



Banks Go from Strive to Thrive with New Revenue Streams

Revenue platform modernization is the cornerstone for subscription-based pricing, API monetization, and digital asset strategy success



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Setting the stage

The only constant is change—something the world has been powerfully reminded of over the COVID-19 pandemic. Just as economies began to recover from the immediate impacts of the pandemic, they received another shock: record inflation that threatens further recovery.

More than ever, banks need to increase their agility to move quickly on new revenue streams. Let's look at three avenues for growth and what financial services institutions can do to capitalize on today's most promising new revenue opportunities.

A Uncertainty is certain

Continued inflation, spurred in part by geopolitical developments, is changing the economic outlook for nations—and financial services organizations—around the globe.

In response to unchecked inflation, central banks have announced some of the most aggressive rate hikes in decades. By mid-2022, [at least 75 central banks had boosted interest rates](#). The US Federal Reserve raised interest rates in 2022 [at a speed unmatched since the 1980s](#) and continues to raise rates in 2023, albeit at a slower pace. In its April 2023 [World Economic Outlook](#), the International Monetary Fund predicts that inflation will remain sticky and is unlikely to return to target before 2025, signaling that interest rates will stay higher for longer than previously expected.

Global [liquidity, in turn, has slowed](#). And we're seeing central banks embark on a strategy of quantitative tightening, [which may erase US\\$2 trillion in liquidity from the financial system over the next two years](#).

Recent events in the banking sector have also raised concerns about liquidity within specific institutions and whether it will have a systemic impact.

Interest rate hikes directly affect banks in multiple ways. As rates go up, demand for capital cools. At the same time, banks pay more for capital. Further, growing economic fragility has the potential to negatively impact the ability of consumers and corporates to repay loans, thereby elevating risk.

B Growth opportunities abound

To attract more customers and ensure business stability, banks need to focus on more-predictable revenue streams. Three, in particular, are ripe for growth.

- Subscription banking
- API monetization
- Digital assets



Subscription banking

The rise and growth of fintechs and challenger banks underscores an important message: Banking is necessary; banks are not.

In adopting new revenue streams and models, banks can't ignore the rise of the subscription economy into which many of their newest competitors, such as MoneyLion and Qapital, were born.

Subscription business growth outpaces S&P

Subscription enterprises	↑	16.2%
S&P 500	↑	12%

[Zuora 2022 Subscription Economy Index](#)

Subscription market

2X growth by 2025

“Investing in Digital Subscriptions”
UBS, March 2021

Subscriptions are everywhere today—from streaming services to software, telecommunications, and even travel—and we're just getting started. UBS, in its 2021 “Investing in Digital Subscriptions” report, estimates that the subscription market will more than double between 2020 and 2025—from US\$650 billion to more than US\$1.5 trillion.

Consumers are embracing the model for the following reasons:

- Convenience—subscribe once and enjoy automatic renewals
- Unlimited use without the hassle of additional fees
- Predictable costs

Corporations are getting on board for similar reasons, including improved cash flow management.

A Banks jump into subscriptions

Financial institutions are looking to join the subscription economy. Some are introducing tier-based subscriptions that flip the narrative on the traditional transaction fee model on which they have historically relied. In addition to convenience and predictability, tier-based subscriptions provide new opportunities for personalization and value-adds as organizations create specialized bundles based on a client's specific needs and profitability potential.

We're seeing similar moves on the advisory services side of the business. Charles Schwab was the first major brokerage firm to introduce subscription pricing, charging clients a one-time US\$300 fee for an initial planning consultation and a flat US\$30 monthly advisory fee thereafter. Reception to the new offering has been strong, with more than US\$1 billion in new assets under management in the first month after the solution's launch and the Schwab Intelligent Portfolios Premium rebrand.

Banks have tremendous flexibility in how they embrace subscription pricing. Some may continue to offer traditional pay-as-you-go pricing for customers who don't want a subscription. Others may also want to include a hybrid offering, where some fees are covered under the subscription, while others may be à la carte. This approach offers even more opportunities for personalization.

Thinking bigger, banks are looking to deliver greater convenience and increase relationship stickiness by providing subscription billing services that enable customers to pay for many of their third-party subscription services, such as mobile phone plans or insurance premiums, through a bank-based billing and payment model.

A 2022 [Juniper Research report](#) states that enabling “alternative payment methods is key to growing future subscription-based services.” The report “urges subscription economy vendors to support multiple payment methods, including Open Banking and digital wallets, to boost convenience to the end user.”

B Making money from subscriptions

The bottom line is that the subscription economy has arrived, and it certainly isn't one-size-fits-all. And while subscription banking simplifies business for customers, it introduces new challenges and complexity for banks.

To make the most of opportunities, banks need flexible and agile solutions that can easily accommodate subscription, pay-as-you-go, and subscription-plus-usage models, as well as whatever comes next. They also need to support multi-entity/group subscriptions, complex proration, revenue-sharing with internal and external stakeholders, and advanced revenue recognition models. Many legacy platforms today, however, don't support these new requirements, limiting banks' ability to innovate and thrive in the new economy.

API monetization

Open banking started as a regulatory requirement as part of the revised Payment Services Directive in Europe and the Consumer Data Right initiative in Australia. Today, however, banks around the globe are expanding their horizons and view open banking as an opportunity to monetize their APIs and generate new revenue streams.

As the world embraces open banking, APIs are rapidly becoming the default mode of communication between systems and partners. And banks are looking at innovative ways to leverage APIs to expose their own services and data to partners eager to consume it and build new offerings.

There are many paths to monetizing APIs. Banks can charge customers or partners directly for APIs or use them indirectly to drive efficiencies and upsell opportunities.



Benefits of the API economy

“The API economy is an enabler for turning a business or organization into a platform. Platforms multiply value creation because they enable business ecosystems inside and outside of the enterprise to consummate matches among users and facilitate the creation and/or exchange of goods, services and social currency so that all participants are able to capture value.”

—Gartner, “Welcome to the API Economy”

A API monetization in banking

Given the large volume of data exchanged between banks and their corporate customers, banks have traditionally relied on host-to-host connectivity, which typically benefited only their largest clients.

With open banking, financial institutions have started using APIs to enable dynamic corporate-to-bank connectivity, integrating with critical business applications, such as accounting, ERP, and tax systems, for near real-time data exchange. Again, we see various flavors of innovation. Some banks have partnered with service providers to create an ecosystem that provides preintegrated solutions. Others make their APIs available to their customers to be consumed and integrated with their existing solutions.

In the retail segment, the fintech community largely uses APIs to serve retail customers. Account aggregation services, personal finance management tools, wealth advisory services, and credit assessment tools use a bank's APIs to create various solutions for retail customers.

In addition, a growing number of banks are working to integrate fintech solutions into their offerings, such as payments, creating a convenient way for their customers to consume these services while generating additional revenue for the bank.

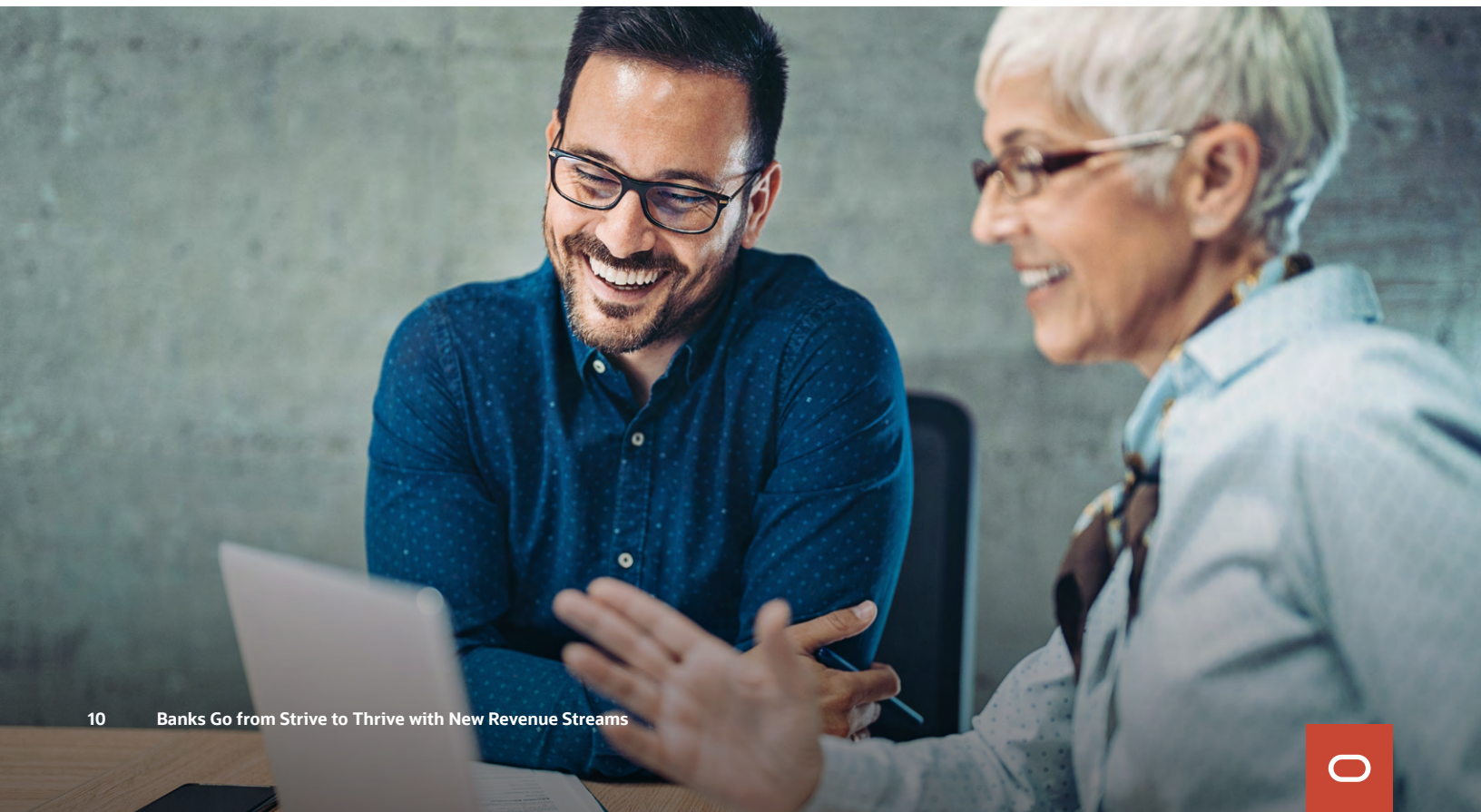
To create new revenue streams and one definitive financial home for customers, banks are also looking to partner with lifestyle service providers to integrate services, such as shopping and travel, into their ecosystem.



B API monetization models

Banks have several options when it comes to monetizing APIs and data.

- Subscription-based models: Retail and corporate customers, as well as fintech partners engaged in revenue-sharing, pay a flat rate to download data, statements, balance information, and more
- Usage-based pricing: Customers pay a per-use fee, similar to pay-as-you-go
- Volume-based pricing (based on data consumption): Customers pay for a set amount of data to consume in a prescribed period (month, quarter, or year), similar to mobile phone data plans. If they exceed limits, they can no longer access the API in that payment cycle or must pay a metered rate for each download
- Combinations of the above options



C API monetization platforms

The API economy requires new flexibility that API monetization platforms must provide. Banks must be able to support any combination of API pricing models. In addition, they'll want the agility to drive future innovation, such as supporting subscriptions that cover multiple entities or various API bundles.

Banks will face increasingly complex revenue-sharing requirements in the API economy and will require systems that automate this process with external partners, as well as among internal business units. Finally, banks will need solutions that support performance-linked pricing and clawback capabilities if a customer or fintech partner doesn't honor its commitment.

In turn, as banks modernize their billing and revenue-sharing systems to support new requirements, there is an opportunity to expose APIs from those systems to offer revenue management and billing as a service to fintechs and other enterprises—driving revenue from functions that were previously viewed only as operational expenses. Banks need to ensure their solution can support this valuable opportunity.



Digital asset opportunities

It's been a bumpy road for cryptocurrency in the last year as the market experienced extreme swings that would challenge the fortitude of even the most adventurous investor. Yet most in the industry predict the market will ultimately grow as legislation and regulation catch up with technological innovation.

Government leaders around the globe are working to develop regulatory frameworks that make digital assets, such as cryptocurrency, safer and more stable. US legislators, for example, are looking at stablecoin regulation as just one option.

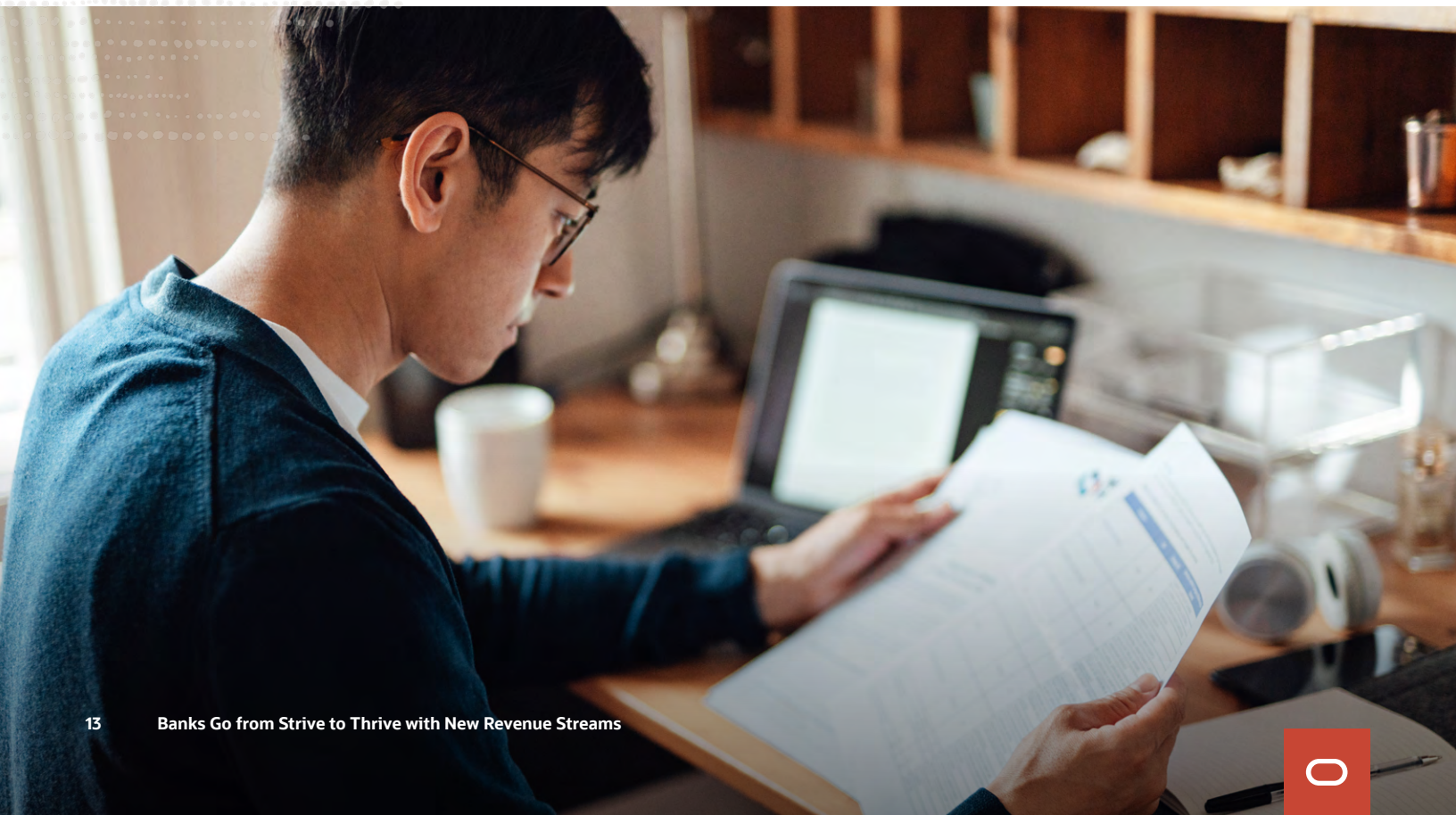
In the meantime, forward-looking financial services organizations continue to work through their digital asset strategies. Some organizations are creating separate business groups to address this emerging market. As banks launch these new entities, they're wrestling with pricing and billing decisions and other complexities. Some groups charge fees for mining; others allow payments in native crypto; and still others charge for transfers, in addition to deposit and transaction fees.

The bottom line is that organizations are quickly realizing that building a solid foundation for monetizing cryptocurrency services is not about how to price but about how to collect payments.

A Automating digital asset billing

Many organizations are managing digital asset billing processes manually via spreadsheets that are disconnected from the rest of the organization. These manual processes introduce complexity, inefficiency, and risk—and can compromise customer relationships. Organizations have difficulty generating accurate invoices and matching payments to invoices. They don't have a complete view of the customer across the broader enterprise and struggle to manage complex revenue-sharing agreements.

Just as important, these manual processes can't scale to accommodate anticipated exponential growth. Organizations that focus on revenue platform modernization today will be well positioned for success in both the short and long term.



A compelling need for an all-in-one revenue management platform

Successful implementation of the three new revenue streams we explored—subscription banking, API monetization, and digital assets—requires a modern revenue management foundation that can support and enable:

- Extreme flexibility and rapid integration to support multiple and ever-evolving pricing and billing models quickly and cost effectively
- End-to-end automation for a seamless experience, operational efficiency, and streamlined compliance
- Endless scale—powered by a cloud native solution—that rightsizes the solution for current and future business needs
- Continuous innovation because the market is never static
- Customer-centricity to deliver the highly personalized and always-on experience that today's clients demand

Powering revenue stream innovation and more

Oracle Revenue Management and Billing (ORMB) is a leading SaaS solution that focuses on powering innovation and solving complex revenue management and billing challenges in the financial services industry. It equips banks to embrace and bring to life innovative new revenue streams that boost the bottom line, elevate the customer experience, and build relationship stickiness.

ORMB automates end-to-end pricing, billing, and revenue realization on a single platform that optimizes pricing strategies and billing efficiency and helps banks maximize revenue assurance and growth in an increasingly dynamic market. The solution is highly configurable, giving banks the agility to readily support diverse use cases today, as well as new revenue opportunities and models as they arise—with minimal IT team intervention. The result is faster innovation and a competitive edge.

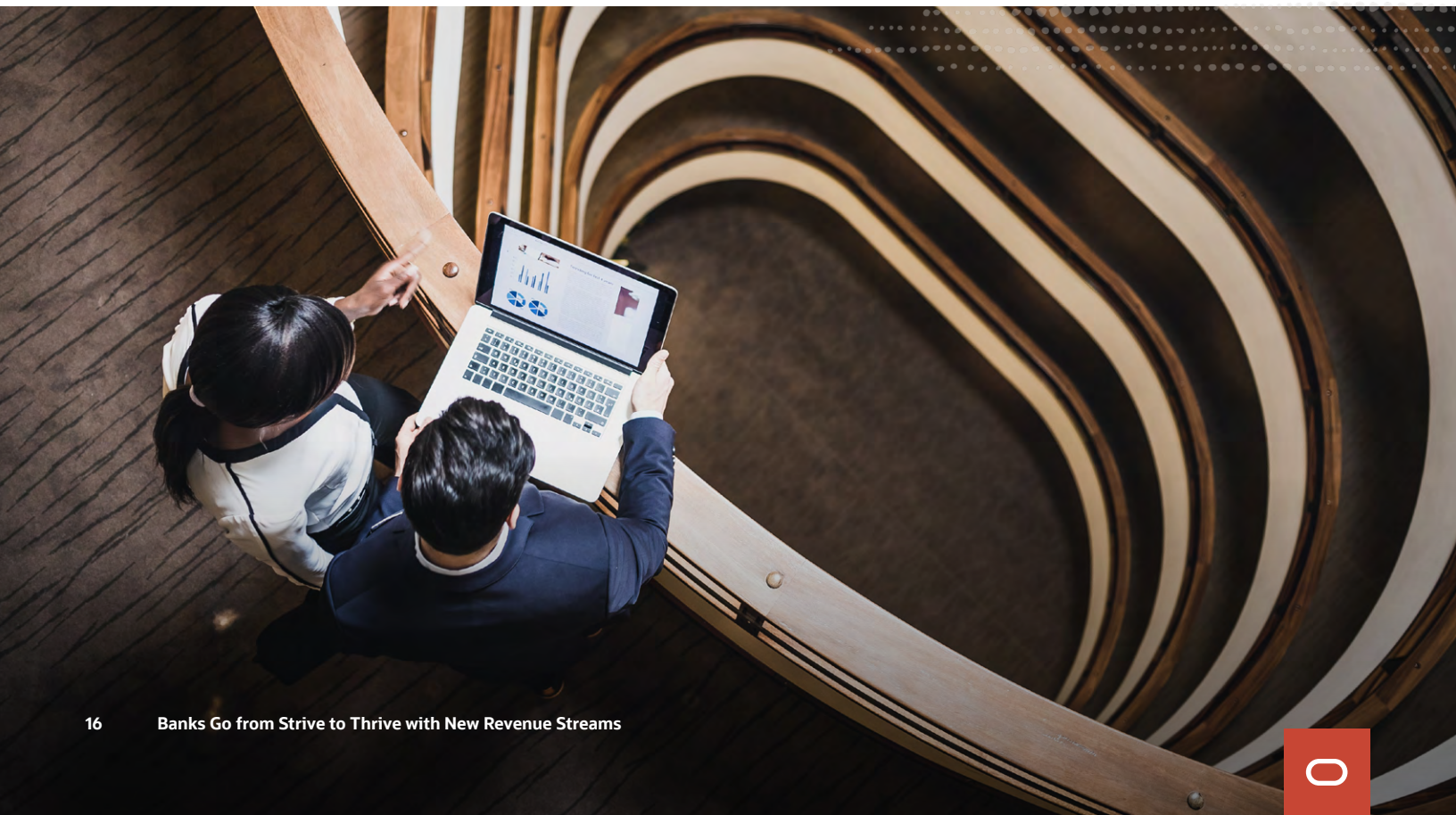


Power revenue management and billing as a service

As an API-first and highly scalable enterprise-grade platform, ORMB gives banks the power to launch new “as-a-service” billing and revenue management offerings for other financial institutions, fintechs, and even corporate customers, driving new revenue opportunities.

The solution provides a 360-degree view of clients and billing activity in a single reference system and advanced audit capabilities to streamline compliance. Banks also enjoy drill-down functionality that delivers a comprehensive view of the subledger, accounts receivable/accounts payable processes, and adapted revenue allocation, as well as flexible allocation capabilities to support new revenue-sharing requirements.

And the solution is backed by the power, stability, and commitment to security and innovation for which Oracle is renowned.



Innovation in action

A Subscription banking success

Challenge

A large financial services organization in Africa saw an opportunity to create subscription packages for individual products, such as cards, insurance, and remote banking services, as well as for bundled products. The bank wanted to automate processes across the subscription lifecycle and optimize bundle pricing and components.

Solution

The bank deployed ORMB to support its new subscription banking services. It has created a product catalog and automated subscription lifecycle management and billing using a highly scalable and flexible solution. It can rapidly configure customized product bundles and subscription pricing and automatically check customer eligibility for specific offerings. Further, the bank benefits from the solution's analytical capabilities and business-user-friendly dashboard. It can, for example, easily analyze revenue generated from various product combinations to adapt future offerings.

Impact

As the foundation for the bank's successful subscription banking initiative, ORMB enables it to distinguish itself in the market. Today, the bank can rapidly and cost-effectively introduce and deliver new tailored subscription offerings and product bundles to customers. And advanced analytics deliver the insight needed to ensure the subscription offerings optimize profitability and customer value.

B Increasing revenue and strengthening corporate banking relationships with APIs

Challenge

A bank wants to offer additional services to its corporate clients, including direct access to accounting, tax, and ERP applications, by exposing its APIs. To meet the diverse needs of its clients, the bank looks to provide options and flexibility in terms of how large corporates with multiple business units and divisions could consume and pay for access to APIs. It needs a revenue management platform that can support diverse billing models, including subscription pricing and aggregated tiered pricing for multi-entity corporates.

Solution

ORMB supports this new business model and revenue stream.

It enables the bank to offer several pricing options, including usage-based pricing, volume pricing based on the number of calls and amount of data consumed, and combinations of these models. And it can consolidate billing at the corporate entity level for streamlined management while providing detailed insight into usage for each business entity.

Impact

The solution enables the bank to pursue an important new revenue stream and strengthen and expand corporate relationships through additional services. It also simplifies billing for the bank as well as corporate clients while delivering important transparency into usage at all levels.

C The fast lane to digital asset agility

Challenge

A leading US financial services firm created a business group to offer custody and trade execution services for institutional customers' holdings in digital assets, such as cryptocurrency. Its legacy manual billing and statement generation process could not support current requirements and future growth. Bills took too long to create, and errors had a negative impact on the customer experience. In addition, there were no embedded approval, audit, and reconciliation processes, which further increased the inefficiency of manual billing and statement generation.

Solution

Deployed on a cloud managed services model, ORMB delivered a 360-degree view of the customer, easy statement generation and review, and robust financial reporting and reconciliation. The organization automated revenue management and financial reporting on a single platform and gained the flexibility to address different digital asset classes.

Impact

- Gained a single source of truth for all billing data and queries, rather than referring to multiple spreadsheets and system
- Reduced billing time related to digital assets from a week to just a few hours
- Reduced application and technology costs by 50%
- Improved billing operations efficiency by 20% by reducing dependency on technical teams
- Went live on phase one in just 99 days thanks to extensive APIs, preconfigured workflows, and out-of-the-box features, such as parameter-based pricing, rule-based pricing, and transaction feed management processes
- Ensured effortless scalability to support business growth

Ready, set, thrive

Technology advances and market readiness combine to deliver powerful new revenue stream opportunities for banks that are prepared and equipped to move quickly. Is your revenue management platform up to the challenge? Oracle Revenue Management and Billing can ensure that you're ready to thrive, making the most of promising new opportunities—including subscription-based pricing, API monetization, and digital assets—and whatever comes next.

[Learn more](#)

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