September 2026

The New Commercial Standard: How Community Banks Compete Through Modern Treasury

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Summary and Key Findings

Community banks face a tightening competitive squeeze from larger financial institutions and agile fintech providers. Low historical churn rates have masked a growing vulnerability within commercial portfolios. This report draws on Datos Insights' SMB and Commercial Banking Flagship surveys to identify where community banks are losing ground and how they can deploy their structural advantages in relationship banking to retain commercial deposits.

- **Switching intent is surging beyond historical norms.** Customer loyalty is deteriorating rapidly across the commercial banking market. While community bank customers showed low switching rates in the past, a growing segment now indicates they will likely switch institutions in the near future. This attrition risk is heavily concentrated among, but not exclusively, younger business owners.

- **Relationship erosion precedes account closure.** A community bank customer's deposit account often stays open well after the underlying relationship has started to move elsewhere. Seventy-one percent of SMBs already work directly with a nonbank fintech for at least one financial capability, and each one they add pulls a piece of the relationship away before the account itself is ever at risk.

- **Functionality drives attrition over pricing.** Operational friction is the primary catalyst for businesses changing financial providers. Small and midsize businesses abandon their primary institutions to acquire better payment automation tools, more payment options, and real-time payment capabilities.

- **Platform fragmentation is a critical pain point.** Businesses outgrow basic cash management tools much earlier than most banks anticipate. Managing multiple software platforms that fail to communicate is the leading cash flow complaint for community bank customers.

- **Banking from inside enterprise systems is becoming baseline functionality.** Businesses want to run banking operations from the accounting and industry software they already use, rather than logging into a separate destination. Any bank that intends to hold those relationships as its customers grow needs that connectivity.

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- **Relationship managers remain the decisive competitive advantage.** Community banks hold a structural advantage in human-led advisory that digital-first competitors struggle to replicate. Community bank customers heavily rely on their relationship manager as a top source of financial product information, far outpacing the reliance seen at larger institutions. This personal relationship is especially critical for younger decision-makers, who strongly require a personal relationship with their banker to maintain their business.

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Introduction

Small businesses have never had more banking options, or less patience for institutions that introduce operational friction. Fintech firms aggressively offer the payment and cash flow tools that once required a full banking relationship, while the largest institutions chase these same customers down-market with massive technology budgets. Community banks sit between the two, unable to outspend the super-regionals or out-integrate the agile fintechs.

This report examines where that competitive squeeze is tightest, and where community banks hold genuinely defensible ground. Drawing on recent Datos Insights survey data, the findings indicate that community banks are not inherently losing the fight for commercial customers. Rather, they are underselling their structural advantages while falling behind on the functional basics modern businesses now expect.

Methodology

This report draws on two Datos Insights surveys, the Q1 2026 SMB Flagship Survey of 1,014 U.S. businesses with US$100,000 to US$20 million in annual revenue, and the Q3 2025 Commercial Banking Global Flagship Survey of 1,036 employees at midmarket and large organizations.

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SMB Switching Intent Is Rising

The willingness of small and midsize businesses to change financial providers is climbing sharply, and the risk is greatest for the institutions that have historically depended on inertia to keep customers in place. Actual switching over the past two years has risen but remains modest across the market, while forward-looking intent has surged well ahead of it at nearly every bank type. Loyalty in small-business banking can no longer be assumed. It has to be earned continuously, against a widening field of competitors that make switching easier every year. Community banks, which have long treated low historical attrition as proof of a durable relationship, are among the most exposed to this shift, because the expectations driving it are changing for every business regardless of who they bank with.

Commercial Customers Are Preparing to Switch at Unprecedented Rates

Historically, institutional inertia protected deposits, and low switching rates were read as evidence of loyalty rather than simple friction. Switching a financial institution was a laborious process, most banks offered similar, near commoditized products, and service and price remained the key differentiators. This is now changing.

Figure 1 below shows that actual switching over the past two years ranged from 8% of community bank customers to 19% of credit union customers, with big four and super-regional customers in between 16% and 17%. While a certain element of churn is inevitable in financial services, switching rates continue to rise for institutions of all sizes, having picked up over the past five years. That community banks show the lowest level of customer churn is commendable and underlines the importance that personal relationships and local presence can have on customer stickiness.

Low historical switching does not mean the relationship was fully intact during that period. Share of wallet narrows well before an account closes, as one financial task at a time moves to a specialized provider, and a bank that measures loyalty only by account retention misses this erosion until it resurfaces as switching intent.

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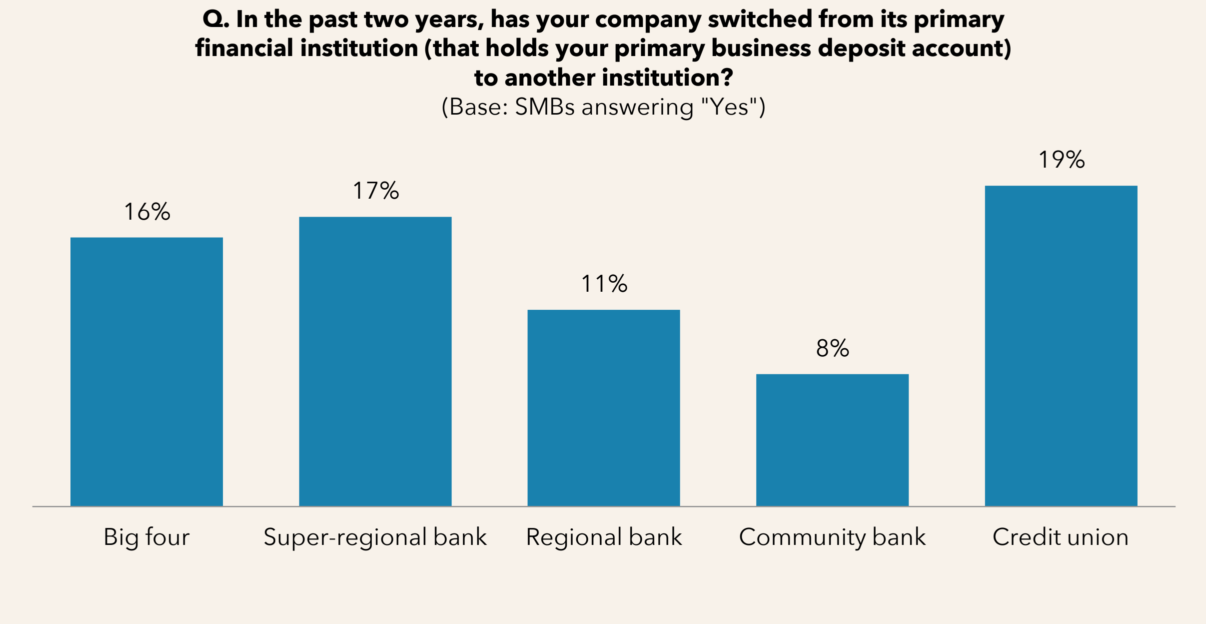
Figure 1: Past Switching Varies by Bank Type, From 8% to 19% of Customers



Source: Datos Insights survey of 1014 U.S. SMBs, Q1 2026

A lower degree of past switching relative to other FIs should not obscure the risk community banks now face. As shown in Figure 2, 21% of community bank customers now say they definitely or probably will switch FIs in the next two years, against the 8% who actually did over the past two years, a near-tripling of the historical rate and the sharpest projected increase of any bank type in the market. Big four customers show the highest absolute intent at 30%, up from 16%, confirming that scale alone is no longer a foolproof retention strategy either. Tellingly, a significant proportion of SMBs ranging from 29% of community bank customers to 53% of credit union customers report they may or may not switch banks. This is a high degree of ambivalence and shows a high risk of customer drift if they see a better offer come along. Once SMBs who say they might switch are folded in, roughly two-thirds of the entire SMB market is no longer firmly committed to its current financial institution. That is not a niche risk, instead it is the new operating condition community banks now have to plan around.

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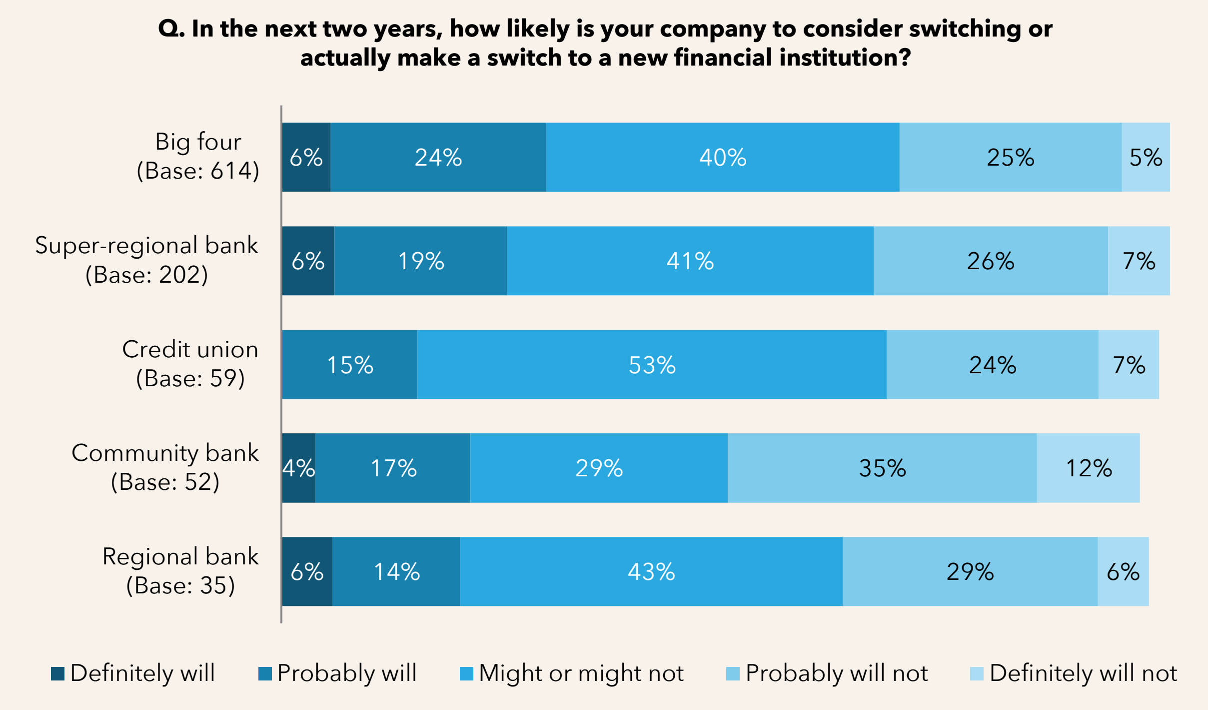
Figure 2: Future Switching Intent Outpaces Past Behavior for Most Bank Types



Source: Datos Insights survey of 1,014 U.S. SMBs, Q1 2026

This flight risk increases with younger generations. Thirty-eight percent of Generation Z respondents say they definitely or probably will switch in the next two years, compared with just 12% of baby boomers, and 27% of Generation Z decision-makers already switched in the past two years against 5% of baby boomers. Every generational comparison in this survey points the same direction. The youngest business owners are both the most active switchers today and the most likely to switch again tomorrow. As they take on a growing share of small-business decision making over the next decade both from inheriting businesses from older generations and from starting new SMBs, this is a preview of where overall market churn is headed.

Businesses Switch for Functionality Before They Switch for Price

When SMBs abandon a primary institution, they are typically fleeing operational friction and not solely chasing a lower price. Among SMBs that have switched or would be willing to, better payment automation tools (43%), more payment options (42%), and real-time payment capability (41%) lead the list, followed by integrated cash management tools such as forecasting and budgeting at 38% and an enhanced digital banking experience at

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36% (Figure 3). More attractive loan rates rank sixth at 35%, and tight integration with fintech offerings registers at 31%, ahead of easier account opening at 25% and more convenient branch or ATM access at 22% and 18%. Every reason ahead of pricing is about how money moves, not what it costs to move it. Integrated cash management, sitting at 38%, ahead of loan rates, is the most useful number in the set for a community bank, because it names a capability gap rather than a margin decision. A bank that competes solely on rate or fee structure is answering a question its own switchers are not asking and is likely to keep losing them regardless of how competitive its pricing becomes.

Figure 3: SMBs Switch for Payment Functionality Before They Switch for Price

Source: Datos Insights survey of 1,014 U.S. small-business financial decision-makers, Q1 2026

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Rising Business Expectations Are Redefining Digital Banking Standards

Digital capability in financial services is a critical battleground, and community banks cannot afford to guess at where to invest. When their own SMB customers rank what matters most in a digital banking experience, the result is not a short list of must-haves and a long list of nice-to-haves. It is a high floor that will keep climbing as SMBs' own accounting, ERP, and payment infrastructure grow more sophisticated.

Account Opening and Payment Alignment Lead but SMBs Have Many Priorities

Specifically, among community bank SMB customers, the full picture of demand looks stark. When asked what type of features they expect from digital banking—combining required, very important, and important response categories—payment initiation workflows aligned to how the company operates reach 79%, and digital account opening reaches 78%, both ahead of mobile banking capability at 72% (Figure 4). A financial dashboard showing business health on one screen and a personalized experience based on industry or specific needs each land at 67%, with third-party system sync close behind at 66%.

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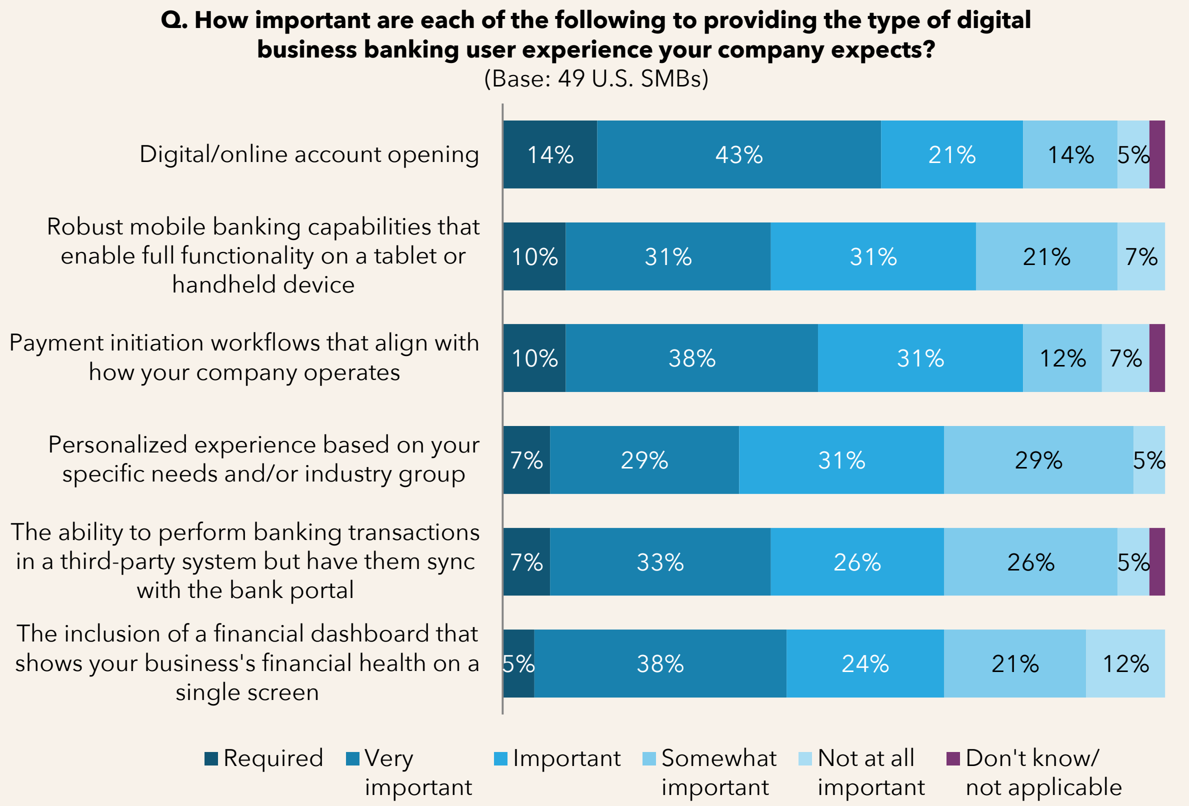
Every capability tested carries broad, meaningful demand, and even the lowest-ranked feature still matters to two-thirds of a community bank's own customers. Account opening and payment initiation lead because they solve the friction customers feel first, at onboarding and in daily transactions, not because the rest of the list is optional. A community bank that treats dashboard visibility, personalization, or third-party sync as a lower priority is underestimating how many of its own customers already expect it.

Figure 4: Digital Account Opening and Payment Alignment Rank Highest Among Community Bank Customers



Source: Datos Insights survey of 1,014 U.S. SMBs, Q1 2026

Businesses Want More Operational Functionality

When asked what they want to see their primary FIs invest in, SMBs name the features that help them manage day-to-day operations and make the business run more effectively. Real-time payment capability leads at 40%, followed by the ability to bank from inside their own accounting software at 37% (Figure 5). Both are high-demand capabilities, cited explicitly as areas where current FIs fall short, and both are typically associated with

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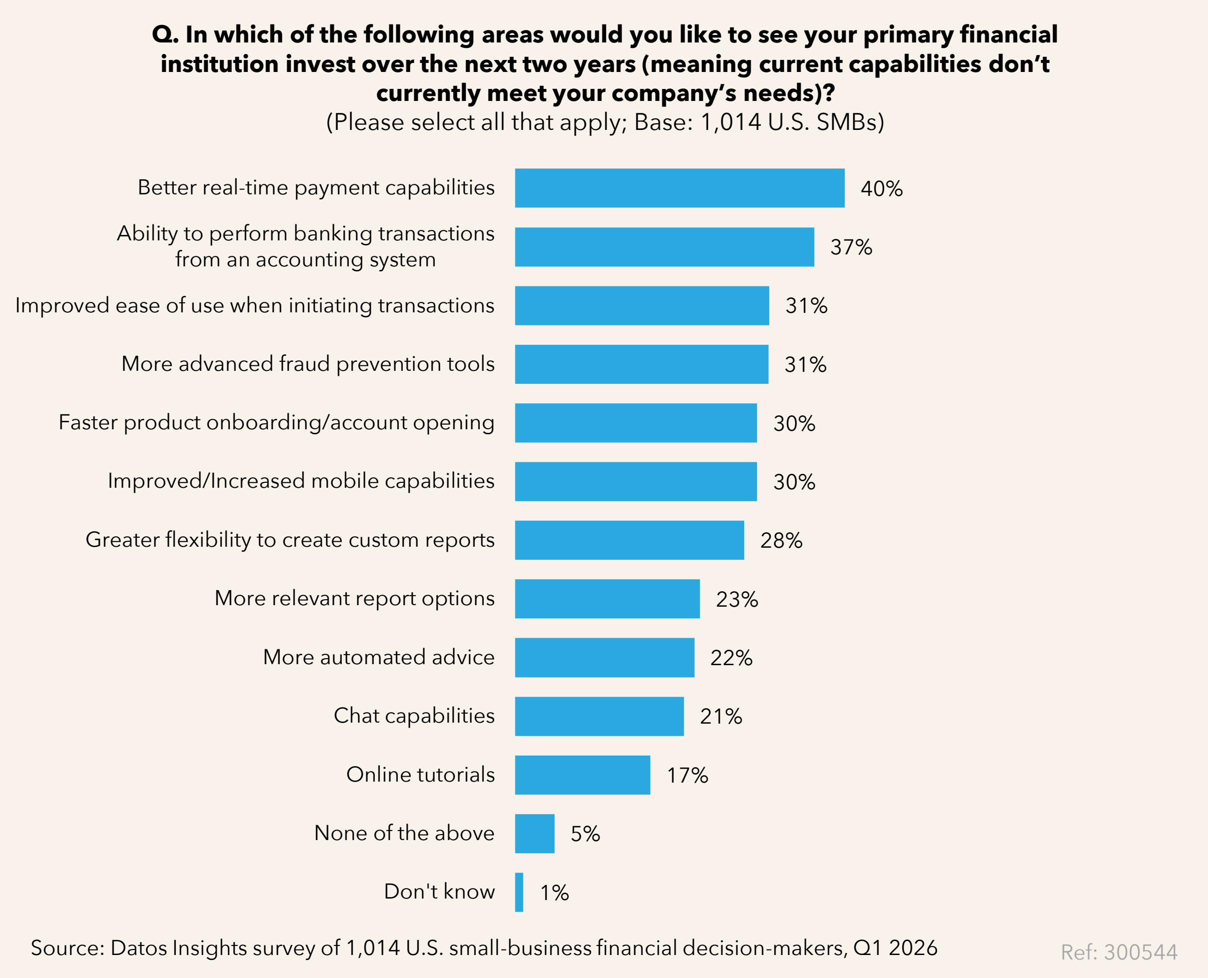
midmarket and corporate customers rather than small businesses. Many FIs remain in a holding pattern, still asking whether SMBs really need faster payments and whether platform integration is too complex for a business this size. The market has already answered both questions.

More advanced fraud prevention tools follow at 31%, as fraud concerns rise year-on-year, driven by new forms of attack and AI-driven fraud vectors. This points to an advantage for established FIs, community banks among them, which carry higher levels of trust than a newer provider. The moment to be vocal about those protections is now, while the concern is still building.

Figure 5: Real-Time Payments and Accounting-System Access Top the SMB Investment Wish List



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Demand for Advanced Treasury and Cash Management Functionality Is no Longer Limited to Large Enterprises

Sophisticated cash management functionality no longer starts at the top of the business banking market. It is already prevalent well inside the SMB segment, and it becomes close to non-negotiable by the time a business reaches the middle market. The institutions still treating cash management as an up-sell reserved for larger relationships are, in effect, waiting for a signal that has already arrived earlier than they expect.

Businesses Outgrow Basic Cash Management Long Before They Outgrow Their Bank

For community bank customers specifically, the leading cash flow complaint has nothing to do with price. Twenty-seven percent point to managing multiple software platforms that do not communicate with each other, ahead of delayed payments from customers at 23%, high transaction fees at 19%, and manual data entry at 19% (Figure 6). Twenty-three percent report no major challenges at all, but for the majority who do, fragmentation, not cost, is the dominant headache. This is a finding community banks can act on directly, since fee reduction is a margin decision with real limits, while platform integration is an engineering problem with a defined solution. Treating the two as equally difficult to solve has likely cost community banks more retained deposits than high fees or slow payments ever did.

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Figure 6: Platform Fragmentation, Not Fees, Tops the List of Cash Flow Complaints at Community Banks

Source: Datos Insights survey of 1,014 U.S. SMBs, Q1 2026

When SMBs shop for a cash management platform, cost and security dominate the decision at 51% and 49%, which is unsurprising given how directly both touch the bottom line and the balance sheet (Figure 7). What is more revealing is what comes next. Ease of implementation at 39% and a clean user interface at 33% rank well ahead of provider reputation at 26% or breadth of features offered at 20%. SMBs evaluating a new platform are not primarily protecting against a bad vendor. They are protecting against a difficult rollout on top of the platform fragmentation they are already struggling to manage. A community bank that leads its cash management pitch with feature breadth, rather than implementation simplicity, is optimizing for the wrong stage of the buying decision.

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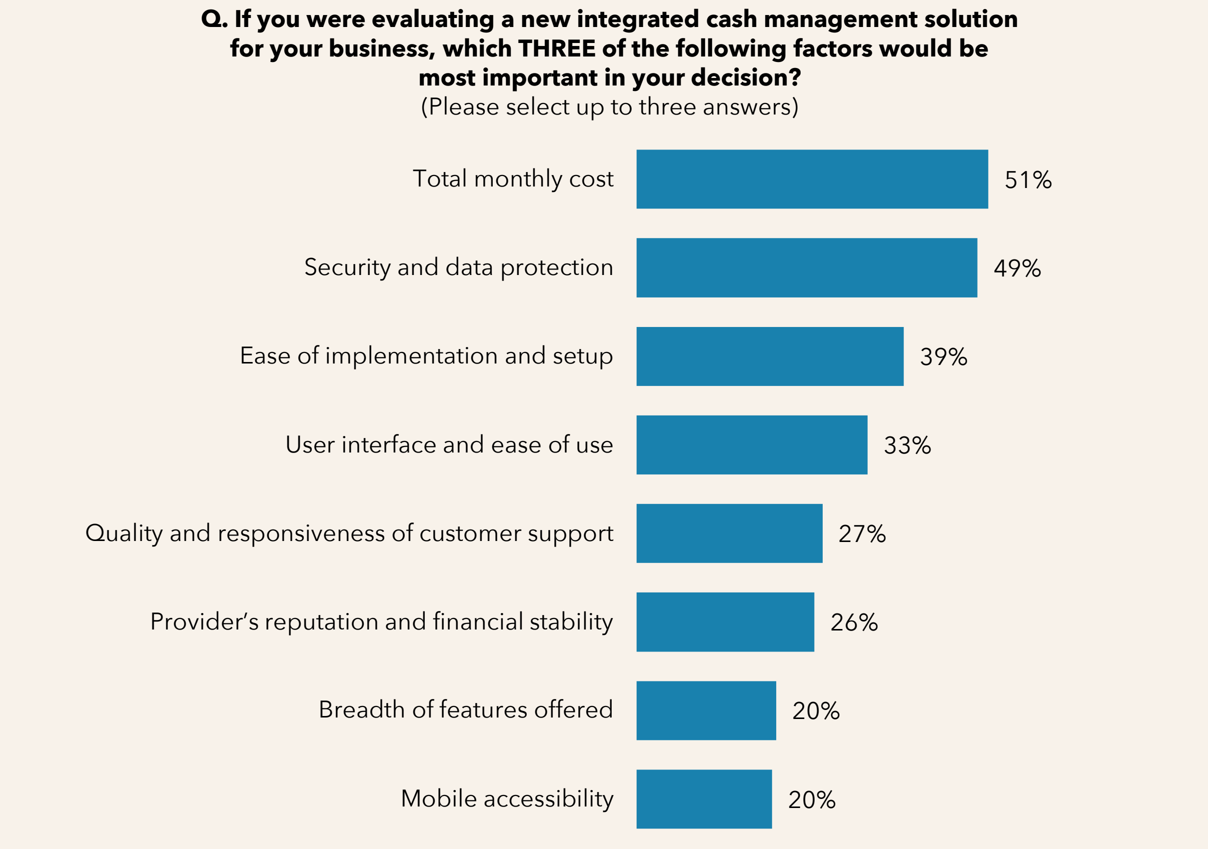
Figure 7: Ease of Implementation Rivals Cost as a Cash Management Selection Factor



Source: Datos Insights survey of 1,014 U.S. small-business financial decision-makers, Q1 2026

Fintech Integration Is the New Reality

A community bank that waits for a customer to scale before offering integrated treasury tools has usually already lost that workflow to someone else. Seventy-one percent of SMBs already partner directly with a nonbank fintech company for at least one financial capability. Among mid-to-large organizations, the figure climbs further, with 79% working with at least one nonbank fintech firm for cash management or payment services, and 45% working with two or more simultaneously (Figure 8). The progression across company size is telling. Fintech adoption does not plateau as businesses grow past the smallest SMB tier, it deepens. A bank that treats fintech competition as a small-business problem is missing where the trend actually goes.

Fintech adoption does not equal account closure, and this risk is often overlooked by FIs of all sizes. The cost of inaction typically follows a specific sequence, and it starts smaller than most banks expect. First, a single specialized workflow moves to a fintech, a business starts invoicing or paying vendors through a dedicated tool rather than the bank's own

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systems. Next, operating deposits begin to follow, since the transaction activity that used to run through the bank is what generated and retained those balances in the first place. The relationship weakens accordingly, as a bank that only sees the deposit balance and not the activity behind it has less to advise on and less reason for the customer to call. Full attrition is the last step in this sequence, not the first, and by the time it happens the bank has already been losing ground for months or years without a switching statistic to show for it. The account stays open through most of this sequence, but the relationship does not survive it intact.

This is not necessarily a zero-sum threat and treating it as one is a strategic error. Fintechs compete on a technology-first, single-purpose basis, a better payments experience, a faster invoicing tool, a cleaner expense workflow. It is worth noting that many of these fintechs are now expanding their offering into more end-to-end solutions, even positioning themselves as alternatives to 'stodgy' traditional FIs. The strategy for these fintechs is once a business user comes for one functionality, it becomes easier to 'land and expand' into other products and services.

Community banks, like most FIs, compete on the primary account relationship, the deposit base, and the lending history that follows a business as it grows. Businesses do not want to sever the second to keep the first. They want their financial tools to work together regardless of who built them. A community bank that opens its own platform to connect with the fintech usage its customers already have can offer that interoperability directly, capturing the account relationship without needing to displace every specialized provider a customer relies on.

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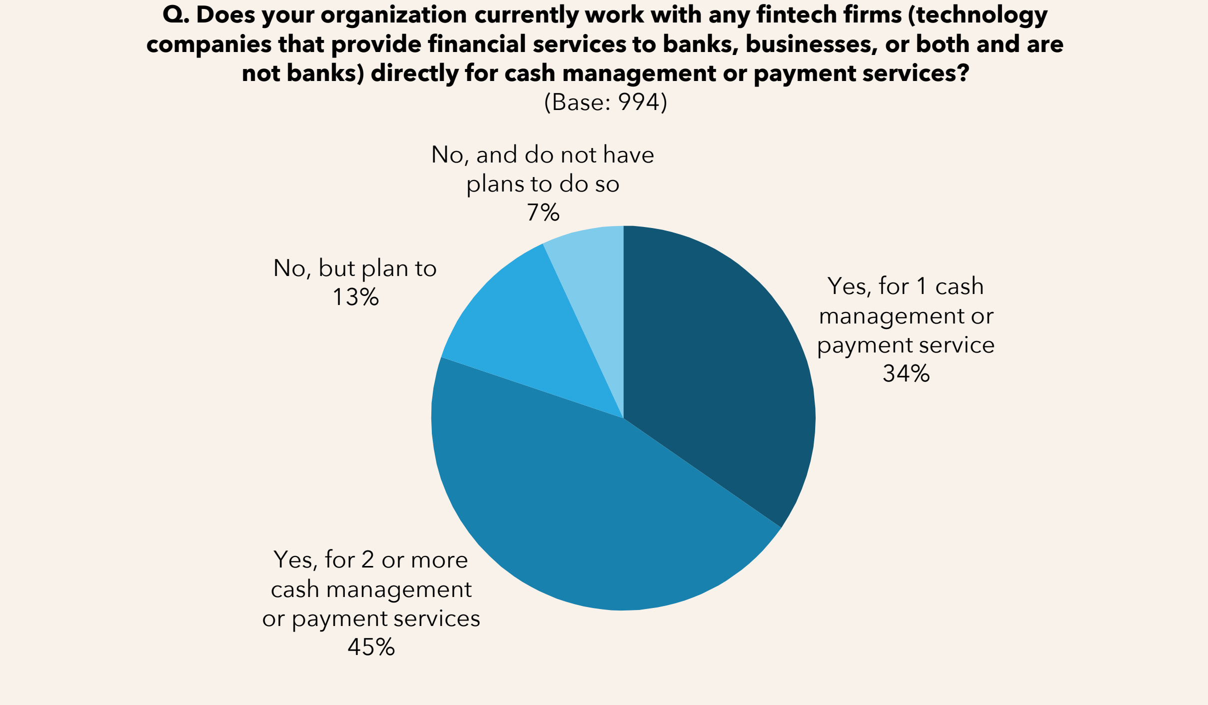
Figure 8: Most Midsize and Large Organizations Already Work Directly With a Fintech Firm for Cash Management



Source: Datos Insights survey of 1,036 midsize to large organizations, Q3 2025

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Targeting Specific Industries With Native ERP Integrations Unlocks Sticky, High-Margin Deposits

Every local market has a cluster of specialized businesses with complex needs that basic SMB banking features do not meet. Property managers, escrow services, and law firms holding client funds in trust all manage ledgers far more complicated than a standard business checking account was ever built to support. These businesses are already telling their software providers, not their banks, what they want next, which means the accounting and vertical-specific software vendors serving them are accumulating exactly the workflow relationship a bank should want for itself. The opportunity here for community banks is recognizing that the deposits sitting inside these complex, high-touch businesses are more durable and less price-sensitive than a standard commercial account, provided the bank can meet them inside the software they already run their business on.

The Urgency to Bank From Inside Their Own Software Is Building

Among midsize organizations with US$20 million to US$100 million in revenue, 64% say it is now a critical, urgent, or near-term priority to run their banking directly from the software they already use to manage the business, rather than logging into a separate site (Figure 9). Only 6% call the need critical today, but 24% call it a very important and urgent priority and another 34% say it should be prioritized soon. This is a demand curve still climbing, not one that has peaked. For a community bank, the useful reading is not the 6% who call it critical today. It is the 34% who call it a near-term priority, since that is the cohort, a bank can still get ahead of before a specialized provider does.

Industry-specific software platforms now reach almost every business type and give even the smallest firms functionality that was restricted to the largest corporates a decade ago. Law firms and property services depend on them most heavily, because their accounting and regulatory obligations leave little room for a general-purpose tool. An FI that can meet the integration and functional requirements of those platforms, where its customers already work, is well placed to retain and expand those relationships.

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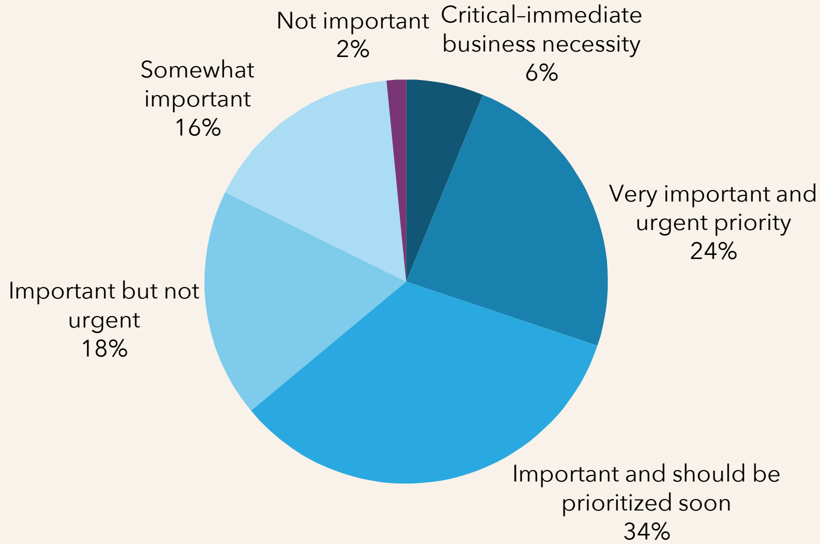
Figure 9: Running Banking From Their Own Books Is Becoming a Near-Term Priority for Midsize Businesses

Q. How important is it for your organization to run banking operations from your enterprise system?
(Base: 322 midmarket firms with US$20 million to US$100 million in revenue)



Source: Datos Insights survey of 1,036 midsize to large organizations, Q3 2025

Cash Management Tops the List of What They Would Handle Themselves

Asked what they most want to do without leaving their existing industry software, businesses rank cash management first at 54%, followed by payments at 46% and liquidity management at 45% (Figure 10). Outgoing billing and invoicing at 41% and incoming invoice management at 38% follow close behind, while lending operations at 31% and FX payments origination at 29% trail the list. The capabilities businesses want embedded first are the ones they touch daily, not the ones they need occasionally.

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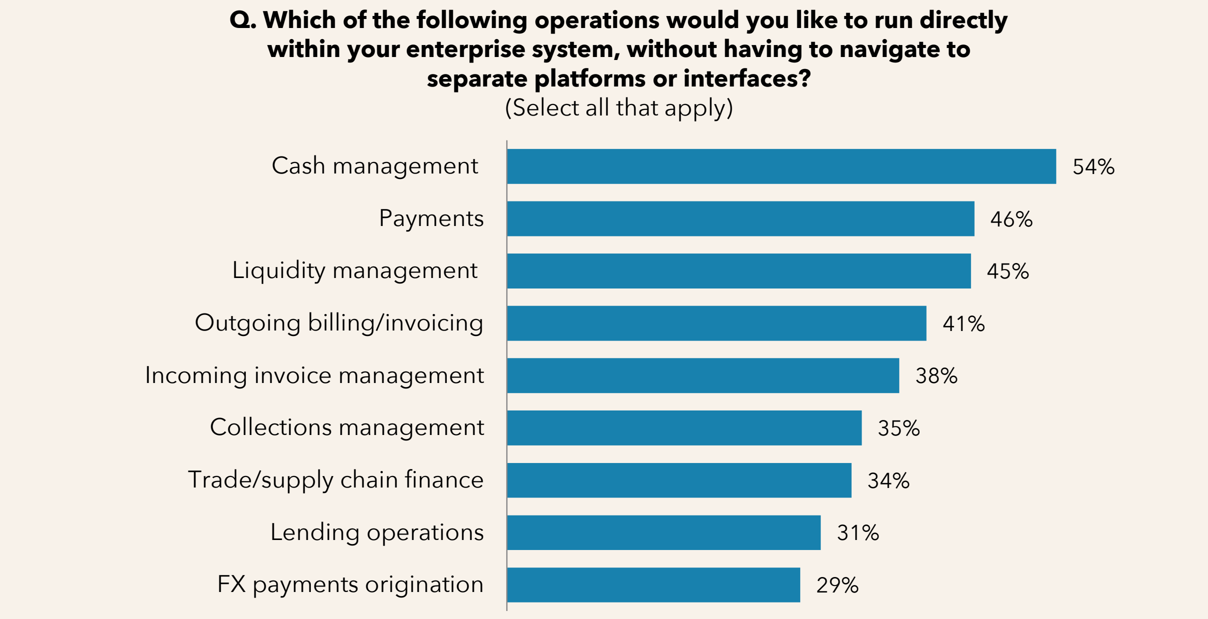
Figure 10: Cash Management and Payments Top What Businesses Want to Handle From Their Own Books



Source: Datos Insights survey of midsize and large businesses, Q3 2025

Community banks that deliver clean connectivity directly into these industry-specific platforms capture durable, low-cost commercial deposits that standard pseudo retail products were never designed to service. This is the strategic logic behind vertical industry specialization. A title company or property management firm that runs its cash management from inside its own software is unlikely to shop that relationship elsewhere, because the switching cost is no longer just a new account number, it is a rebuilt workflow.

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Community Banks Possess a Structural Advantage in Relationship Banking That Modern Technology Can Amplify

While digital capabilities are becoming commoditized table stakes, community banks hold a structural advantage that larger competitors have struggled for years to replicate. That advantage is the relationship manager, a banker who knows the business behind the account rather than just the account itself. It is also an advantage community banks have historically underinvested in relative to its value, treating it as a cultural strength rather than a capability that requires the same real-time data infrastructure their digital competitors already take for granted.

Data Visibility Amplifies the Relationship Manager

Fifty-two percent of community bank customers rely on their relationship manager as a top source of financial product information, well ahead of regional banks at 46%, super-regional banks at 37%, and big four banks at 34% (Figure 11). No other bank type comes close to matching community banks on this measure, and that margin widens further in the channels customers use instead. Only 31% of community bank customers cite their bank's website or mobile app as an effective source of financial information, the lowest share of any bank type, against 40% for regional banks. Community bank customers are not avoiding digital channels out of unfamiliarity. They are choosing a person over a search bar because, for now, the person still has better information and understands their business.

That advantage only holds up if the relationship manager is working from current information, not a stale, month-end snapshot. Modern treasury platforms generate a steady stream of behavioral and transactional data on the client side, and that data creates value for the banking relationship only if the bank captures it and puts it directly in the banker's hands. A relationship manager who can see a customer's real cash position, not last quarter's, can flag a looming shortfall or a growth opportunity before the customer has to ask. A bank that lets that data sit unused inside its treasury platform, while its relationship managers work from account statements, is paying for the infrastructure without collecting the return.

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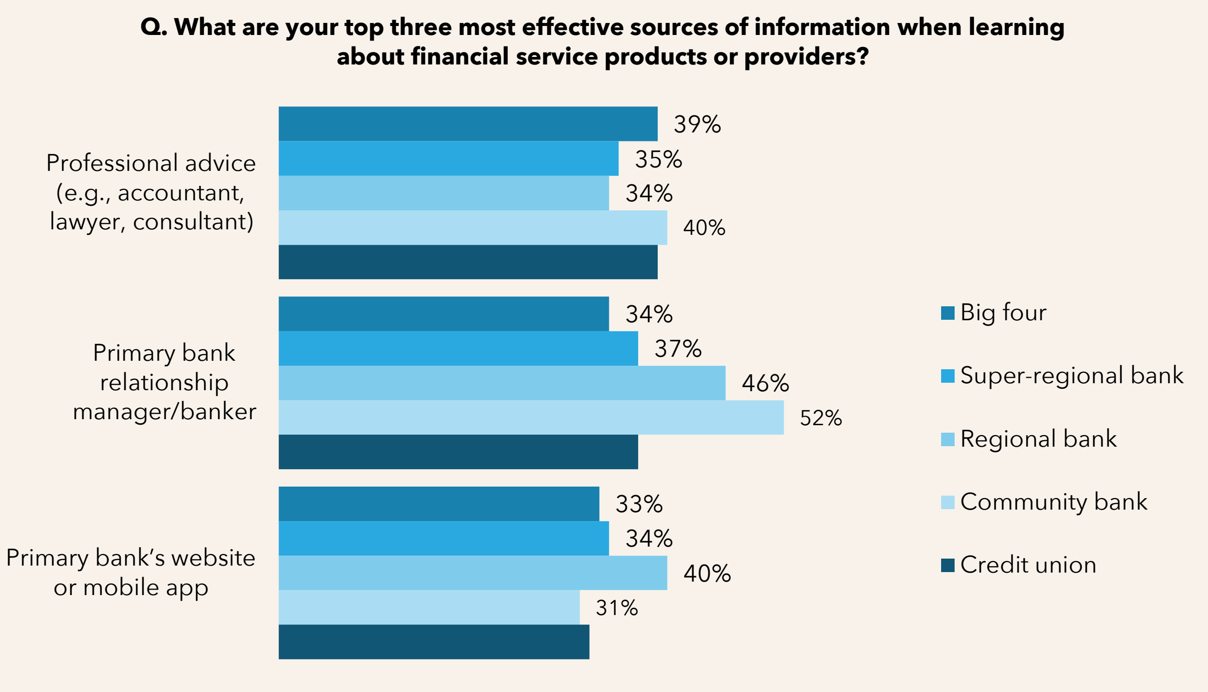
The same data has a second use beyond advising on request. Transaction-level visibility can surface early signals that a relationship is already eroding, such as a rising share of outbound payments to a fintech competitor or a cash flow pattern that no longer matches the account's historical baseline, before the customer says anything or the deposit balance actually moves. Spotting this reliably requires synthesizing data across the bank's core systems and digital channels rather than reading each in isolation, since an outbound wire trend that skews toward a new counterparty type or a cash flow baseline that shifts without a seasonal explanation rarely stands out clearly in any single source viewed alone. A bank that only reviews this data when a customer calls is using it reactively. A bank that screens for these signals continuously can flag the account to a relationship manager while there is still a relationship left to save, rather than after the business has already made its switching decision.

Figure 11: Community Bank Customers Lean on Their Relationship Manager Far More Than Any Other Bank Type's Customers Do



Source: Datos Insights survey of 1,014 U.S. SMBs, Q1 2026

Personal Relationships Are More Important Than Ever

Personal relationships remain valuable to SMB customers of every generation, but they matter most to the generation that banks are most at risk of losing. Twenty-three percent of

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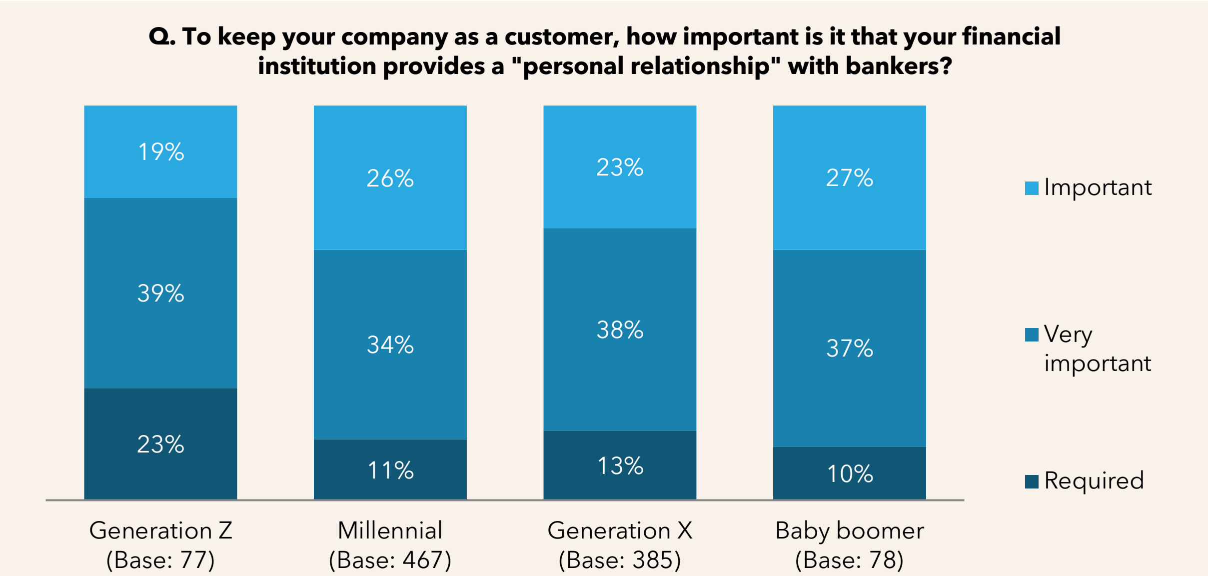
Generation Z business decision-makers say a personal relationship with their banker is required to keep their business, against 13% of Generation X, 11% of millennials, and 10% of baby boomers (Figure 12). The generation with the highest switching intent, documented in Figure 2, is also the generation most emphatic about wanting a human relationship, not less of one. A bank that reads Generation Z's digital fluency as a sign to invest only in self-service is misreading the signal. SMBs are not looking only for anonymized digital self-service functionality, they are looking for partners, be it their FI or a third-party fintech that can act as a trusted partner and create real value for their business.

Community banks already have the personal relationships in place. Pairing that with the functionality and cash management capability their SMB clients are asking for gives them an offer built on a foundation other FIs simply cannot copy.

Figure 12: Personal Relationships Matter Most to the Generation Most Likely to Switch



Source: Datos Insights survey of 1,014 U.S. SMBs, Q1 2026

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Most Community Banks Are Not Starting From the Same Place

The data in this report describes an opportunity, but not a guarantee. A community bank that responds to rising switching intent by adding capability without a coherent strategy risks making the platform fragmentation problem worse, not better. Bolting on a new treasury tool, a separate fraud module, and a stand-alone data platform in response to this report adds three more systems to the list customers already cite as their top complaint (Figure 6), rather than solving it. Treating integration as an afterthought rather than the central task degrades the customer experience further. Integration and consolidation should be evaluated before net-new functionality, since the customers most at risk of switching are the ones already managing too many disconnected tools.

Execution risk extends beyond technology. Many community banks have lending officers who are skilled at originating commercial loans but have limited experience selling treasury and cash management products, a capability gap that no amount of new functionality closes on its own. A bank that builds or buys the right tools without also building the internal expertise and incentive structure to sell them is likely to see slow adoption regardless of how well the product fits the demand this report documents.

Where a bank stands depends on two capabilities. The first is data visibility, whether the bank can see a relationship eroding before the customer says so. The second is functional depth, whether the bank has the integrated or vertical-specific tools to offer once it does. A bank with neither is exposed. A bank with both is positioned to grow. In between sit two different failures rather than two rungs of the same ladder. One bank has bought the functionality but cannot see which clients need it. The other can see the erosion but has nothing to put in front of it. The remedy differs depending on what is missing.

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Table A: Community Bank Readiness Framework

Position	Diagnostic question	Current state	Actionable next step
Exposed	Does the bank only discover a lost relationship when the customer formally closes their primary deposit account?	The bank lacks continuous visibility into behavioral data and has no integrated treasury tools to counter fintech competitors.	Map the foundational data required to track outbound payment flows and establish baseline cash management capabilities.
Equipped but untargeted	Does the bank possess advanced treasury tools that suffer from low adoption because relationship managers cannot identify the right clients?	The bank has invested in ERP connectivity and vertical software packaging but cannot effectively target these solutions due to fragmented data visibility.	Deploy customer intelligence tools to screen existing portfolios and match complex ledger accounts with active treasury solutions.
Watching but outgunned	Do relationship managers observe a client routing payments to a competitor without the bank possessing a native tool to win that workflow back?	The bank screens transactional data to flag at-risk accounts but lacks the integrated functional depth to offer a viable alternative to external providers.	Prioritize technology investments to build native software integrations for specific local industries demonstrating the highest flight risk.
Positioned to grow	Does the bank proactively identify cash flow anomalies and immediately deploy targeted software integrations to secure the relationship?	The bank successfully combines real-time data screening with a deep bench of vertical integrations to anticipate and solve client needs.	Refine internal incentive structures to ensure lending officers actively cross-sell these integrated cash management products.

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Conclusion

The SMB and middle markets are changing rapidly, and community banks hold a unique position in being able to ride this tide effectively in ways other FIs can't match. Achieving this will require leveraging and enhancing community banks' existing relationships and understanding of their clients and building out the functionality that even the smallest businesses now view as critical.

- **Push cash management capability well below the US$20 million revenue mark:** Waiting until a business scales all but guarantees it has already adopted a fintech's workflow instead.
- **Invest in the ability to bank from inside existing software rather than another proprietary app:** SMBs rank this as their second-highest investment priority at 37%, while platform fragmentation is already community bank customers' single biggest cash flow complaint at 27%, ahead of fees. Another separate destination makes the leading complaint worse rather than better.
- **Target the local businesses with the most complicated books:** Property managers, title and escrow firms, and law practices exist in every market, and winning them means offering the specific ledger and software connections their books require before a specialized provider gets there first.
- **Arm relationship managers with real-time data:** The same client-side platforms generating this data can feed it back to relationship managers, so their advice is based on this week's cash position, not last month's statement.
- **Prioritize personal relationships with younger business owners, not just digital self-service:** Generation Z shows the highest switching activity of any generation and the strongest demand for a required personal relationship with their bank, a combination most digital-first strategies overlook entirely.

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