft Protection**
- **Instantly issued** card to load to her mobile wallet
- Now her **top of wallet** card, Bella taps and pays at décor shop

Bella's small business is thriving



Mastercard is **committed to supporting small businesses** and will bring our resources, tools and partnerships to support your strong work in this area

\$250
million

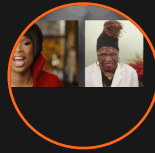
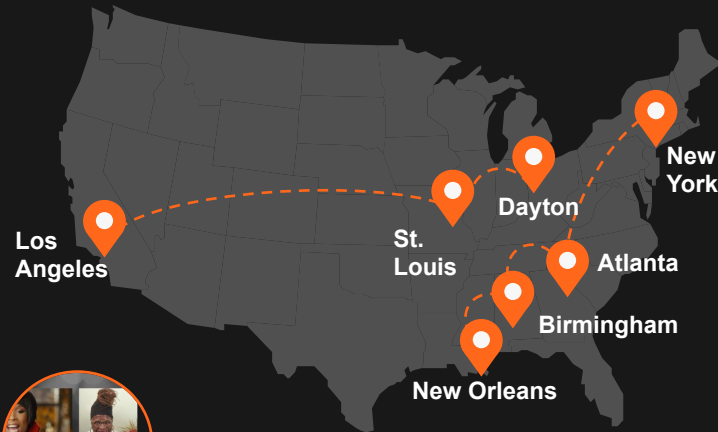
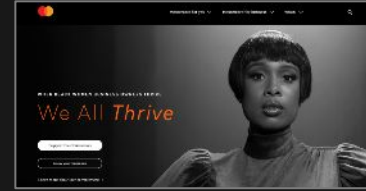
to small businesses across the globe in financial, technology, product and services support over the next five years

50
million

Micro and small businesses connected to the digital economy

25
million

Women entrepreneurs connected to the digital economy



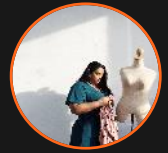
Priceless Surprise Grants



Strivers



Hello Alice



Digital Doors



Start Path



How do we help?



PROTAGONIST



Name: Cristina
Age: 31
Occupation: Café owner and frequent adventurer

Getting Digital

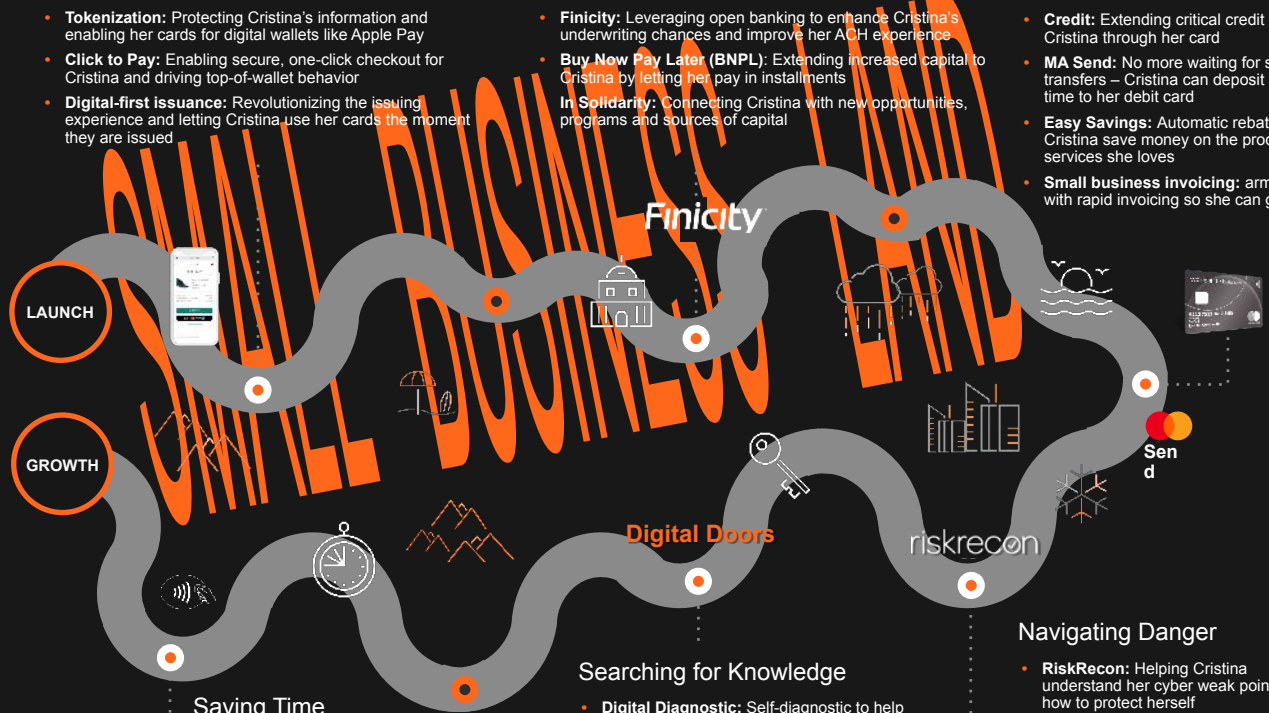
- **Tokenization:** Protecting Cristina's information and enabling her cards for digital wallets like Apple Pay
- **Click to Pay:** Enabling secure, one-click checkout for Cristina and driving top-of-wallet behavior
- **Digital-first issuance:** Revolutionizing the issuing experience and letting Cristina use her cards the moment they are issued

Finding Capital

- **Finicity:** Leveraging open banking to enhance Cristina's underwriting chances and improve her ACH experience
- **Buy Now Pay Later (BNPL):** Extending increased capital to Cristina by letting her pay in installments
- **In Solidarity:** Connecting Cristina with new opportunities, programs and sources of capital

Staying Afloat

- **Credit:** Extending critical credit line access to Cristina through her card
- **MA Send:** No more waiting for slow bank transfers – Cristina can deposit funds in real time to her debit card
- **Easy Savings:** Automatic rebates to help Cristina save money on the products and services she loves
- **Small business invoicing:** arming Cristina with rapid invoicing so she can get paid fast



Saving Time

- **SMB Digital Advisor:** An embedded AI tool to advise Cristina and connect her with the right products
- **Smart Data:** A mobile-optimized expense management tool rebuilt from the ground up for Cristina's needs
- **Contactless payments:** Letting Cristina breeze through checkout with safer, faster contactless transactions

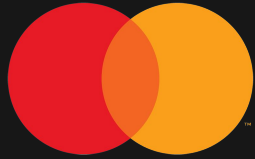
Searching for Knowledge

- **Digital Diagnostic:** Self-diagnostic to help Cristina get digital with actionable recommendations
- **Partnerships:** Mastercard partners with SMB providers like QuickBooks to make sure Cristina has access to the tools and knowledge she needs to run her business

Navigating Danger

- **RiskRecon:** Helping Cristina understand her cyber weak points and how to protect herself
- **Cyber Insurance:** Providing Cristina with ongoing cyber protection
- **Ekata:** Verifying identities to protect Cristina and speed up her onboarding





Let's Empower
Small Business
Together

