

June 2025

Datos Matrix: Leading U.S. Providers of Digital Small-Business Banking

A full copy of the 54-page report is available through the Datos Insights website

Prepared for:

Q2



Overview and Methodology

Competition has never been greater to win the hearts and wallets of the coveted small-business customer segment. FIs are competing against each other and agile fintech companies with solutions that address critical small-business needs. The right strategy and product set are crucial to success, as is deploying the right technology to support them.

This report evaluates key market dynamics, the technology vendor landscape, and the competitive positions of leading vendors. It leverages the Datos Matrix, a proprietary Datos Insights vendor assessment framework, focusing on vendor capability (stability, client service, and product features) and performance (client satisfaction, implementation success, and client outcome) to differentiate the market leaders from the contenders and emerging/niche options.

Methodology

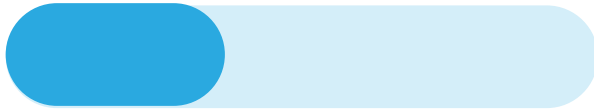
Datos Insights applied the following criteria to develop a list of vendors for participation:

- FI awareness of the vendor as a provider of a viable small-business digital banking offering
- Successful implementation of a small-business digital banking solution at a minimum of one U.S.-based FI and an ability to provide client references
- The ability to offer a full out-of-the-box solution (as opposed to just components of one)
- Capabilities suitable to meet the needs of small businesses, and not simply a rebranded consumer banking platform

Call to Action

Gaps exist between small-business needs and bank offerings. FIs are at risk of losing these critical customers to agile, forward-looking competitors.

37%



of small businesses state they will definitely or probably switch FIs in the next two years; 44% are among millennial- and Gen Z-run businesses.

Source: DatoS Insights survey of 1,004 U.S.-based small businesses, Q1 2025

Small businesses are changing:

- They show more comfort with technology
- They are aware and in need of products and services to help them run their business and manage cashflow more effectively
- They are willing to pay for products and services with the right value proposition

FIs Fall Short in Several Areas



75% of small businesses go beyond their FIs to meet at least one financial need.



77% of small businesses state their primary FI offers few products and services they would be willing to pay for.



85% of small businesses would like their online banking sites to integrate more tightly with their accounting systems.



82% of small businesses want to see their primary FIs offer more payment options.


Source: Datos Insights Survey of 1,004 U.S. based small businesses, Q1 2025

Key Trends Shaping the Market and Bank Needs/Strategies

| Trend | Implication |
|--|---|
| Small-business transaction volume may not be high, but their needs more often mirror those of middle-market companies, not consumers. | FIs can no longer effectively serve small businesses with rebranded consumer platforms. They need true business capabilities. |
| Small businesses show a greater willingness to work with fintech companies. | FIs need more open platforms that enable easier integration with third-party fintech solutions. They should also form partnerships with these fintechs to avoid disintermediation. |
| Cash forecasting remains a key challenge for most small businesses, but most FIs do not yet offer it. | Cash forecasting and better overall money management tools, along with payments, should be top priorities for FIs when seeking out fintech partners. |
| Demand for functionality is rising, but those capabilities must also be easy to use. | Small-to-midsize businesses (SMBs) often lack the resources of larger organizations and may lack specialty finance knowledge. They seek capabilities that add in-depth knowledge and convenience, but in personalized, easy to understand ways that generate efficiencies—this includes a need for mobile banking parity. |

AI Usage in SMB Banking Is Gaining Traction

Interest in artificial intelligence (AI) usage in the small-business space is rising rapidly.

| | | |
|--|---|--|
|  <p>70% of SMBs are comfortable/very comfortable with greater AI use banking and payments.</p> | <p>90% of banks expect to see impact on cash and money management from AI.</p> | <p>91% of SMBs that use AI tools report that it boosts their revenue.</p> |
| <p>What are vendors delivering?</p> <ul style="list-style-type: none">• AI-driven customer communications with automated responses based on policies• Data intelligence solutions enabling analytics-based decisions• Personalized dashboards with data-driven insights• Cash forecasting and money management tools• Advanced fraud prevention and risk management | <p>What are vendors promising?</p> <ul style="list-style-type: none">• Customer lifetime orchestrators with AI-based campaigns• Generative AI capabilities for business insights• Advanced data-driven recommendations• Predictive payment analytics• AI-powered cash flow forecasting | |

Source: DatoS Insights

Banks Are Replacing SMB Banking Platforms

After years of underinvestment, FIs at all levels are replacing outdated SMB platforms with more modern, open ones.

Investment in new SMB capabilities remains high year-on-year, driven by key pressures:

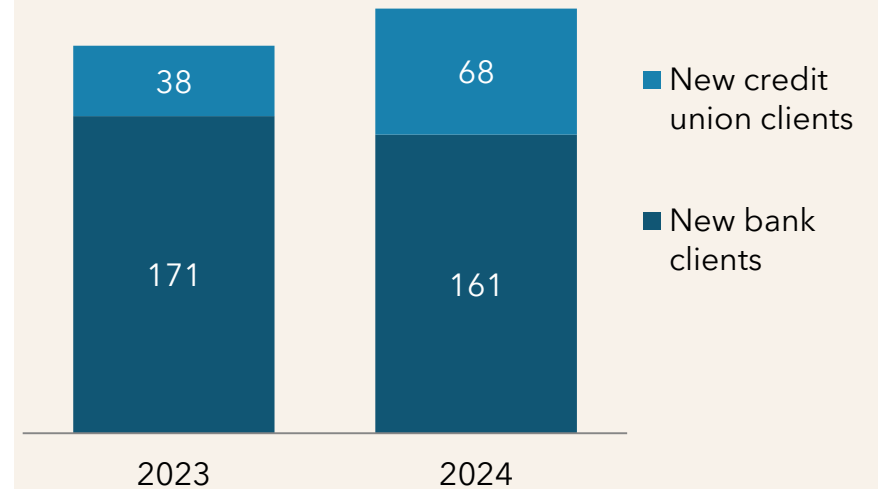
- The “Big Four,” digitally forward institutions, and fintechs are all gaining a greater shares of new SMB clients aided by their superior SMB banking offerings, spurring investment by other bank categories.
- Investment by credit unions is accelerating, aided by the growing range of cloud-based deployment options.
- SMB customer expectations are shifting for more self-service and more integration into accounting and enterprise resource planning (ERP) systems.

These numbers only include contracts for new deployments, not the addition of new modules. They also only count solutions aimed specifically at small-business use cases and not broader cash management capabilities.

The average number of new contracts varies dramatically between vendors. Those targeting credit unions are seeing the most growth.

Number of New SMB Digital Banking Contracts Signed by U.S. Banks With a Leading Provider, 2023 to 2024

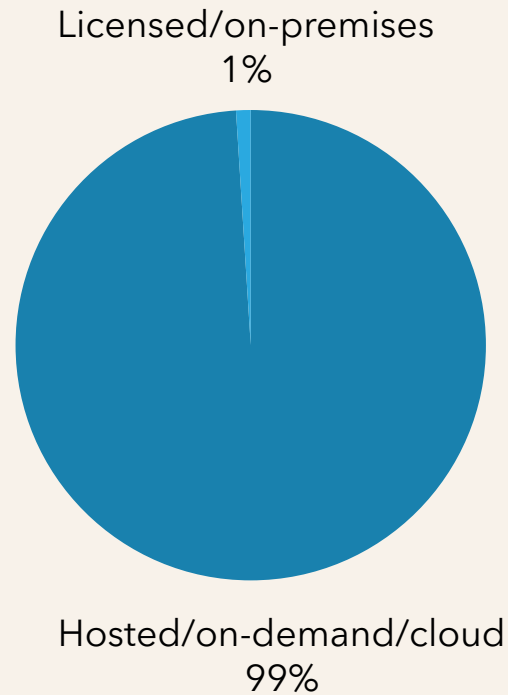
(Excluding cash management-only platforms)



Source: Key vendors included in analysis include Alkami, Apiture, Backbase, CSI, FIS, Fiserv, Jack Henry, Narmi, Q2

Hosted and Cloud-Based Deployments Continue to Be Preferred

Current Vendor Portfolios by Deployment Type



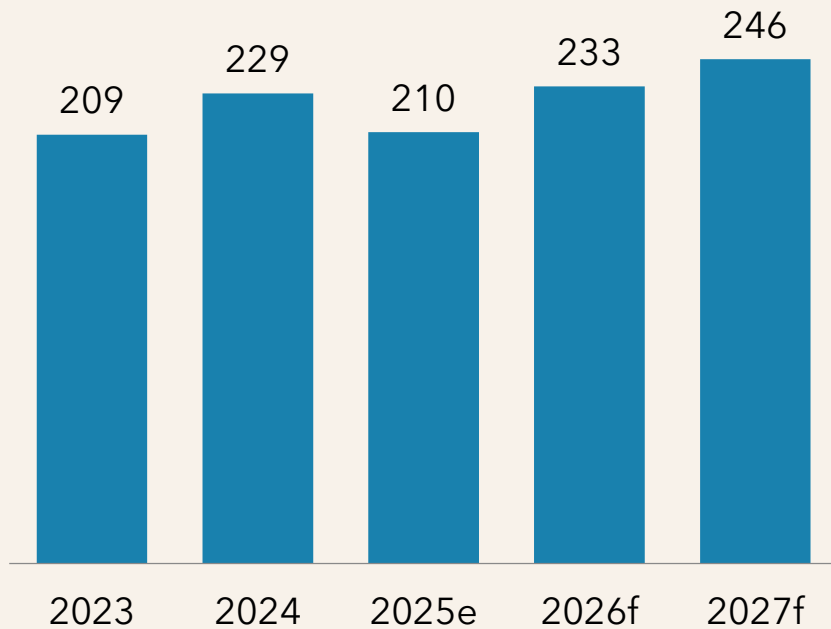
Source: Vendors

- All new 2025 contracts signed are for offerings that will be hosted in a vendor data center or cloud environment.
- Benefits of a hosted/cloud deployment include the following:
 - Faster speed to market
 - Lower capital expenses
 - Greater likelihood to be on the latest release of a solution
 - Risk transferred to vendor
- Offering a cloud deployment option has become the industry standard, with most vendors not even offering licensed/on-premises deployment options.
- Public cloud such as AWS is now increasingly preferred, particularly by banks under US\$9 billion in assets.

Datos Insights Expects the Number of SMB Banking Replacements to Waver, Then Rise Steadily

Forecast New SMB Digital Banking Contracts, 2023 to 2027f

(Excluding cash management-only platforms)



Source: Vendors and Datos Insights' estimates

- Outdated platforms must be replaced to remain competitive. "Good enough" is no longer sufficient in the increasingly competitive SMB space.
- Momentum was strong between 2023 to 2024, with 10% market growth driven largely by credit unions. Macro-economic conditions and economic slowdown, including the uncertainty brought on by tariffs, is expected to see a slight decline in new contracts in 2025 as many FIs take a wait-and-see approach on their investment decisions.
- Most activity will continue to come from community banks with less than US\$9 billion in assets and commercially focused smaller banks and credit unions, as most large and super-regional banks have already replaced their platforms or maintain home-grown platforms.
- Larger banks are focused on building out their solutions to meet shifting customer needs and expectations. Newer functionality, such as the growing use of AI tools, more API integration and reporting, and analytics functionality means overall investment will remain high, even outside of full SMB banking replacements.

Factors for and Against Adoption of a New Business Banking Platform

Adoption promoters

- Desire to offer small businesses true business capabilities rather than rebranded consumer ones
- Need for more robust capabilities to attract and retain small businesses, such as real-time reporting and money management
- Need for greater flexibility and more open platforms that more easily integrate with third-party fintech offerings
- Desire for better client-life-cycle management, particularly with high-growth SMBs
- Competitive pressure from fintechs and Big Four banks

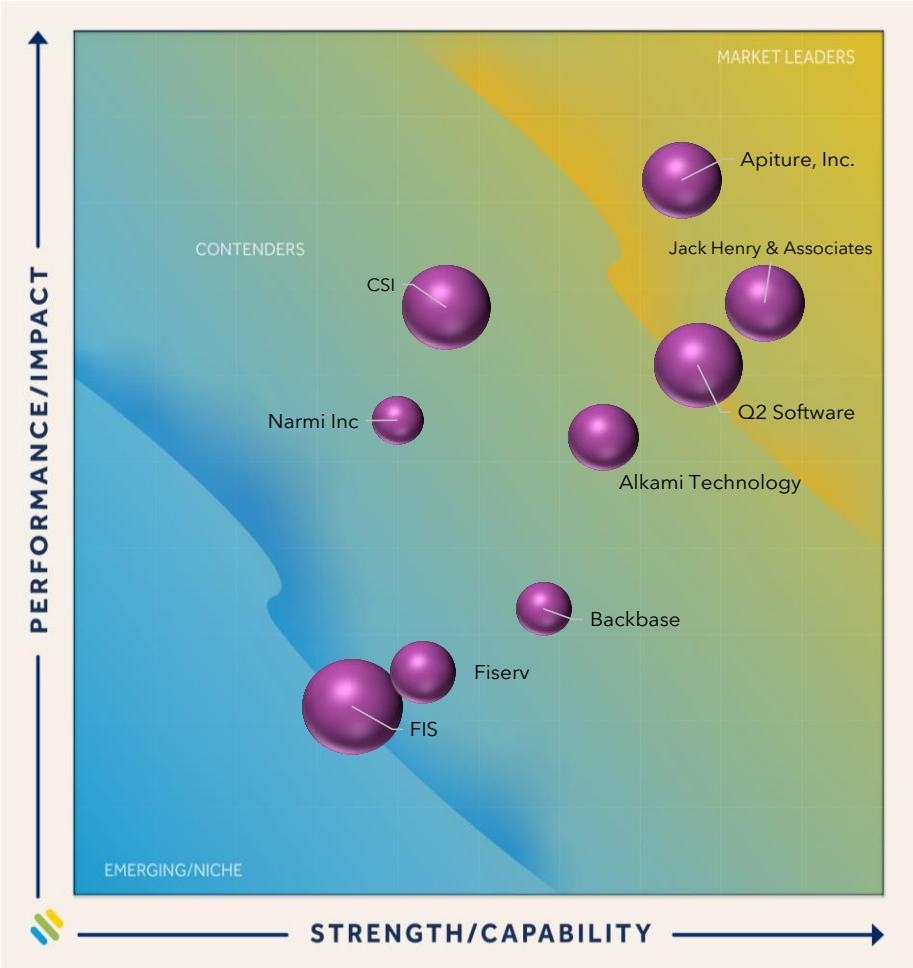
- Building business case for SMB investment due to perceived lower return on investment per customer
- Competing IT priorities and limited budgets
- Inertia and comfort with existing systems and processes
- Concerns about impact of migration on clients
- Fear that small businesses won't pay
- Siloed lines-of-business; SMB banking lost between retail and commercial

Adoption inhibitors

Key Functionality Trends

| Minimum requirements | Competitive differentiators | Next-generations features |
|---|--|--|
| <p>UI</p> <ul style="list-style-type: none"> • Personalized dashboard • Single view across products • Granular entitlements • Alerts and reminders, including fraud • Omnichannel capabilities <p>Transactional capabilities</p> <ul style="list-style-type: none"> • Zelle for Business • ACH • Basic commercial card <p>Integration</p> <ul style="list-style-type: none"> • QuickBooks/Xero/NetSuite integration | <p>UI/embedded analytics</p> <ul style="list-style-type: none"> • Cash forecasting • Money management tools • Scenario planning <p>Transactional capabilities</p> <ul style="list-style-type: none"> • Payroll functionality • Immediate payments • Virtual cards • Expense management <p>Integration</p> <ul style="list-style-type: none"> • Industry vertical ERPs • Fintech partnerships • E-commerce platforms | <ul style="list-style-type: none"> • Advanced, data-driven recommendations • Advanced fintech ecosystem • Industry peer comparisons • Generative AI capabilities |

Datos Matrix













Bubble size corresponds to U.S. SMB digital banking market penetration.


Vendor Profiled in This Report


| Vendor | Product name | Headquarters | Cloud options | Hosted deployment options |
|--------|-----------------------------|---------------|---|--|
| Q2 | Q2 Digital Banking Platform | Austin, Texas | <ul style="list-style-type: none">• Multicloud (Q2 private cloud, transitioning to AWS) | <ul style="list-style-type: none">• Single-tenant database• Select multitenant services |


Vendors’ Payment Capabilities

| Datos Insights Digital Small-Business Banking Assessment | |
|--|---|
| Capabilities | Q2 |
| Support RTP |  |
| Support FedNow |  |
| Support Zelle for Business |  |
| Ability to support batch payments in bulk |  |
| Payment scheduling |  |
| Request to pay functions |  |
| Ability to initiate payment via mobile device |  |
| Payment wizard/rules-based engine |  |
| International payment capabilities |  |









 Available and live at client site

 Available but not yet live at client site

 On product roadmap

 Not available

Vendors’ Money Management Tools

| Datos Insights Digital Small-Business Banking Assessment | |
|--|---|
| Capabilities | Q2 |
| Support for sweep accounts |  |
| QuickBooks integration |  |
| Integration with other key small-business accounting systems (Autobooks, NetSuite) |  |
| Open APIs for business tool integration |  |
| Forecasting and money management capabilities |  |
| Ability to generate and deliver electronic invoices |  |
| Integrated expense management features |  |
| Commercial card program management for business users |  |



Available and live at client site



Available but not yet live at client site







On product roadmap




Not available

Vendors’ User Experience Bells and Whistles

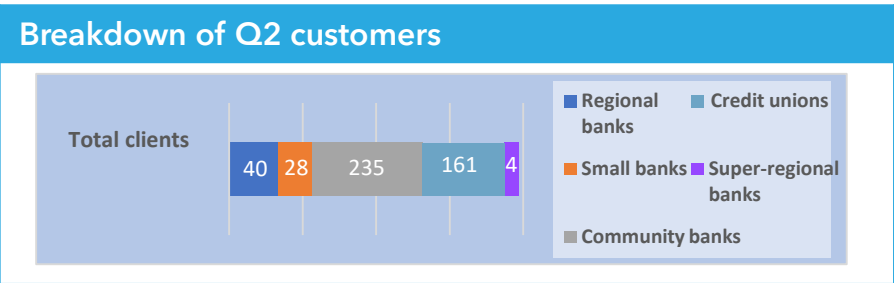
| Datos Insights Digital Small-Business Banking Assessment | |
|---|----|
| Capabilities | Q2 |
| Online knowledge center for customers to view demos, read articles on industry trends | ● |
| Create unique experiences and workflows for different personas, industry groups | ● |
| FI can roll out the system headless so they may leverage their UI | ● |
| Support multi-entity accounts with hierarchies for parent/subsidiary accounts | ● |
| Online account opening | ● |
| Customizable end-user dashboards | ● |
| Single platform to manage accounts for multiple business entities under one owner | ● |
| Integrated chat/digital agent support | ● |

-  Available and live at client site
-  Available but not yet live at client site
-  On product roadmap
-  Not available

| Company overview | |
|---|--|
|  | Q2 describes itself as delivering innovative digital banking and lending solutions to banks, credit unions, alternative finance companies, and fintechs in the U.S. and internationally. |
| Founded | 2004 |
| Headquarters | Austin, Texas |
| Ownership | Public |











Sample clients





| Product overview | |
|------------------------|--|
| Product name | Q2 Digital Banking Platform |
| Target customer base | Banks and credit unions of all sizes, including over 40% of top 100 U.S. banks and credit unions |
| Number of U.S. clients | 468 |
| Deployment options | Public cloud (transitioning to AWS throughout 2025), private cloud, and data center hosting |

| Differentiating features and recent enhancements | Key roadmap focus areas |
|--|---|
| Fintech marketplace for banks to offer unique solutions to business users; categories include digital engagement, origination and deposit growth, payments, fraud prevention, and financial wellness | Further enhancements to composable dashboard and dynamic personalization for users |
| SMB offering positions itself as balancing complexity with the precise number of solutions SMBs require | Payment capabilities expansion, such as payment wizard/rules engine to guide users through payment initiation |
| Composable business dashboard enables dynamic approach to customization for business users | Profile switcher and self-service capabilities |
| Q2 solution allows SMBs to grow flexibly by adding features and functionalities on-demand, as needed | Commercial card management for business users |
| Q2 Innovation Studio allows SMBs to construct solutions internally or with support from Q2-certified development partners | Liquidity management functionality, including support for sweep accounts |

| Overall assessment | | Datos Insights client outcome/impact analysis | | Functionality assessment | |
|---|--|---|--|---|---|
| <p>Q2's Digital Banking Platform stands out for its ability to serve small businesses across the entire growth journey. A critical advantage of Q2's approach is its single-platform architecture, which scales from consumer to commercial use, allowing FIs to maintain continuity as the number of small-business customers grow. Clients appreciate that they can add consumer, small-business, and commercial capabilities to the same platform without requiring full implementations for each segment.</p> <p>The platform's entitlements capabilities are noteworthy, offering simple models for microbusinesses and sophisticated role-based controls. Q2's Innovation Studio and fintech marketplace are another significant differentiator; they give FIs access to over 175 preintegrated partners, enabling quick deployments of specialized capabilities (e.g., automated cash flow forecasting) or accounting integrations without lengthy development cycles. Some midsize firms noted challenges with roadmap delivery timing. Still, client institutions report high satisfaction with Q2's vision and strategic focus.</p> <p>For FIs seeking a platform with growth flexibility, strong mobile capabilities, and an ecosystem of integrated solutions, Q2 offers a compelling option with proven market traction and a clear roadmap for continued SMB-focused development.</p> | | Client satisfaction | Clients are highly satisfied with Q2, noting its ease of use and continuous innovation in CX enhancements. One client reference praised Q2's "innovative vision," which helps it stay relevant. Clients are positive about support levels and continued focus on critical areas. | UI |  |
| | | Implementation success | An implementation team comprising 101 to 250 specialists provides structured onboarding processes. Implementation metrics are generally positive, though some clients note that roadmap item delivery can be a challenge. | Payment capabilities |  |
| | | Client outcome/impact | Clients report that Q2 is an industry benchmark for helping attract new clients and retain existing ones. They also rate highly the solution's impact on their ability to generate revenue via new cross-sell opportunities. Clients emphasized the value of Q2's unified platform approach, which allows seamless growth without requiring system transitions as businesses expand. | Custom client journeys |  |
| | | | | Business insights/reporting |  |
| | | | | Integration with key ERP and accounting systems |  |
| | | | | Mobile banking capabilities |  |
| | | | | Money management tools |  |
| | | | | Multi-user entitlements |  |
| | | | | Speed of innovation |  |
| | | | | Implementation/support |  |

| Datos Insights strength/capability analysis | | |
|---|--|---|
| Vendor stability | Client base strength | Product features |
| Q2 is a publicly traded company with positive profitability and high recurring revenue (over 95%), demonstrating solid financial fundamentals. Management receives "competent" ratings from clients, with strong strategic planning capabilities. | Q2's 468 FIs span community banks (235), credit unions (161), and regional and larger institutions (72). Client retention exceeds 95%. The company consistently adds 30 to 40 new clients annually, with minimal competitive displacement. | Q2 offers strong mobile capabilities and consistent experiences across devices. Ecosystem integration rates highly, while clients identified client journey personalization as an area for development. Q2's innovation studio provides capabilities that would otherwise be challenging for many banks to implement. |

About Datos Insights

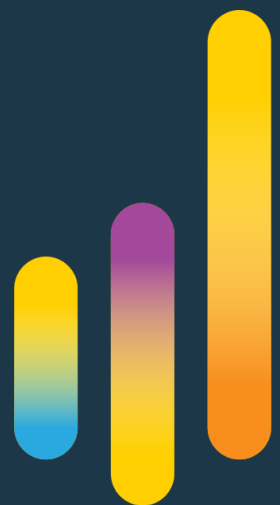
Datos Insights is the advisor of choice to the banking, insurance, securities, and retail technology industries—both the financial institutions and the technology providers who serve them. We help our clients make better technology decisions so they can protect and grow their customers' assets.

Our consulting and thought leadership delivery are set apart by the deep industry knowledge of our advisors, a long history of successful client partnerships, and a foundation of empirical research and data. Our advisors have been in our clients' shoes, so their counsel is rooted in real-world experience, not speculation. We are staffed for deep client partnerships—not for scale—and we offer open-door accessibility. Whenever clients need us, they can reach us.

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