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Fresh Online Applications Cater to Smallest Firms

By Daniel Wolfe

Banking technology vendors are developing applications that financial companies can offer to their smallest business customers, a market segment bankers say is underserved by most products.

S1 Corp. announced Monday that it has overhauled its personal and business banking applications; instead of offering them as separate applications with largely distinct feature sets, the Atlanta company has combined them into a single platform from which customers can select features a la carte to create whatever products they need.

iPay Technologies, LLC in Elizabethtown, Ky., has revamped its own software to let small businesses better manage their payment needs online. The bill-pay provider said its earlier products were ill-suited for very small businesses.

City National Bank of Florida, a customer of Intuit Inc.'s Digital Insight, says it is planning to switch to S1 in August to take advantage of the features available in its combined online banking platform, Enterprise Online Banking 3.7.

Steven Simpson, the Miami bank's chief information officer, said in an interview that the a la carte feature enable him to create whatever his customers need. "I could create, literally, a class of service for you," he said. "You can do international foreign currency swaps and international wires and receive back Fed confirmation IDs. I can't imagine building such a class of service," but now he can do exactly that.

City National's customers are primarily corporations with more than \$10 million in annual sales, he said, but when the banking company moves to S1 it will be able to serve businesses with as little as \$1 million in annual sales, which Simpson said would be impossible with his current technology.

(Digital Insight has a product, Small Business FinanceWorks, that is also aimed at small companies.)

"We're planning to really increase the size of the bank, and so we're really going to be focusing more on ... sole proprietors, and we're also specifically focusing on smaller businesses," he said.

Neil Underwood, the general manager for the Americas of S1's enterprise unit, said the customization in his new product "allows them to do more than just business banking. This allows them to tap into other markets."

Lakeland Bancorp's Lakeland Bank, an iPay customer in Oak Ridge, N.J., also wants to win more small-business customers, and it says iPay's revamped software can help it achieve that goal.

iPay is expected to announce today its Biz 2.0 bill pay and invoicing product, which Lakeland has been using since January. Dana Bowers, iPay's Managing Director, said that iPay's earlier offering for small-business bill pay "was not nearly as robust, nor did it differentiate itself from consumer products."

Biz 2.0 lets users handle payables and receivables, payroll and tax payments. It also has an entitlements system that allows tiered levels of access to the software. Carl Grau, a vice president at Lakeland Bank, said that before adopting Biz 2.0 his online business bill pay enrollment grew at a steady 4% to 6% a month. In February, it grew 7.5% from January, and in March it grew another 10%. About half the new users are new.

"Our goal is to take this whole suite and be able to answer every small-business need that these businesses have at once," he said.

Henry Ijams, the managing director of PayStream Advisors Inc., a Charlotte consulting firm, said that ultra-small businesses handle their finances in a way fundamentally different from large businesses.

"Small businesses do most of their accounts in off hours, when they're not seeing their customers," whereas larger businesses handle their finances at work during business hours, he said. As such, he said, they strongly demand the ability to handle their finances online.

Products such as S1's Enterprise Online Banking 3.7, iPay's Biz 2.0 and Intuit's FinanceWorks are "bridging the gap between commercial online systems and consumer online systems, and there's a land grab here," he said.

"These kinds of commercial applications make business banking much more sticky with their business base, so anything that banks can do to grow the small-business or consumer product to bridge that gap to make it closer to what a larger corporate can do is going to be a win," he said.