Helping consumers clear the check clearing hurdle

Financial solutions should match consumers’ new spending habits, which lean more than ever towards instant funds access.

BY VICTORIA DOUGHERTY
outsourcing undesirable chores or paying more to get exactly what you want, when you want it.

As for the when: These consumers simply want their money now.

SO, HOW MUCH DOES HAPPINESS COST?

In exchange for happiness and convenience, consumers spend more of their take-home pay—and in many instances, more than they earn. By some estimates, Americans spend between 98 and 120 percent of their discretionary income. They use credit cards, payday loans and cash advances to finance their best lives today.

Again: Things don’t seem to add up.

Let’s not forget that their financial situation doesn’t stem from dire circumstances. It’s a choice. After surviving the economic downturn, many consumers are comfortable living “on the edge” and consistently willing to spend more to yield happiness.

Companies such as Netflix, Amazon and Uber foresaw this cultural shift, catered to it and thrived. Restaurant and grocery store chains are catching up. Even though it erodes most store margins, they will deliver takeout or an entire grocery list to your door. Across industries, companies adapt to consumer preferences just to stay in the game.

How can financial institutions respond—and load the grocery basket, if you will?

MANAGING THE MIDDLE

Most financial institutions are compelled to “fix” this consumer behavior through education and programming. They default to the math: Income minus expenses equals savings. But this cultural shift didn’t evolve from a lack of information or mathematical savvy. Consumers view their financial situation as a lifestyle, not a series of mistakes.

Financial institutions need funds availability policies, even though most consumers are too busy, stressed or overloaded with information to fully understand them. They’d rather pay more to have things taken care of and their funds available immediately.

So financial institutions must meet consumers in the middle. Yes, continue to educate them—and educate early. Financial literacy instilled at a young age is shown to change behavior and encourage saving. But we need a different approach for adult accounthold-
ers with bills to pay today (yet grapple with “fear of missing out,” or FOMO).

Financial institutions need to respond to the market demand for liquidity. To that end, new solutions can preserve relationships with accountholders and increase their share of wallet.

**SIMPLE YET SOLID**

Without risk overload, financial institutions can help accountholders close their pay gaps. Behavioral data, algorithms and risk modeling tools can ensure solid decisioning and a high likelihood of repayment.

Short-term cash flow solutions can fall under proactive (such as faster funds availability for a fee) or reactive (customized overdraft services). But they can’t be complicated.

According to a Nielsen report “The Quest for Convenience,” today’s consumers demand three key qualities: ease, utility and simplicity. Accountholders don’t want to think, wait or spend any time trying to understand your products.

If financial institutions can’t meet these requirements, they risk losing accountholders. According to the FDIC, about one in five consumers use alternative sources to meet their financial needs rather than turn to their trusted banking relationship.

**FINANCIAL INSTITUTIONS CAN DELIVER**

If financial institutions stay mindful of this cultural shift, they will realize advantages over corner check-cashers and other short-term lending sources. For one, they’ve built a relationship with accountholders. Deeper transaction history can lead to better decisions for everyone involved. And a single provider that can fulfill multiple financial needs meets consumers’ desires for utility and simplicity.

As a quick example: Imagine that accountholders can easily request a short-term advance through a digital channel. Based on transaction history, you could grant an instant decision, possibly in seconds. The product is useful and the process more convenient than visiting a payday lender to fill out an application. As a result, the financial institution retains business and strengthens the relationship. Everybody wins.

**PUTTING IT TOGETHER: START THE CLOCK, WATCH WHAT HAPPENS**

In a world of digital demands measured by the smart-watch second hand as opposed to a calendar page, standing still is not an option. Financial institutions must look forward and design solutions that keep them at the forefront of what’s offered—not only within the industry, but among overall consumer trends as well.

Today’s products cannot meet consumer needs forever. Solutions must grow and change to meet accountholders where they are. All products, not just funds availability, should follow a one-two-three flowchart: simple to access, easy to use and capable of significant utility.

The effort will pay off. Consumers will certainly pay more to get exactly what they want. Now it’s time for financial institutions to deliver. Trust in this, even as consumers trust in you. Balancing both sides of the equation, things will add up.

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