

relevance = revenue

Dennis Jones

Senior Marketing Manager, Jack Henry™

Overwhelming change is impacting financial services – there are opportunities to optimize, challenges to solve, and uncertainties that will evolve into either opportunities or challenges

complex uncertainties

There are global, national, and local economic uncertainties. There are legislative, regulatory, and compliance uncertainties and workforce uncertainties in the wake of the great resignation. There are uncertainties about whether specific new technologies will drive meaningful innovation and practical applications. There are market and wallet share uncertainties in today's fiercely competitive environment where financial institutions are forced to compete with big brand fintechs and big techs, agile challenger banks, the emergence of Banking-as-a-Service (BaaS), and the digital accessibility to your accountholders by virtually any traditional and nontraditional provider of financial services.

industry-wide challenges

There are material business challenges impacting banks and credit unions. It's challenging to generate historic levels of revenue, much less meaningful increases. These revenue challenges mean increasing operating efficiencies while decreasing operating costs has never been more important.



With fintechs and big techs reinventing the digital customer experience and what tech-savvy, convenience-driven people and businesses expect from their financial transactions and interactions, the accountholder experience you deliver must be continually elevated. Reducing operational, financial, and reputational risks is a daunting challenge considering fraud and financial crimes are inevitable, pervasive, and growing. And managing extremely complex operational infrastructures requires new levels of expertise and security that are difficult to attract and retain today.

an ocean of change

As the wise saying goes, “you can’t boil the ocean.” Financial institutions must have priority-driven plans of attack. And each institution will certainly prioritize its opportunities, challenges, and threats differently based on:

- Business model and priorities
- Growth strategy
- Near- and long-term impact on performance
- Competitive environment
- Commitment to innovation and tolerance for change
- Distinct resident expertise, insights, and perspectives
- Operational considerations
- Budget limitations and priorities
- Technology platform and capabilities

Despite the inherently diverse priorities and unique responses to the industry-wide changes and escalating state of disruption, revenue generation must be a top priority considering it keeps the doors open and lights on.



Financial institutions must have priority-driven plans of attack. And each institution will certainly prioritize its opportunities, challenges, and threats differently.

the direct connection between revenue and relevancy

Overcoming today's revenue challenges is fundamentally about remaining relevant, and remaining relevant is fundamentally about providing people and businesses what they want. Blockbuster Video did not understand the direct connection between relevancy and revenue.

According to [askwonder.com](https://www.askwonder.com)¹ and Accenture Global Consumer Pulse Research, 2,984 accountholders recently walked out the physical or virtual door of their financial institution – taking recurring revenue opportunities with them – because they were not getting what they wanted. And the top three (survey participants could select multiple responses) reasons they listed were as follows:

- **39% Wanted More Competitive Rates and Fees** – Banks and credit unions must balance the vital contribution of rates and fees to interest and non-interest income with the impact on accountholders. Businesses have a higher tolerance for reasonable fees for important services like cash and financial management, merchant services, access to working capital, and expedited receivables. But fintechs and big techs are conditioning businesses not to pay the historically tolerated fees. On the other hand, consumers expect free basic banking, but many are willing to pay for specific financial services that have tangible value, provide a level of convenience perceived to be fee-worthy, or that directly improve their financial health.

Things to Think About

Meeting fee-related expectations must start with knowing how your fees compare with industry averages and your key competitors. You need to know if your fees are differentiators – good or bad – in your markets.

And carefully consider practical ways to increase income without raising fees, like organically increasing interchange by motivating debit card usage or by adding credit to your cards program.



According to Cornerstone Advisor's "[What's Going on in Banking 2022](#)," increasing revenue is among the top five priorities for both banks and credits unions.

- **34% Wanted Higher-Quality Customer Service** – Inferior service impacts revenue way before accountholders are ready to endure the inconvenience of changing financial institutions since it is extremely difficult to cross sell revenue-generating products and services to accountholders with service issues. And the revenue potential from cross sales cannot be ignored. According to [fi works](#), the average accountholder has one service with a financial institution, which represents only 25% wallet share.

Things to Think About

Providing service levels that miss the mark also erodes your fundamental distinction over fintechs and big techs. Today, most consumers and businesses still believe traditional financial institutions are more accessible and willing to resolve questions, problems, and fraud-related issues.

Increasing revenue through cross sales to accountholders with service issues is virtually impossible.

- **24% Wanted Higher-Quality Financial Products/Services** – A competitive and profitable product strategy is the ultimate example of the balancing act between relevancy and revenue. The bottom line (pun intended) is that no one is going to pay for obsolete products and services.

Relevancy – Fintechs, big techs, and mega banks are changing the perception and reality of relevancy. They are changing what people and businesses expect from financial relationships and have set high expectations for differentiated financial services and curated, engaging experiences. And thanks to never-ending innovations, relevancy is a moving target – relevancy will never be mission accomplished.

Inferior products and services are also hard to hide these days. Digital accessibility to any financial services provider means anyone can compare offerings with a few taps or with engaging apps like Mint and NerdWallet that generate detailed comparisons in seconds.

Revenue – Then there are the complex revenue considerations. First, there are financial services you must offer to attract and retain accountholders but don't have practical revenue opportunities – expected services like consumer RDC, bill



Rates and fees must balance their irreplaceable contribution to interest and non-interest income with their material impact on accountholder satisfaction and retention.



Increasing revenue through cross sales to accountholders with service issues is virtually impossible.

pay, real-time P2P payments, and others. The good news is that many of these cost-of-doing-business services are extremely “sticky” and support accountholder retention, which ultimately generates cross-sell opportunities.

But your business is dependent on revenue generating products and services that consumers and businesses are willing to pay for – financial services that have perceived value or real impact on financial management, stability, and health. In today’s disrupted industry where fintechs and big techs are chipping away at legacy fee structures, banks and credit unions are being forced to look at revenue generation differently.

Things to Think About

Traditional Revenue Sources – Do you have opportunities to increase revenue with traditional financial services like modern credit card programs that generate recurring interchange and interest income, highly competitive consumer and commercial lending programs, fee-generating commercial and trust services, and others? Do you have a payments modernization strategy that will enable you to successfully compete with the industry disrupters and regain your position at the center of payments?

Untraditional and Diversified Revenue Sources – Do you have opportunities to generate new revenue streams with banking-adjacent services like securities and insurance? Do you have opportunities to generate income with high-demand, non-financial services like identity theft protection and travel insurance? Have you embraced open banking and Banking-as-a-Service (BaaS), and the recurring revenue you can generate with embedded finance? Are you leveraging embedded fintech to differentiate your financial services and accountholder experiences?

Don’t be Shy – And as a public service announcement, it’s a waste of time and money to offer the best products on the block if they are your best kept secrets. Do you foster a culture that trains, motivates, and rewards branch staff to put on their sales hats? Do you have a strategy and process to solicit and nurture referrals? Do you make adequate investments in marketing and participate in the marketing programs – many of which are free – that your technology partners and card networks provide?



Increasing revenue with differentiated financial services and curated experiences requires new perspectives on technology.

Do you embrace the tremendous power of digital marketing to target the right people with the right message at the right time? Have you enhanced your transactional digital experiences with automated marketing?

codependent fundamentals

With relevancy and revenue being codependent, your ability to increase revenue, improve the financial stability and health of your institution, and reduce financial risks must leverage near- and long-term responses to an array of dynamic opportunities and challenges and a fundamental commitment to innovation that will ensure the relevancy of what you offer and how you deliver it.

Jack Henry is uniquely positioned to support diverse banks and credit unions with decades of experience and practical guidance, well-rounded capabilities, a modern technology stack, and a commitment to help community and regional financial institutions remain relevant and overcome today's revenue challenges.



The strategic conversations happening in banks and credit unions today are dramatically different than they were a few years ago considering the financial services industry is in an escalating state of disruption thanks to complex uncertainties and industry-wide challenges.

overcoming revenue challenges

[Learn more](#) about overcoming today's revenue challenges.

For more information about Jack Henry, visit jackhenry.com.

sources

1. Why do people switch banks?, askwonder.com, accessed November 2022.