



Greenwich Associates Market Pulse:

Economic Outlook, Borrowing, Importance of Industry Expertise,
Bank Switching, Talent Acquisition & Management

September 2017

Content



Economic Outlook



Borrowing & Credit Needs



Importance of Industry Expertise



Bank Switching



Talent Acquisition & Management

Executive Summary

While small and mid-sized companies remain optimistic overall about the economy, mostly due to possible tax cuts, deregulation, and perceived business growth, optimism has dropped off from the high in March 2017.

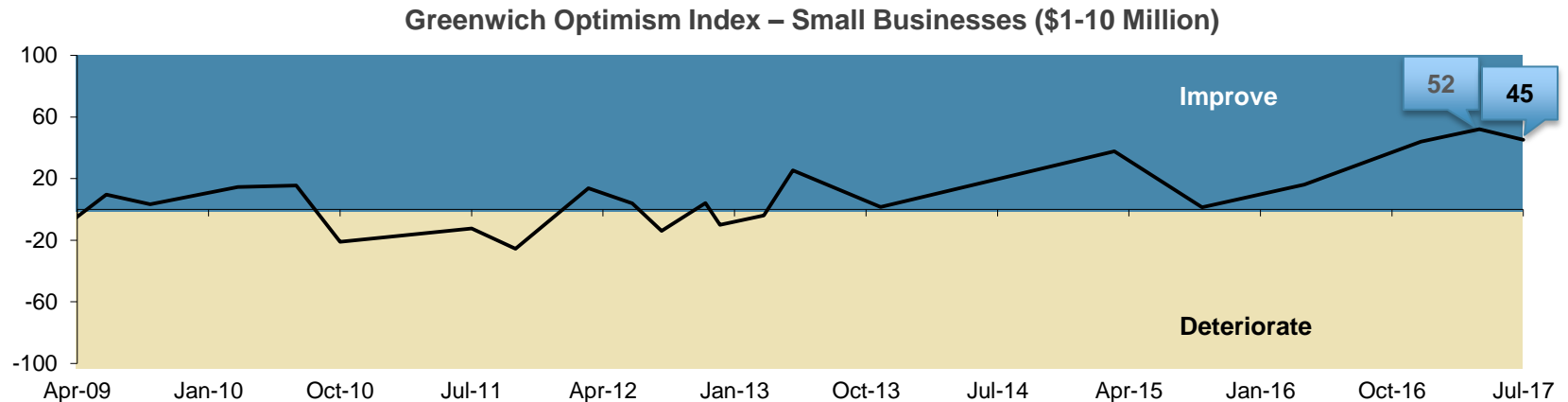
Since 2016, a smaller proportion of companies are borrowing; one-third or less of companies negotiated a new loan, and among those who did, small business owners found it was easier to obtain. A little over one-quarter of mid-sized companies expect their credit needs to increase this year down from 38% in October 2016. A majority of small and mid-sized companies are not at all concerned about access to financing.

Having a financial provider with industry expertise continues to be of high importance to small and mid-sized companies. Of the ways a bank can show industry expertise, the relationship manager's experience in the industry is considered the most important. Small business owners/executives believe that banks can help their businesses with fraud/risk management, capital investments and cash flow issues. Mid-sized company executives also cite cash flow issues, fraud/risk management, and capital investments as ways banks can help them.

When adding a new provider, a higher quality Relationship Manager, more flexible terms, and a proven commitment to clients are most important. Lack of responsiveness and personal touch are cited by small and mid-sized companies as the top frustrations with their bank. In the past year, a low number of mid-sized companies say they've moved their banking business, but those who have moved a majority of their business. Dissatisfaction with the Relationship Manager is the top reason business is moved to another banking provider, and building a personal relationship is a top cited suggestion to retain business.

The portion small businesses that have had 10% annual turnover or higher has increased since April 2015. More mid-sized companies are reporting 5-10% turnover. Referrals are the top resource for talent, followed by internet job sites and recruiters/employment agencies. At least half of companies extensively check references and vet new employees, or require a proven track record. Top methods of retaining talent include competitive health care packages and retirement plans, and remained such for the past 2 years.

Small business owners remain optimistic due to anticipated changes from new administration and business growth.



Why do you feel this way?			
Negative Themes	Why do you Feel this Way?	Positive Themes	Why do you Feel this Way?
<ul style="list-style-type: none"> New President/ Administration Poor economic structure/Poor wages 	<ul style="list-style-type: none"> "There are so many key factors in our economy. The instability of our government is a huge uncertainty." "The current president and general state of our union." 	New President/ Administration, Regulatory Changes	<ul style="list-style-type: none"> "Removing regulations and Washington shake up." "Business oriented changes in policy and government."
	<ul style="list-style-type: none"> "The killing of the middle class." "Income for poor people." 	Consumer Confidence, Business/Sales Growth	<ul style="list-style-type: none"> "Interest rates, stock market, [and] job market [are] improving. Sales figures are up and inquiries about sales have increased." "[The] economy is picking up; new orders [are] anticipated."
		Tax Cuts/Reform	<ul style="list-style-type: none"> "If the tax rates decrease, it will aid in business growth."

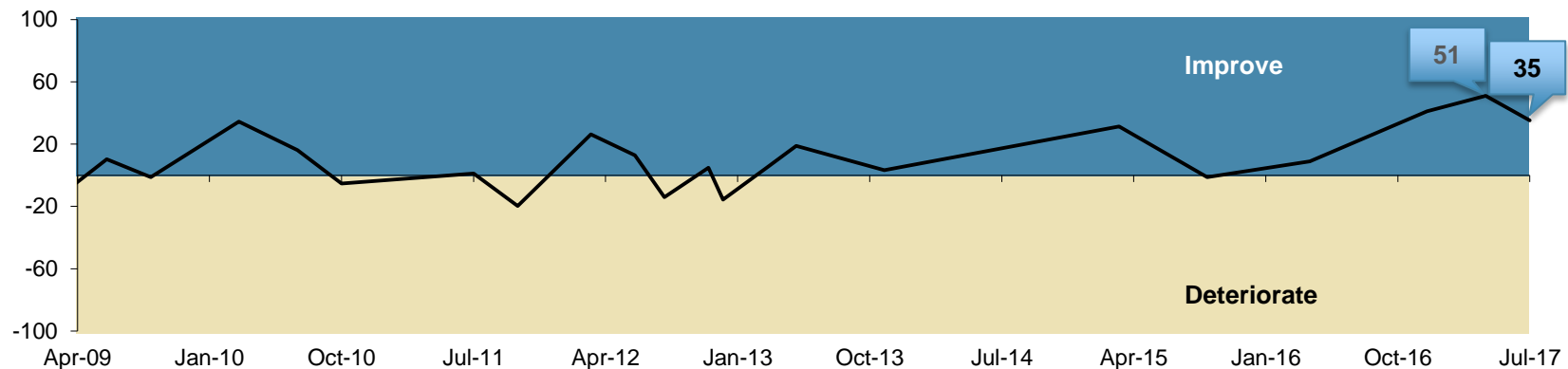
Note: The Greenwich Optimism Index is the net score of companies who feel that the economy will improve versus deteriorate.

Question: On a scale from 1 = Will Deteriorate Significantly to 5 = Will Improve Significantly, what is your view on or expectation for the economy over the next six months? Why do you feel this way?

Source: Greenwich Associates Market Pulse v67 (July 2017).

While executives at mid-sized companies remain optimistic about the economy, optimism has dropped off from the high in March 2017.

Greenwich Optimism Index – Mid-Sized Companies (\$10-500 Million)



Why do you feel this way?

Negative Themes		Positive Themes	
Why do you Feel this Way?		Why do you Feel this Way?	
<ul style="list-style-type: none"> New President/ Administration Poor growth 	<ul style="list-style-type: none"> "Lack of leadership from republican administration." 	<ul style="list-style-type: none"> New President/ Administration, Regulatory Changes 	<ul style="list-style-type: none"> "[The] current administration actually understands that policies need to be in place to encourage investment." "Efforts to roll-back over-regulation of the economy will boost small businesses."
	<ul style="list-style-type: none"> "[There are] too many negative unknowns to maintain a positive attitude. People seem to not be building buildings in our area. More and more people are moving to find work in more prosperous places." 		<ul style="list-style-type: none"> Consumer Confidence, Business/Sales Growth "Current economic indicators are all positive for the next 6 months to a year." "Low inflation and good business activity in our area!"
<ul style="list-style-type: none"> Market Correction 	<ul style="list-style-type: none"> "[I'm] anticipating a correction in the market." 	<ul style="list-style-type: none"> Tax Cuts/Reform 	<ul style="list-style-type: none"> "The prospect of lower taxes both corporate and personal will spur the economy."

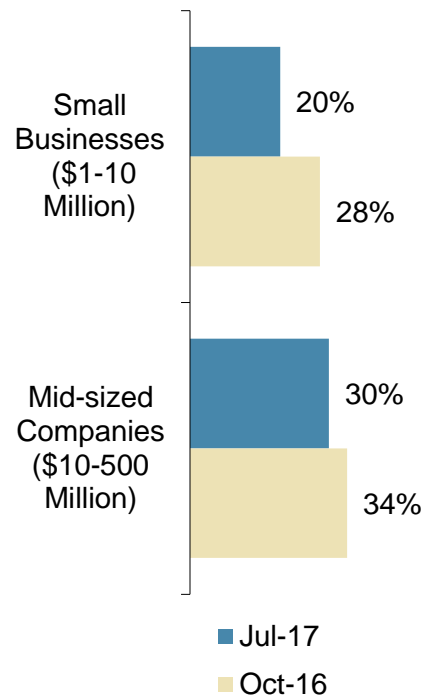
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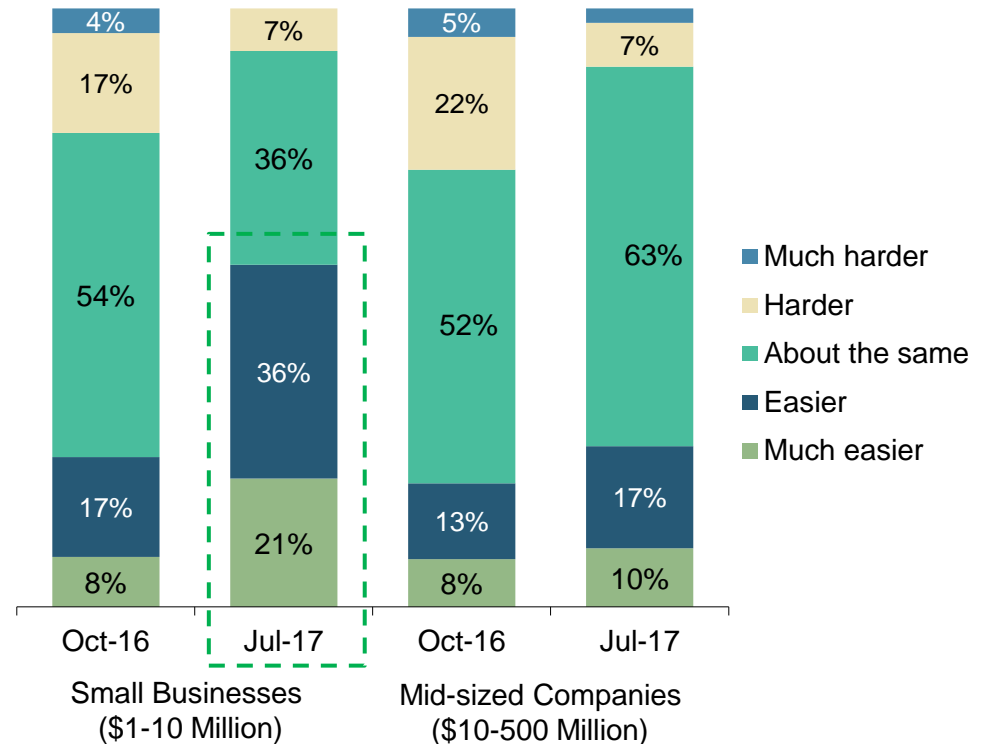
Source: Greenwich Associates Market Pulse v67 (July 2017).

One-third or less of companies negotiated a new loan, and small business owners found it was easier to obtain.

“Yes” Negotiated New Loan, Past 3 Months



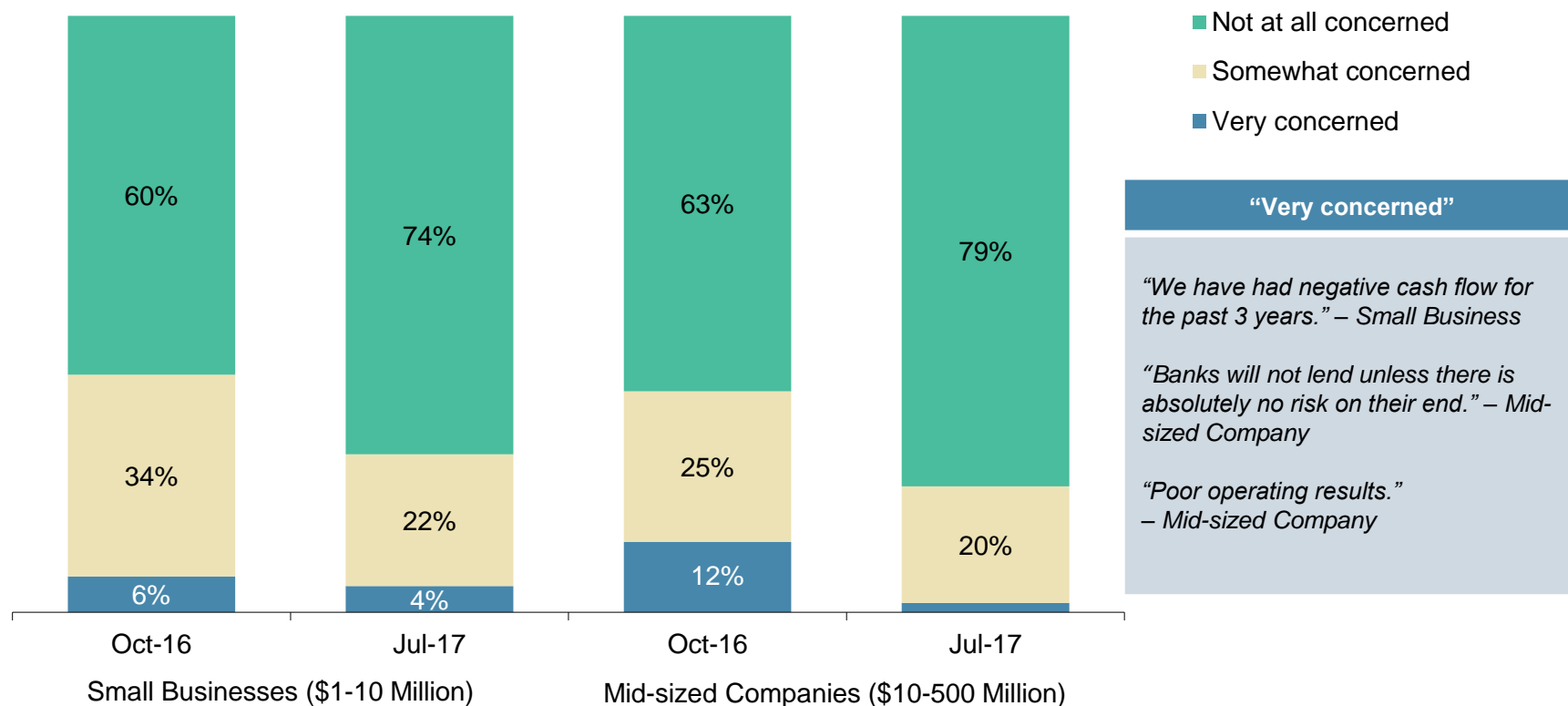
Ease of Borrowing, Past 12 Months



Question: Have you negotiated a new loan or refinanced a loan from a bank or non-bank in the last three months?
On a scale from 1 = Much harder to 5 = Much easier, was it easier or harder to borrow money than one year ago?
Source: Greenwich Associates Market Pulse v67 (July 2017), Greenwich Associates Market Pulse v63 (October 2016).

Concern in accessing financing is low for a majority of companies, those performing poorly are very concerned.

Concern in Access to Financing



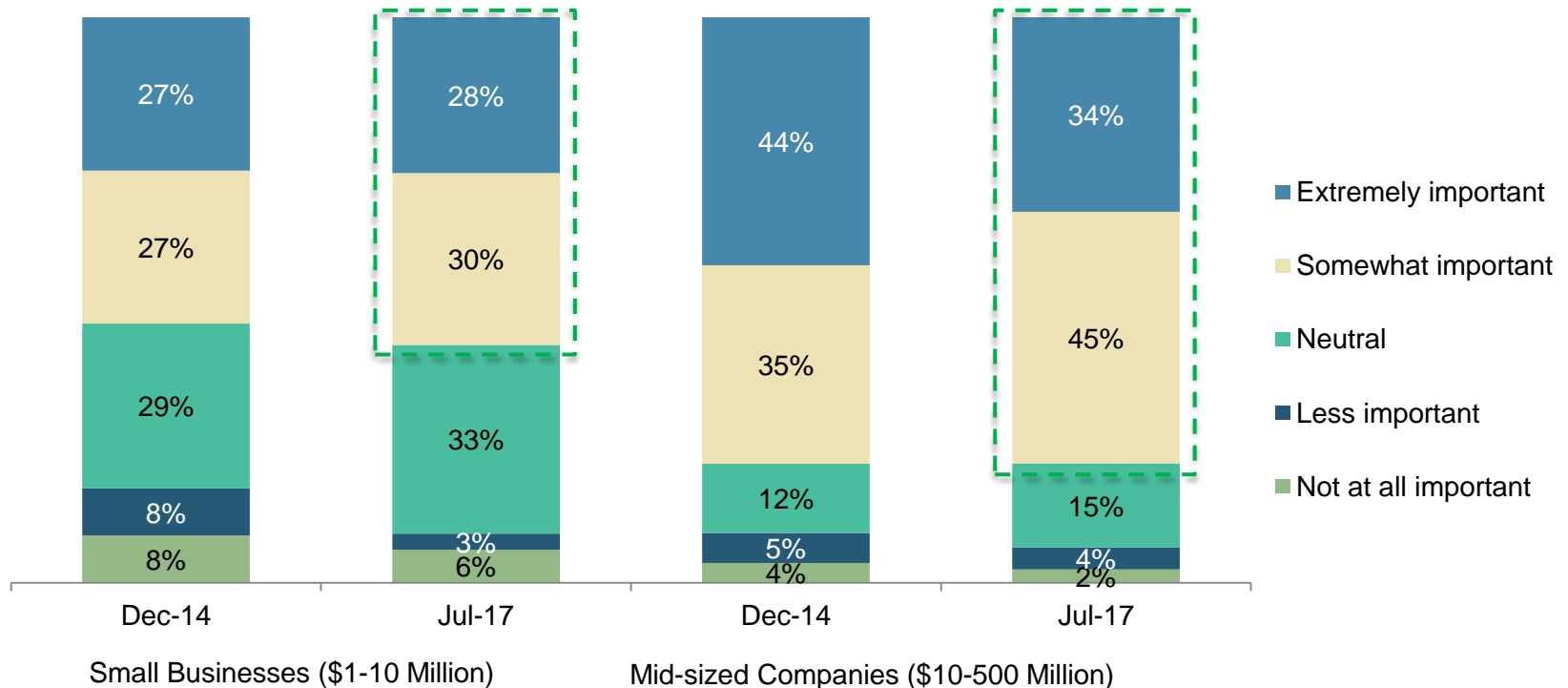
Question: How concerned are you about accessing the financing you need to run your business in 2017?

Why are you concerned? [Among those who cited 'Very concerned' in Q6]

Source: Greenwich Associates Market Pulse v67 (July 2017), Greenwich Associates Market Pulse v63 (October 2016).

Having a financial provider with industry expertise is important to a majority of small and mid-sized companies.

Importance of Financial Provider Has Firm-Specific Industry Expertise

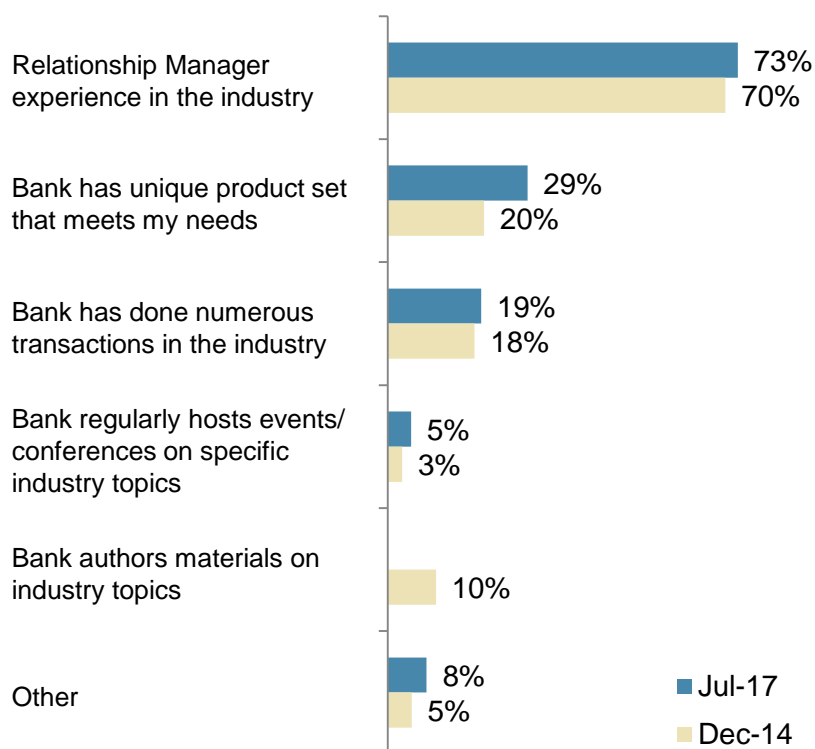


Question: How important is it to you/your company that your primary bank or financial provider has expertise in the industry in which your firm operates?
Source: Greenwich Associates Market Pulse v67 (July 2017), Greenwich Associates Market Pulse v57 (December 2014).

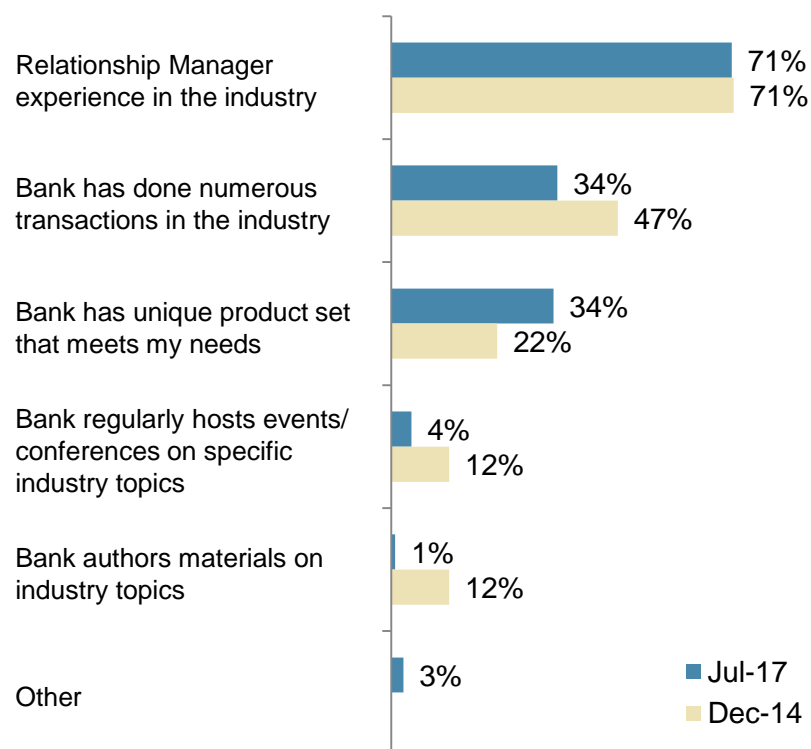
The most important element of a financial firm's expertise is the relationship manager's experience in the industry.

Important Elements of Firm Expertise

Small Businesses (\$1-10 Million)



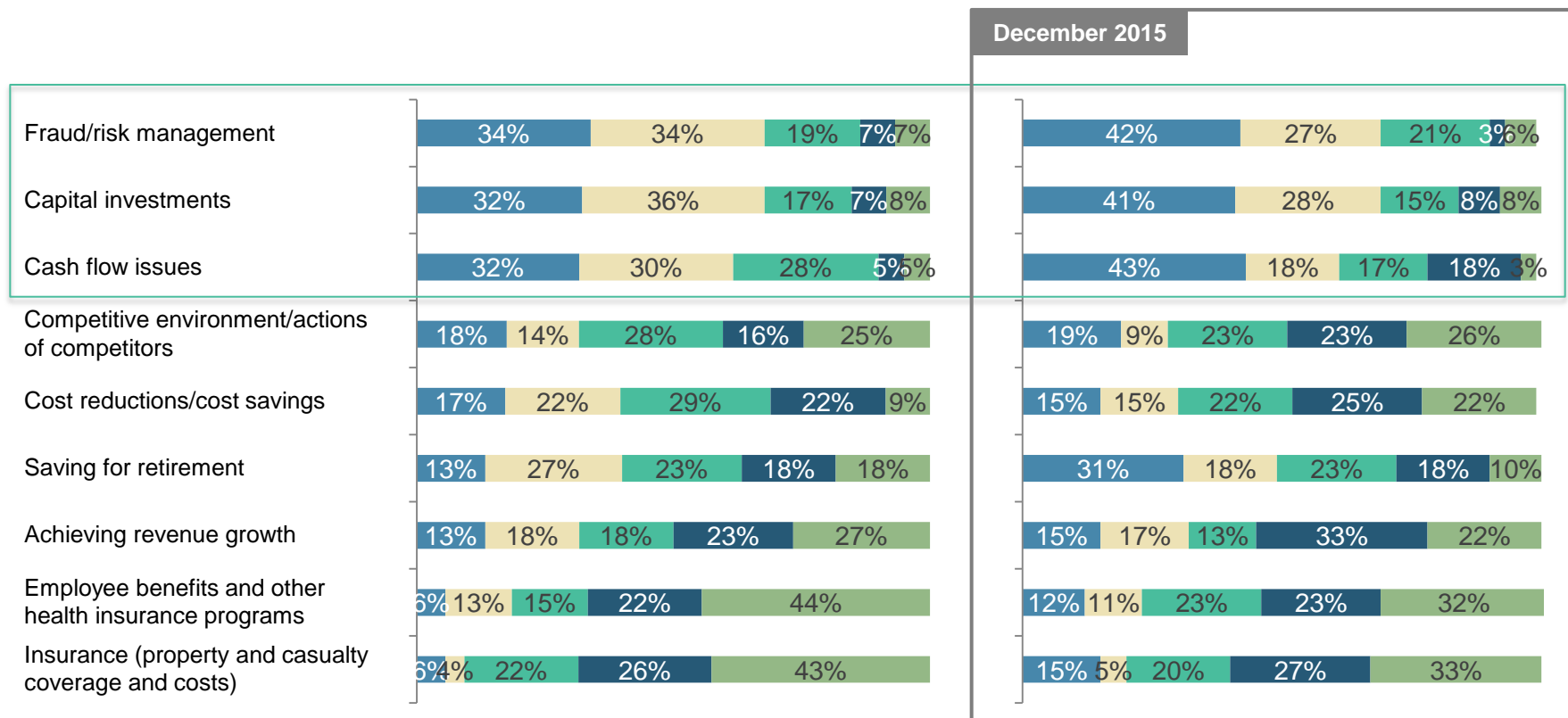
Mid-sized Companies (\$10-500 Million)



Question: What do you consider to be the most important element of a financial institution's expertise in an industry? [Among those who cited "Neutral, Somewhat Important, or Extremely Important"]
Source: Greenwich Associates Market Pulse v67 (July 2017), Greenwich Associates Market Pulse v57 (December 2014).

Small business owners say banks can help with fraud/risk management, capital investments, and cash flow issues.

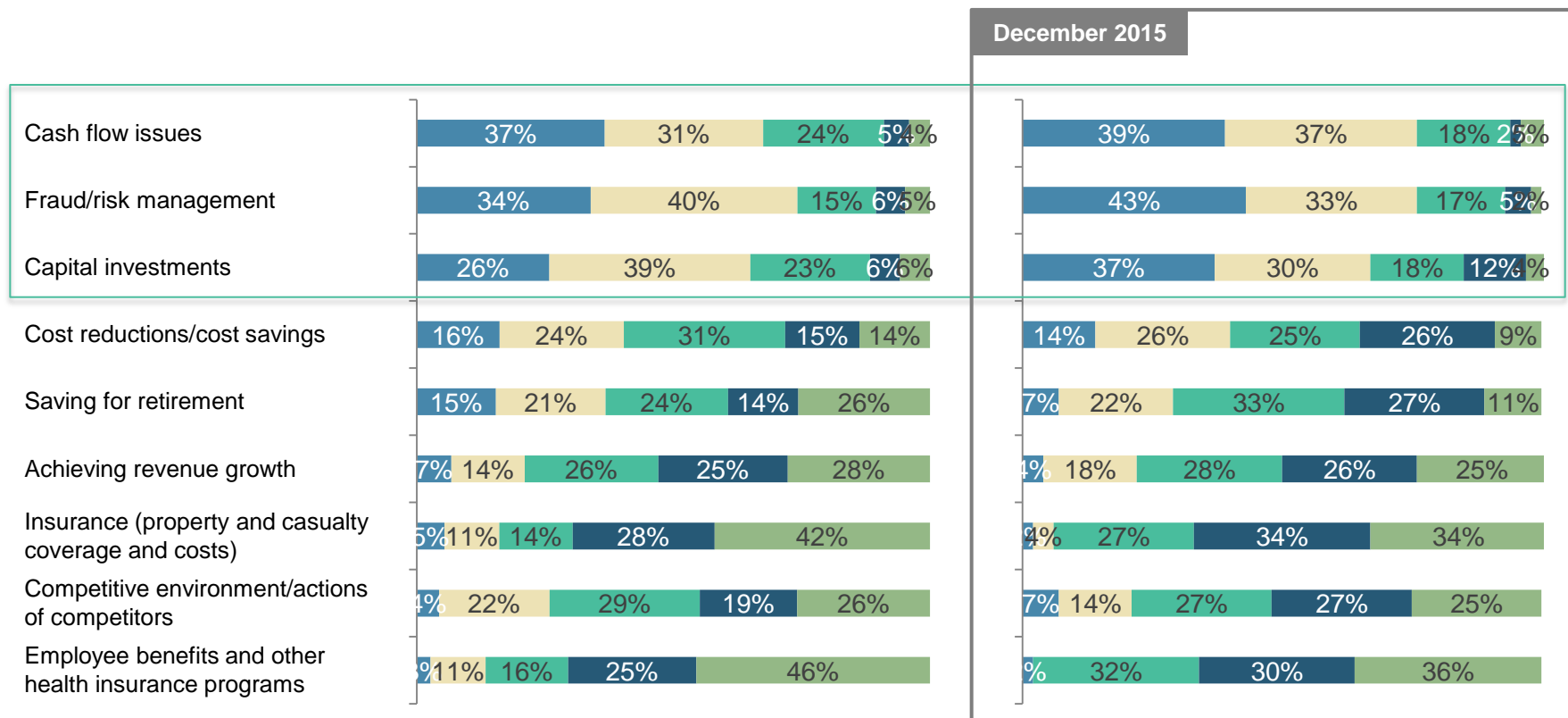
Can Banks Provide Help to Business? – Small Businesses (\$1-10 Million)



Question: Please evaluate each of the following issues on a scale from 1 = 'Banks Cannot Provide Help to My Business' to 5 = 'Banks Can Provide Significant Help to My Business':
 Source: Greenwich Associates Market Pulse v67 (July 2017), Greenwich Associates Market Pulse v61 (December 2015).

Executives at mid-sized companies say banks can help with cash flow issues and fraud/risk management.

Can Banks Provide Help to Business? – Mid-sized Companies (\$10-500 Million)



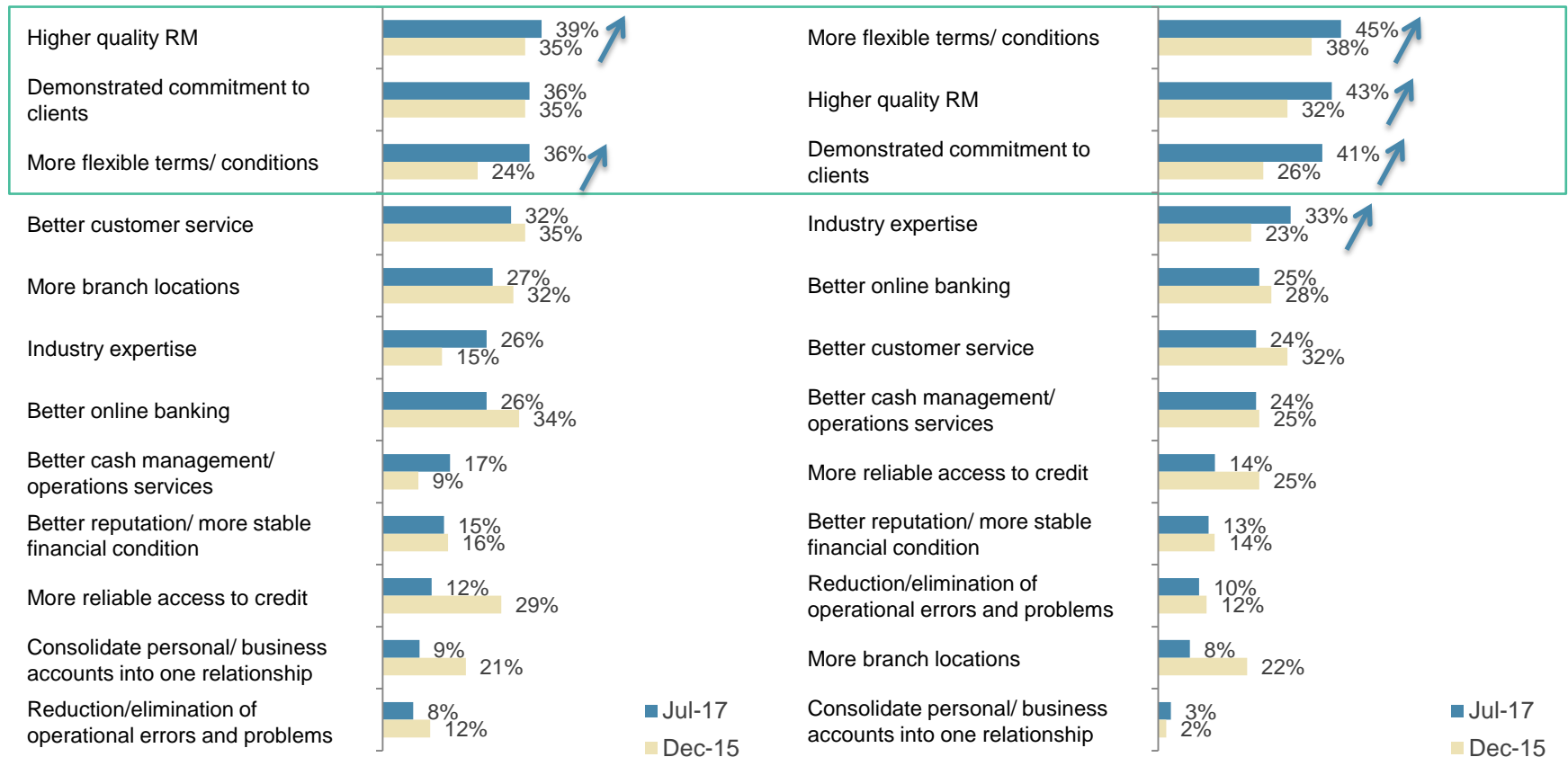
Question: Please evaluate each of the following issues on a scale from 1 = 'Banks Cannot Provide Help to My Business' to 5 = 'Banks Can Provide Significant Help to My Business':
 Source: Greenwich Associates Market Pulse v67 (July 2017), Greenwich Associates Market Pulse v61 (December 2015).

When adding a new provider, a higher quality RM, more flexible terms, and a proven commitment to clients are most important.

Most Important Considerations in Provider Addition/Selection

Small Businesses (\$1-10 Million)

Mid-sized Companies (\$10-500 Million)



Question: Which of the following would be your top three most important considerations when adding or switching providers?
 Source: Greenwich Associates Market Pulse v67 (July 2017), Greenwich Associates Market Pulse v61 (December 2015).

Small and mid-sized business executives cite a lack of responsiveness and personal touch as the top frustrations with their bank.

Frustrations or Concerns with Current Bank

Speed of Response

- “[My] main concern [is] with timeframes for getting approval on credit/loans.” – Small Business
- “They take too long from time of requested capital to funding.” – Mid-sized Company
- “Timely responsiveness to financing requests” – Mid-Sized Company

Personal Touch

- “The robot telephone; missing help from a live person.” – Small Business
- “The lack of personal interest in our operation.” – Small Business
- “Acquisition from out of region banks not familiar with our market and loss of personal relationships.” – Mid-sized Company
- “They do not act like a business partner.” – Mid-sized Company

Turnover/ Personnel Change

- “Turnover and having to restate our company's reputation, history, [and] methods of doing business that are pertinent to our unique industry, as if we had changed banking institutions entirely.” – Mid-sized Company
- “Changing personnel makes it difficult to develop relationships.” – Small Business
- “Lack of a specific small business banker that has experience in the small business market; and, remains in the position for a significant period of time.” – Small Business

Fees

- “Extremely high fees; horrible online service; overly bureaucratic.” – Mid-sized Company
- “They nickel and dime fees. For example, charging \$4 per year to renew stop payment orders for the next 7 years.” – Small Business

Question: What is your biggest frustration or concern with your current bank(s) or financial services provider(s)?

Source: Greenwich Associates Market Pulse v67 (July 2017).

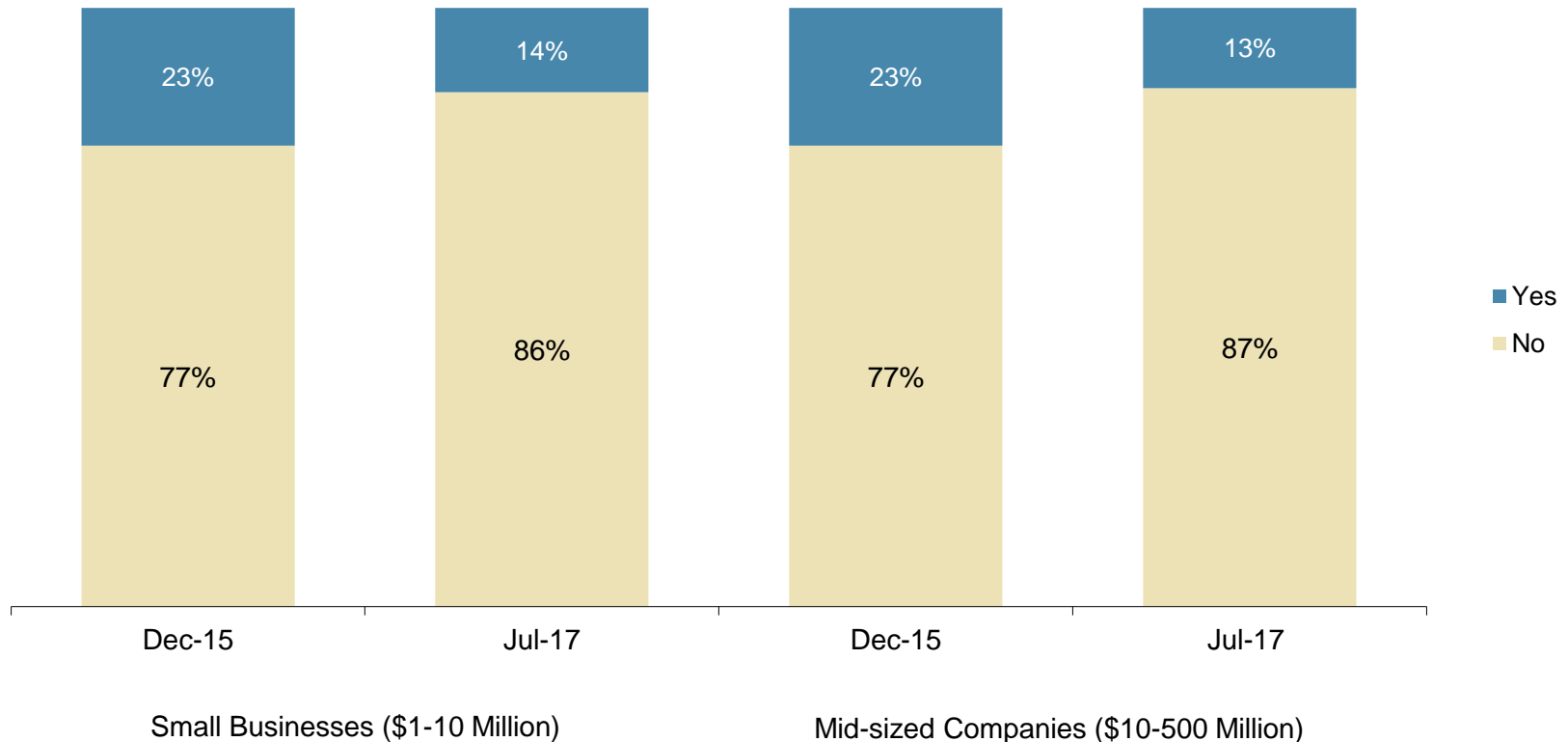
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A lower portion of small and mid-sized companies cite moving business than in December 2015.

Moved Banking Business to Another Provider, Past 12 Months

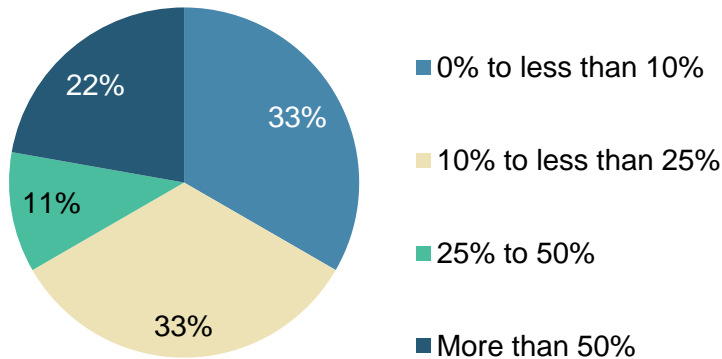


Question: Have you actually moved part or all of your company's banking business from one provider to another in the last 12 months?
Source: Greenwich Associates Market Pulse v67 (July 2017), Greenwich Associates Market Pulse v61 (December 2015).

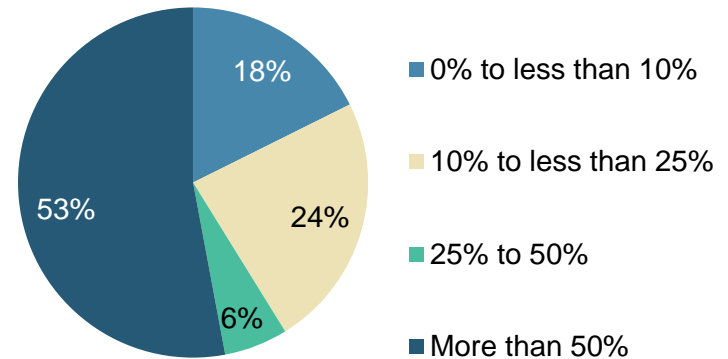
When moving business, mid-sized companies move the majority of their banking business, while small businesses are more conservative.

Proportion of Banking Business Moved

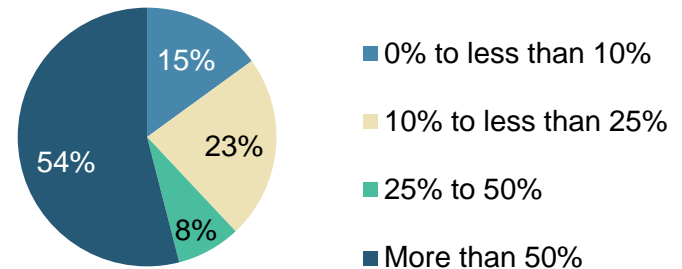
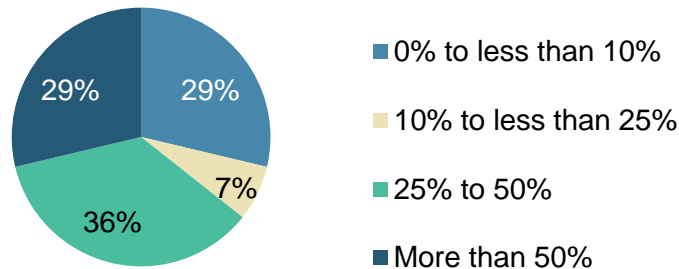
Small Businesses (\$1-10 Million)



Mid-sized Companies (\$10-500 Million)



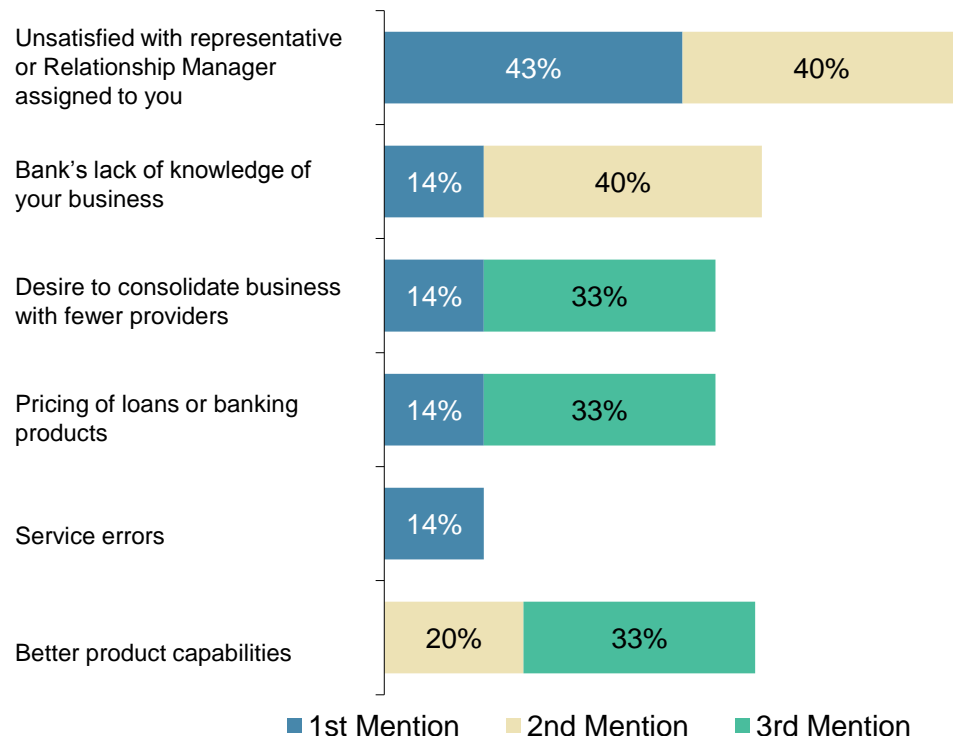
December 2015



Question: How much of your company's banking business (products and loans) did you move? [Among those who indicated "Yes, moved part or all of your company's banking business to another provider"]
 Source: Greenwich Associates Market Pulse v67 (July 2017), Greenwich Associates Market Pulse v61 (December 2015).

Dissatisfaction with the RM is the top reason to move banking business to another provider.

Main Reasons for Moving Business - Small Businesses (\$1-10 Million)



Suggested Actions to Retain Business

- "Act like they cared about my business even a little."
- "Said 'Hello' and greeted me with a smile when I entered the bank. FYI I had been banking there for 30+ years."
- "[They could have] made obtaining a business line of credit a more streamlined process with a personal touch."
- "Met interest rate from competitor."
- "Been more responsive, especially when we enacted a key change they suggested, and they have been slow to respond."

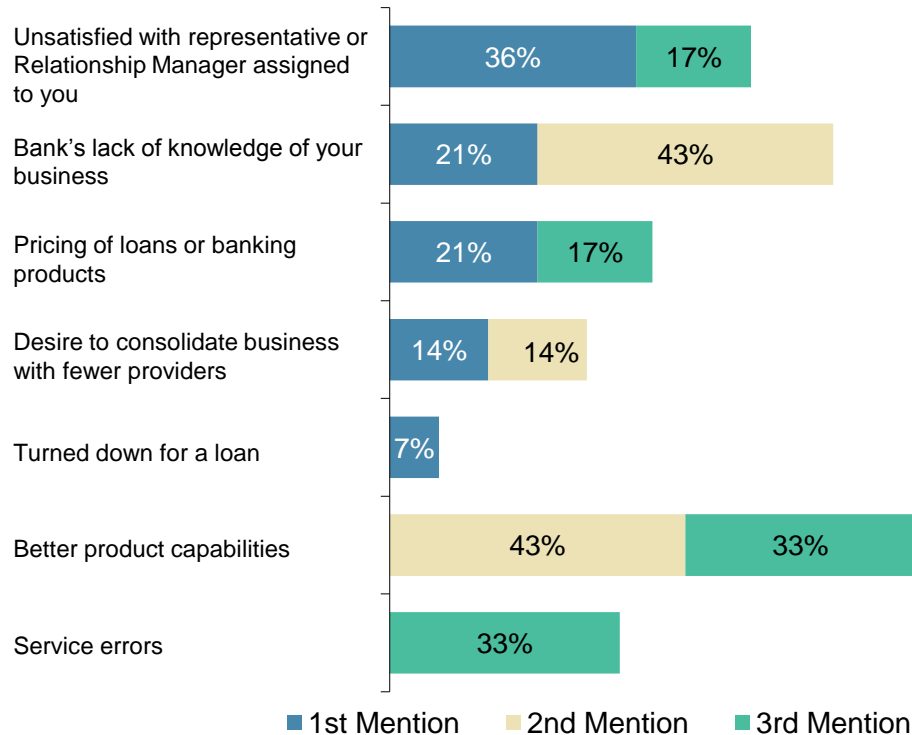
Question: What were the primary reasons you moved your company's banking business to another provider? [Among those who indicated "Yes, moved part or all of your company's banking business to another provider"]

What could your previous bank have done to retain your business?

Source: Greenwich Associates Market Pulse v67 (July 2017).

The majority of mid-sized companies cite the dissatisfaction with their Relationship Manager as the main reason for moving business.

Main Reasons for Moving Business - Mid-Sized Companies (\$10-500 Million)



Suggested Actions to Retain Business

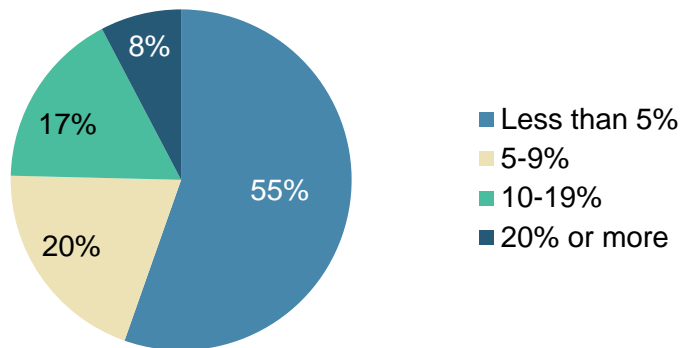
- “Could have better [understood] our business and [built a] better relationship for 12 years of loyalty.”
- “Know us better and network with us. Our new bank is introducing us to their real estate development clients which is a great source of potential work for us.”
- “Be more responsive.”
- “Offered better and more reliable online transaction services.”
- “They could have offered a higher interest rate on money we had in savings there.”
- “Be more patient with our short term performance issues, all of which have since been corrected and we're tracking to record performance.”

Question: What were the primary reasons you moved your company's banking business to another provider? [Among those who indicated “Yes, moved part or all of your company's banking business to another provider”]
What could your previous bank have done to retain your business?
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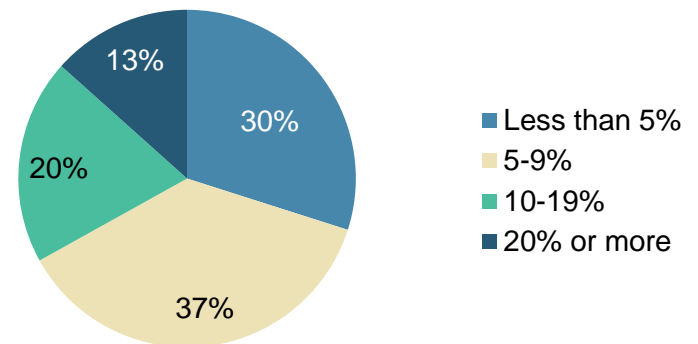
The portion small businesses that have 10% annual turnover or higher has increased since April 2015. More mid-sized companies are reporting 5-10% turnover.

Annual Turnover Rate at Firm

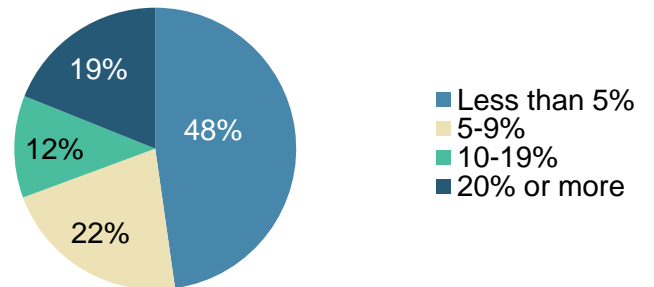
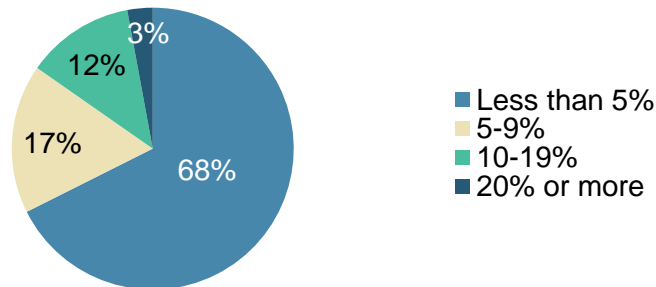
Small Businesses (\$1-10 Million)



Mid-sized Companies (\$10-500 Million)



April 2015

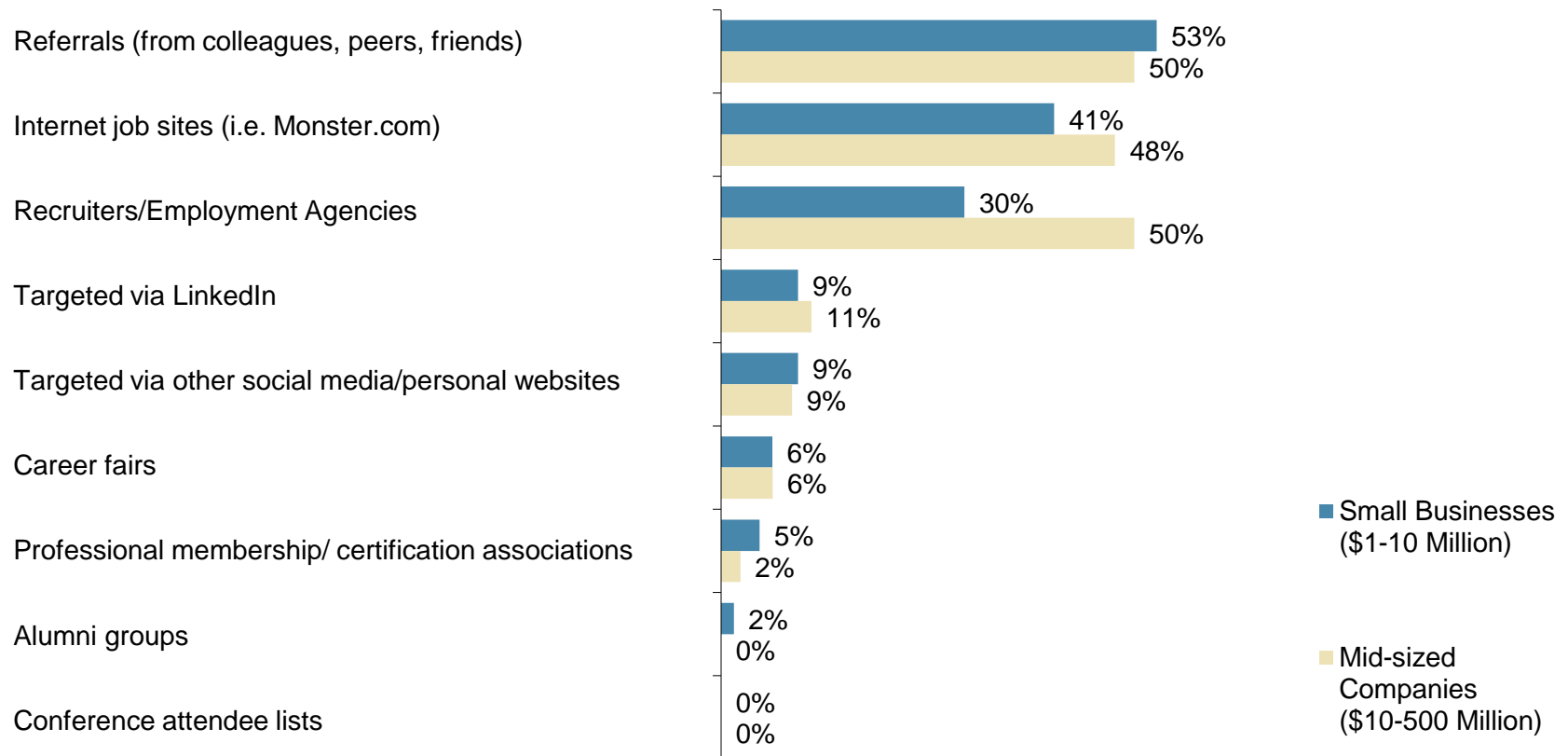


Question: What is the approximate annual turnover rate of employees at your firm?

Source: Greenwich Associates Market Pulse v67 (July 2017), Greenwich Associates Market Pulse v58 (April 2015).

Many small businesses rely on referrals for talent, while mid-sized companies report using recruiters and internet job sites.

Talent Sourcing



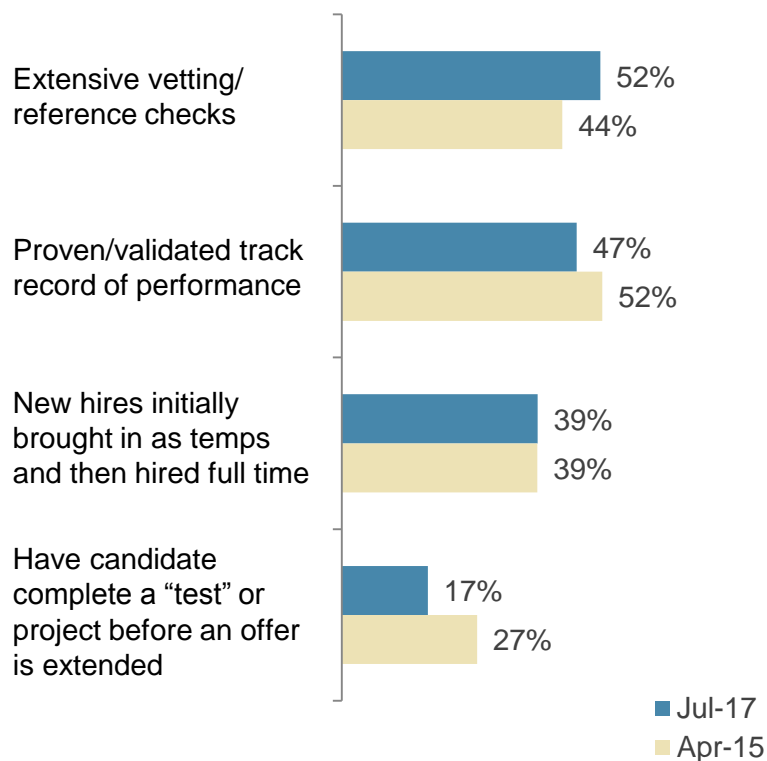
Question: How does your company source talent for your firm?

Source: Greenwich Associates Market Pulse v67 (July 2017).

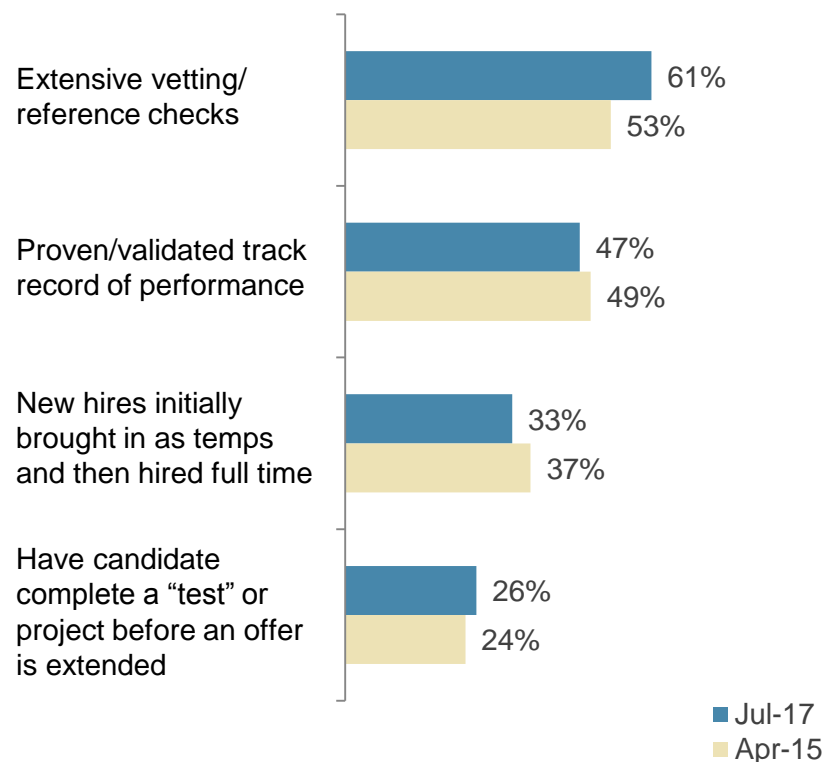
More than half of companies extensively check references and vet new employees, or require a proven track record.

Diligence to Ensure Hires Perform

Small Businesses (\$1-10 Million)



Mid-sized Companies (\$10-500 Million)

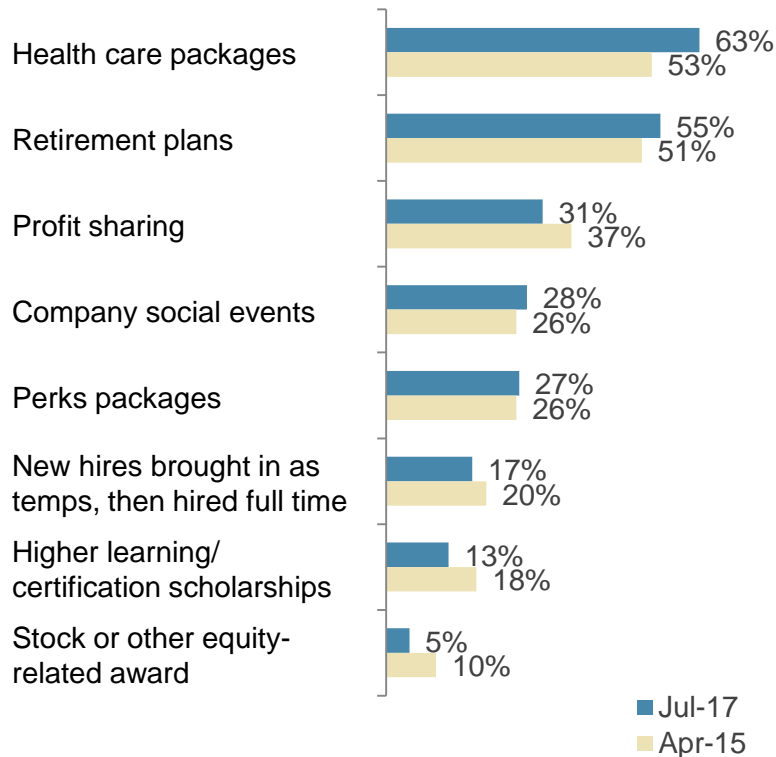


Question: How do you ensure that the hires you make will perform in the role for which they were hired?
Source: Greenwich Associates Market Pulse v67 (July 2017), Greenwich Associates Market Pulse v58 (April 2015).

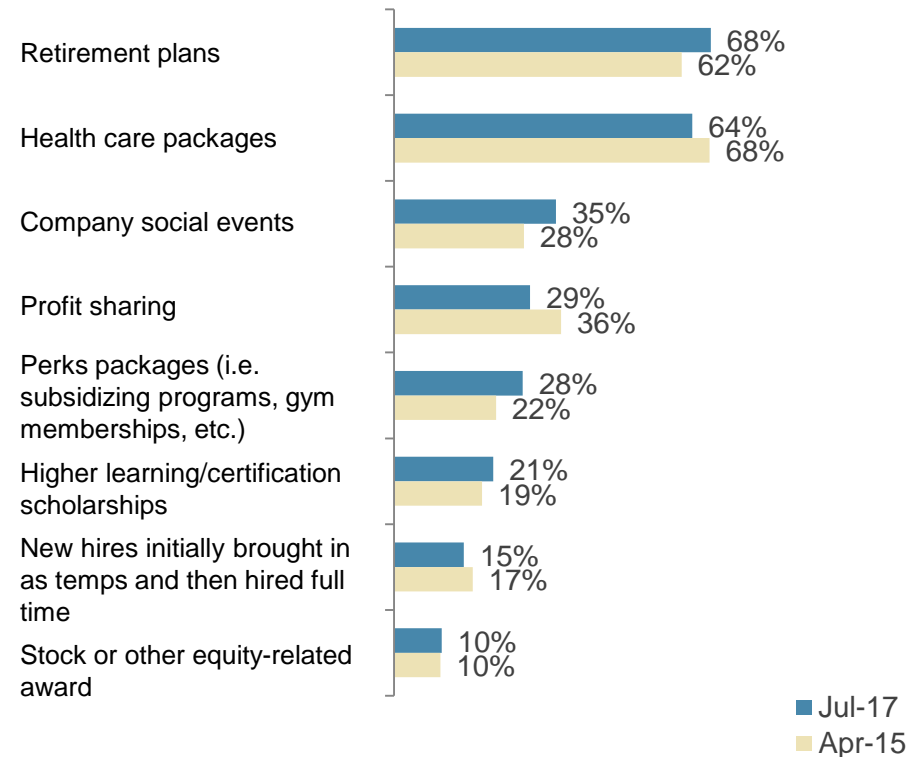
Health care packages and retirement plans remain the top ways companies retain top talent.

Steps to Retain Top Talent

Small Businesses (\$1-10 Million)



Mid-sized Companies (\$10-500 Million)



Question: What steps do you take to retain key employees or top talent (management or non-management)?
 Source: Greenwich Associates Market Pulse v67 (July 2017), Greenwich Associates Market Pulse v58 (April 2015).

Greenwich Market Pulse

Greenwich Market Pulse is an ongoing research series that addresses the most important and timely issues facing small (\$1-\$10MM) and mid-sized (\$10-\$500MM) company executives and their banking relationships. Greenwich Associates' access to thousands of financial decision-makers in the United States allows for constant contact with the market. Greenwich Market Pulse reports deliver the unbiased perspectives of these individuals in concise and actionable charts, complemented by insights and analysis from Greenwich Associates' industry experts. Greenwich Market Pulse studies are conducted four times per year and are often used in tandem with other annual Greenwich Associates research.

Methodology: 214 companies were interviewed online in July 2017, representing 77 small businesses and 137 mid-sized companies.

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