



T E A R S H E E T

# HSBC'S TRANSFORMATION AS A BANK FOR SMALL BUSINESSES

A CASE STUDY

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# THE CONTEXT

The past few years have shown that business banking customers no longer have to wait days or weeks to apply and receive loans to open bank accounts and transact. Many new options are being offered by fintech firms that don't have to deal with large legacy technology stacks and legacy thinking. This frees them up to focus on servicing small business needs and delivering good banking experiences. Large incumbent banks don't have this luxury.





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## HSBC'S TRANSFORMATION AS A BANK FOR SMALL BUSINESSES



“WE SPEND TIME TO  
ACTUALLY UNDERSTAND  
OUR CUSTOMERS IN ORDER  
TO ACT MORE  
PROACTIVELY TOWARDS  
THEIR NEEDS.”

-ERDI KARACA, HEAD OF HSBC KINETIC



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A black and white photograph of a person sitting at a desk, viewed from the side. They are looking at a large computer monitor. A laptop is also open on the desk. The desk is a modern, white, A-frame style. The background is a plain wall with a light switch.

# HSBC's Transformation as a Bank for Small Businesses

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HSBC Kinetic is a bold move by the 6th largest bank in the world. It's an app-only digital bank servicing small businesses, but for the financial institution established in the 1860s, it's much more than that. With Kinetic, HSBC is building experience in agile development environments, in the cloud, and with a branchless app that offers automated onboarding, in-app overdrafts, a controllable debit card and a range of personal financial management budgeting and cashflow tools.





To build out its new platform, HSBC spoke to 3,000 businesses, and while doing so, it became increasingly clear that Kinetic needed to be customer-centric to really deliver value. "We spend time to actually understand our customers in order to act more proactively towards their needs," said Erdi Karaca, head of HSBC Kinetic. "We want to inform them on time, rather than trying to serve them when it's already too late to meet some of those needs. We're definitely seeing a shift towards more proactive banking."

Though the channels have become digital, small business customers really want the same thing: information, easy and quick payments, and help with cash flow. They want to plan for the future and they need to know when they might run out of money.





# Strands Brings Business Financial Management Tools

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Part of the CRIF Group, Strands is a fintech software company that develops AI-driven solutions for banks and financial institutions to help increase customer engagement and generate new revenue through digital channels. Strands draws on more than 15 years of experience in Big Data, Machine Learning, and Artificial Intelligence in its mission to improve the bank-client relationship. The company creates highly-personalized digital money management solutions that empower people to better manage their lives and their businesses, and to make smarter financial decisions. Headquartered in Barcelona, Strands has a strong presence in Europe, North and Latin America, and Asia, and has collaborated on delivering more than 700 digital banking implementations worldwide.



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"By partnering with banks like HSBC, we collaborate on the solution together, so we can put the best tools to manage their finances properly in the hands of the small and medium business," said Erik Brieva, CEO of Strands.

"From Kinetic, small businesses can access multiple bank accounts, analyze invoices, create orders -- everything they need to do in order to run their businesses properly. It's powered by machine learning and artificial intelligence, so customers can be automatically alerted to take action."



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## AI DRIVEN SOLUTIONS SINCE 2004

**700+** Bank  
Implementations

**36** Countries using  
Strands solutions

**100M**  
Bank Customers

**94M** Transactions  
processed daily





# HSBC's Beyond Banking

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HSBC found that 70 percent of its customers manage their finances manually inside Excel spreadsheets.

Small businesses also work with bookkeepers and accountants to make sense of their business health. As their bank, HSBC has access to all of a business' incoming and outgoing transactions. HSBC's Karaca sees the role of a banking partner in a small business' ecosystem evolving. Kinetic wants to function as the financial data crux of a customer's financial life and that means putting all the pieces together for its clients. Working with Strands, Kinetic can pull in external data to get a unified view of everything together.





"There's no better place to reconcile financial data together than a bank and provide practical insights to customers, so they can understand their finances better in real-time instead of 24-hour batches, where you're always a day behind."

-ERDI KARACA, HEAD OF HSBC KINETIC.



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Working with Strands, Kinetic has a powerful transaction categorization engine within HSBC that is aligned to HMRC, the UK's tax office. By categorizing those transactions, the business bank saves its customers days every month trying to manually reconcile what category spending should fall under.

Customers get a cleaner view of where they spend their money. With some additional analytics, Kinetic gives customers a monthly breakdown of the changes in their spending per category.





# Personalized Business Insights

Additionally, Kinetic uses Strands to take business finance management up a level by building personalized insights for customers. The bank's smart engine analyzes spending trends to understand all the bills a small business has coming up in the next few weeks to tell it whether it's likely to hit zero or go into overdraft. From here, the app gives business customers options to take relevant actions.

A customer can top up his account from another bank or can cancel a payment, amend the payment, or reschedule it for a later date. Or if a customer needs funding, HSBC has options which customers can access straight through the app.





“It's all about understanding the customer, but also serving them at the right time, seamlessly. Relying on data and smart tooling helps our customers but it also helps HSBC because it helps us know our customers better.”

ERDI KARACA, HEAD OF HSBC KINETIC



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# NEW COMPETITION

Whether it's new upstart digital banks, or big technology entering into banking, banking competition is getting fiercer.



"We're seeing big retailers, like Amazon, Apple, and others enter banking and banks are still there, still competitive."

"That's the motto of Strands:  
We partner with banks and financial  
institutions to help them remain  
competitive, to help them offer a better  
user experience and continue leading the  
banking industry."

Erik Brieva, CEO of Strands



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