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Top 10 Strategic Issues for Financial Institutions

How Banks and Credit Unions Can Improve Operational Performance, Customer Experience, and Long Term Growth

Introduction

Financial institutions are operating in one of the most complex environments the industry has faced in decades.

Customer expectations continue to evolve. Digital-first competitors are reshaping convenience standards. Labor costs remain under pressure. Regulatory oversight is intensifying. At the same time, banks and credit unions are expected to deliver consistent experiences across every channel while improving efficiency and maintaining profitability.

The challenge for financial institutions is no longer simply adopting new technology. The challenge is determining how to create operational models that are scalable, customer-centric, efficient, and resilient. Success increasingly depends on an institution's ability to align workforce management, branch performance, customer experience, and operational analytics into a cohesive strategy.

Here are the ten strategic issues financial institutions should be prioritizing as they prepare for the future of banking.

10

Building the Workforce of the Future

Many organizations still rely on staffing models built around assumptions that no longer reflect how account holders interact with branches today

Transaction volumes fluctuate more dynamically, branch visits are increasingly consultative rather than transactional, and frontline employees are being asked to manage more complex interactions. The data underscores the urgency:

• 60% of tellers leave within their first year, and banks take an average of 40–45 days to fill each vacancy.

• Teller and Member Service Representative (MSR) annual turnover runs 18% - 25%, well above the 10-12% average for financial services overall.

• Replacing a frontline employee costs between 50%-100% of their annual salary, eroding already thin operational margins.

What this means for your institution:

FMSI Staff Scheduler takes the guesswork out of branch scheduling by analyzing monthly transaction data to forecast account holder traffic, creating optimal mixes of full-time and part-time staff across each location.

The solution supports traditional lobby models, universal associate models, and blended approaches, with drag-and-drop editing that handles day-of changes without disrupting service levels.

09

Leveraging Technology without Sacrificing Human Connection

Technology investment across financial services continues to accelerate

Banks and credit unions are investing heavily in operational technology - analytics platforms, automation tools, digital self-service capabilities, and customer engagement systems.

However, technology alone is no longer a differentiator. Account holders now expect digital convenience as a baseline experience, not a premium offering.

The institutions gaining competitive advantage are those using technology to improve operational efficiency while strengthening human interactions rather than replacing them.

Automation works best when it removes friction from routine processes and allows employees to focus on meaningful conversations, problem-solving, and relationship-building.

76%
of institutions plan to increase tech budgets in 2026

94%
plan to embed fintech in digital banking platforms

83%
of FIs are increasing technology investment in 2026

08

Attracting and Retaining Talent

The competition for talent within financial services continues to intensify

46%
of credit unions say recruitment & retention is a top concern

18-25%
annual frontline staff turnover at credit unions

50-100%
of annual salary to replace one frontline employee

Banks and credit unions are now competing against financial technology companies and organizations offering greater flexibility and more modern workplace experiences.

Employee retention challenges are often tied directly to operational inefficiencies - inconsistent scheduling, understaffed branches, reactive management practices, and limited visibility into workload distribution.

Financial institutions that want to improve retention must create operating environments that support employees effectively. That includes balanced staffing models, predictable scheduling, clear performance expectations, and reduced administrative friction.

Employees are more engaged when they can focus on serving account holders rather than compensating for operational gaps.

07

Managing Increasing Regulatory Complexity

Regulatory expectations across financial services continue to evolve rapidly

Financial institutions must navigate compliance oversight, labor regulations, operational risk management, data privacy requirements, fraud prevention expectations, and customer protection standards - all while under pressure to move faster, modernize operations, and improve efficiency.

The most effective organizations are addressing this challenge by building operational transparency into their branch and workforce management processes. Integrated analytics platforms provide institutions with centralized visibility into branch operations, helping leadership teams maintain governance standards while improving operational agility.

38%

of community FI leaders cite fraud and cyberattacks as their #1 concern for the first time ever

#1

cybersecurity ranked top internal risk by community banks in 2025, above credit and liquidity

06

Navigating Economic and Interest Rate Uncertainty

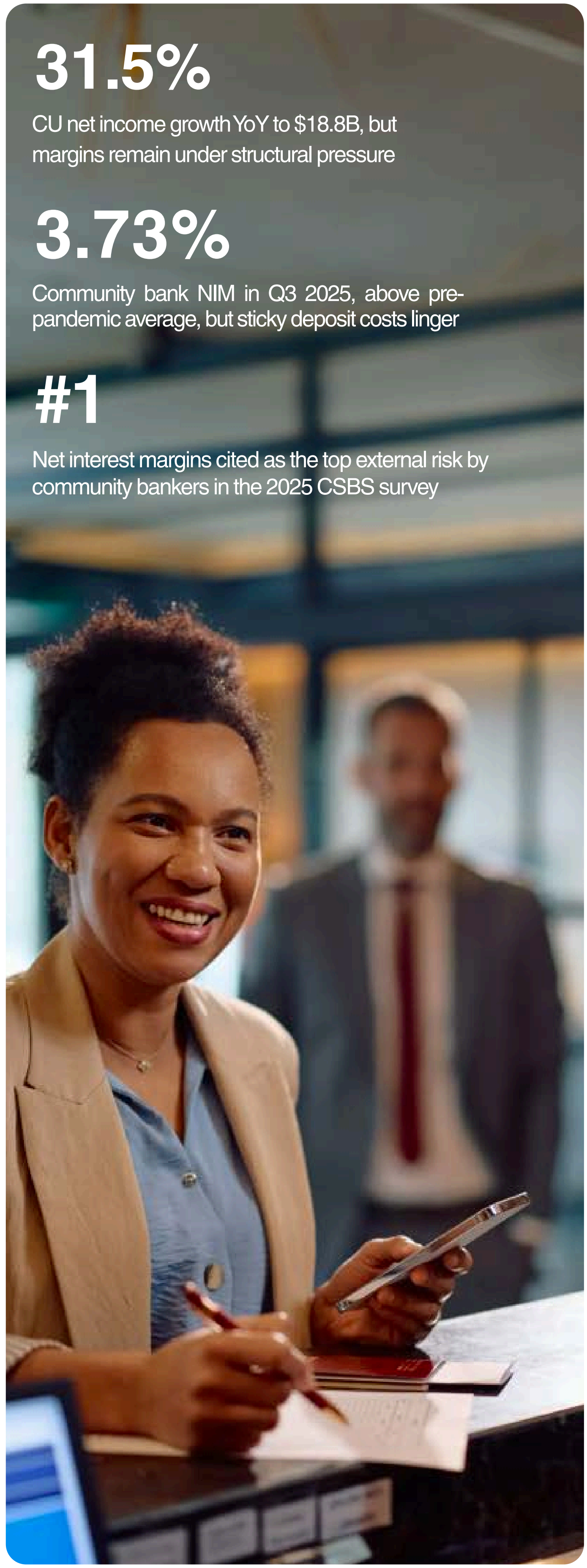
Economic volatility continues to create operational and financial pressure across the banking sector

Despite strong headline numbers, interest rate dynamics, deposit competition, and cost pressures remain real variables that force institutions to reevaluate operational performance at every level.

There is a critical distinction between operational efficiency and operational effectiveness.

Operational efficiency focuses on minimizing costs. Operational effectiveness focuses on maximizing the value generated from operational investments.

Reducing staffing without understanding account holder demand patterns may temporarily lower costs, but it can also increase wait times, damage service quality, and negatively impact retention.



31.5%

CU net income growth YoY to $18.8B, but margins remain under structural pressure

3.73%

Community bank NIM in Q3 2025, above pre-pandemic average, but sticky deposit costs linger

#1

Net interest margins cited as the top external risk by community bankers in the 2025 CSBS survey

05

Strengthening Customer Relationships

Customer loyalty in banking has become increasingly fragile

Account holders now expect personalized service, fast response times, consistent digital experiences, and informed interactions across every channel.

The strongest financial institutions are shifting toward customer-centric operating strategies, and the data on loyalty erosion makes clear why this cannot be deferred.

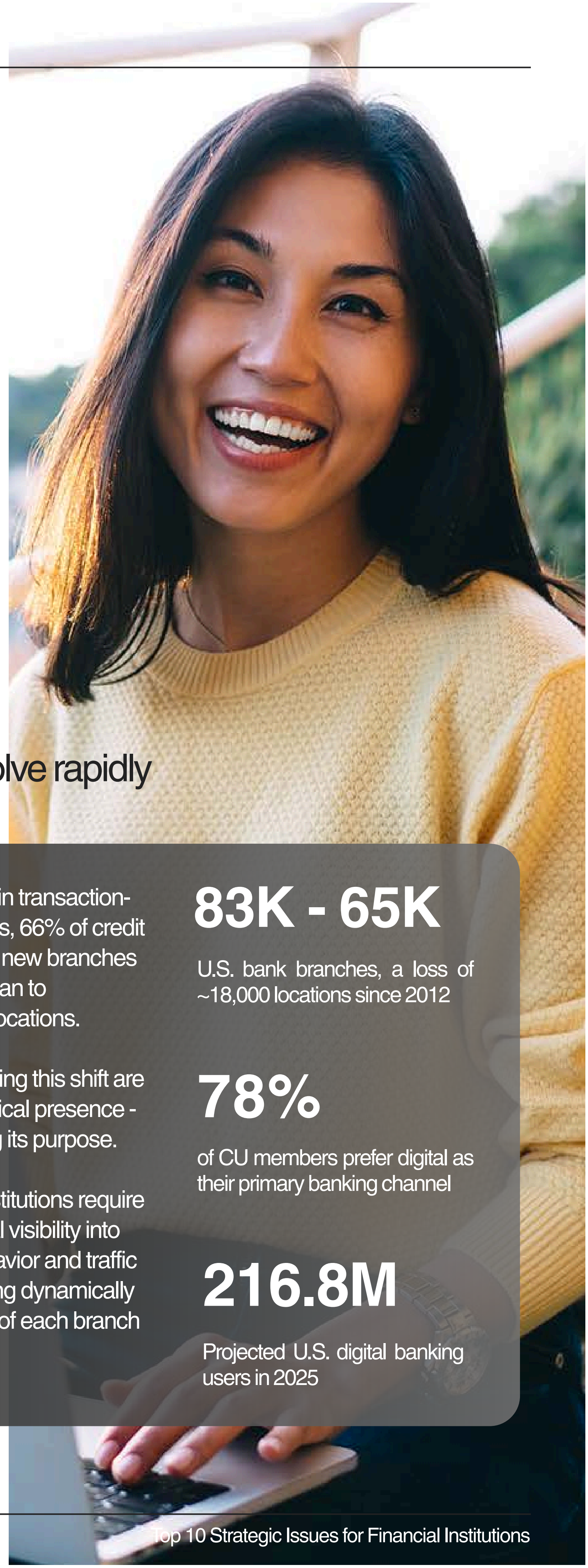
Branch experiences continue to play a critical role in customer relationships, particularly during high-value or complex financial interactions. However, operational inefficiencies such as long wait times, inconsistent staffing, and poor appointment management can quickly erode trust and satisfaction.

Many institutions still organize operations around products rather than customer journeys - an approach that is becoming increasingly costly.

~20%
of traditional bank customers were lost in 2025 vs a 10.8% churn rate at digital-only banks

38%
of customers would switch banks for better digital tools and services

14%
higher customer lifetime value at banks with strong retention programs



04

Adapting to the Evolution of Banking Transactions

Transaction behavior continues to evolve rapidly

Mobile banking, digital wallets, instant payments, self-service technology, and shifting account holder expectations are changing how consumers interact with financial institutions.

As a result, traditional branch traffic patterns are becoming less predictable, creating significant operational challenges for staffing and branch management.

Despite the decline in transaction-focused branch visits, 66% of credit unions plan to open new branches in 2026, and 55% plan to repurpose existing locations.

The institutions leading this shift are not eliminating physical presence - they are reimagining its purpose.

Modern financial institutions require real-time operational visibility into account holder behavior and traffic trends to align staffing dynamically and make the most of each branch interaction.

83K - 65K

U.S. bank branches, a loss of ~18,000 locations since 2012

78%

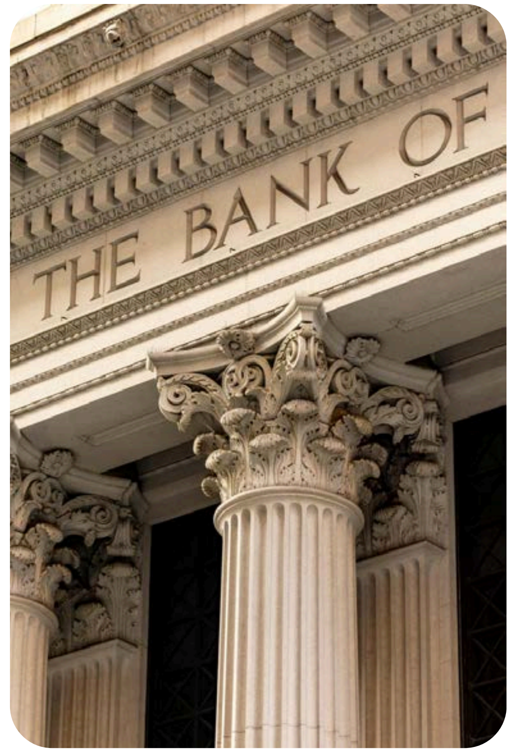
of CU members prefer digital as their primary banking channel

216.8M

Projected U.S. digital banking users in 2025

03

Differentiating in an Increasingly Competitive Market



Banking products are becoming increasingly commoditized

Account holders have access to countless providers offering similar checking accounts, lending products, payment solutions, and digital banking services.

At the same time, community financial institutions face pressure from both directions - megabanks expanding their physical footprint while FinTech's undercut on acquisition cost and digital experience.

The neobank market's cost advantage is real, and its mobile-first design attracts account holders who may not yet have experienced the full value of a branch relationship. But differentiation for community financial institutions increasingly comes down to operational execution.

The institutions standing out in today's market deliver faster service, consistent account holder interactions, and branch experiences that digital-only providers cannot replicate.

Where community financial institutions win is relationship depth, local decision-making, and advisory trust, but only when paired with operational tools that meet baseline account holder expectations for speed, preparation, and service consistency.

$317B

global neobank market in 2026, with customer acquisition costs of ~$20 vs. ~$925 at traditional banks

10.8%

annual churn rate at digital-only banks - roughly half the rate of traditional institutions

66%

of credit unions plan to open new branches in 2026, doubling down on their relationship advantage

02

Delivering Exceptional Customer Experiences

Customer expectations are rising across every banking channel

Account holders increasingly compare their financial institution experiences not only to other banks, but to the speed and ease delivered by retail and technology services they use every day.

That expectation shift affects branch visits, appointment scheduling, digital interactions, response times, and overall service consistency.

Improving account holder experience requires operational visibility. Institutions need to understand where service bottlenecks occur, how staffing affects wait times, which branches are under pressure, and where account holder frustration is increasing.

When digital channels handle routine transactions, the branch becomes the destination for complex, high-value conversations, and that destination must be prepared.

93%
of banking customers say trust and transparency are critical when choosing a financial institution

71%
of FI leaders would keep a branch open even with zero transactions, because relationships are the product

53%
of bank decision-makers prioritizing digital experience enhancement in 2026, a 20% increase since 2021

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01

Achieving Scale without Losing Agility

200+

projected CU mergers in 2026, with $34B in assets moving through mergers in Q3 2025 alone

~8,200

community institutions remaining, down from 14,000+ a decade ago

82%

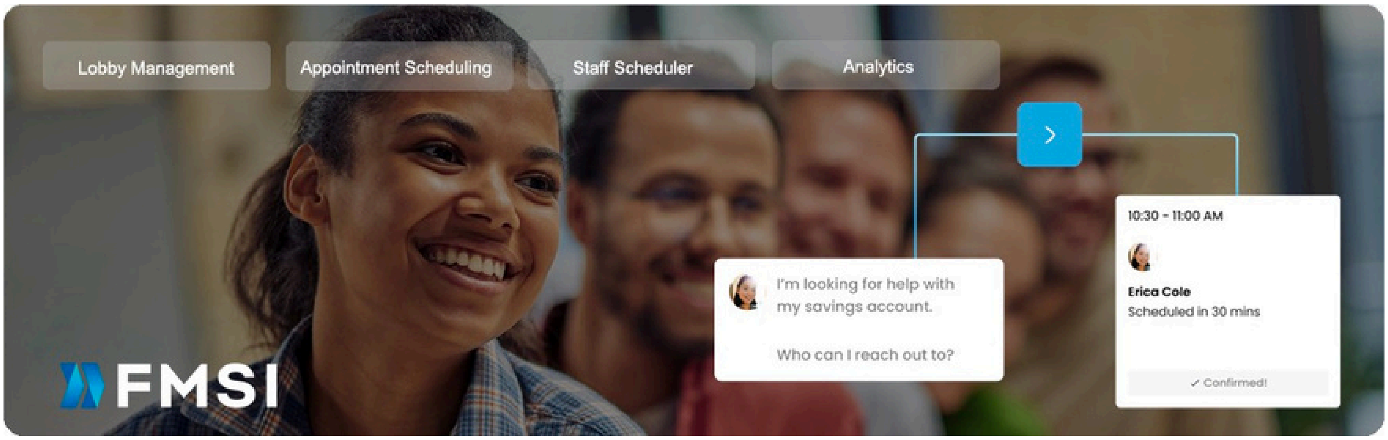
of bankers expect 11+ CU acquisitions of banks in 2026

Scale remains one of the biggest strategic challenges facing financial institutions today.

Larger organizations benefit from greater technology investment capacity, operational leverage, stronger analytics capabilities, and broader efficiency opportunities. However, scale can also introduce operational complexity and reduce organizational agility, particularly in an industry consolidating at historic velocity.

The institutions succeeding today are those combining enterprise-level operational visibility with localized flexibility. That requires centralized performance insights, standardized operational metrics, and agile branch management strategies.

Operational analytics platforms are becoming foundational infrastructure for scalable growth, allowing institutions to compare branch performance consistently, identify inefficiencies quickly, and make data-driven decisions at scale.



About FMSI

FMSI (Financial Management Software, Inc.) provides advanced workforce optimization and customer experience technology for financial institutions across North America.

FMSI is on a mission to redefine operational performance in retail banking through data, design, and innovation

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