

# Preparing for a Focus on Process and Efficiency

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VIRGINIA BANKERS  
ASSOCIATION



## Mike Holt

Partner

An accomplished background of banking and financial institution consulting experience have made Mike a lead revenue enhancement expert. His analytical skills and project management application guide expertise in debit card profitability, non-interest income, EFT network analyses, EFT processing expenses/contracts, card brand incentive agreements, information & branch capture implementation, service delivery modeling, general profitability analyses, marketing analyses, and other general data analytics.



### Debit Card Profitability



### Non-Interest Income



### Contract Negotiations



### Analysis



# What is the Future for Community Banks?



# Current Trends



# Why do we care about EFFICIENCY?



**Enhanced  
Customer  
Experience**



**Improved  
Employee  
Involvement**



**Reduced Costs  
and  
Higher Profitability**

# What is efficient?

## Benchmarks



**Assets/FTE**



**Efficiency Ratio**



**Cost/Asset**

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# Efficiency Improvement

## Measurement and Communication



Top Performing Banks  
have an efficiency ratio  
below 55%



Does the efficiency ratio  
give us an accurate  
picture?



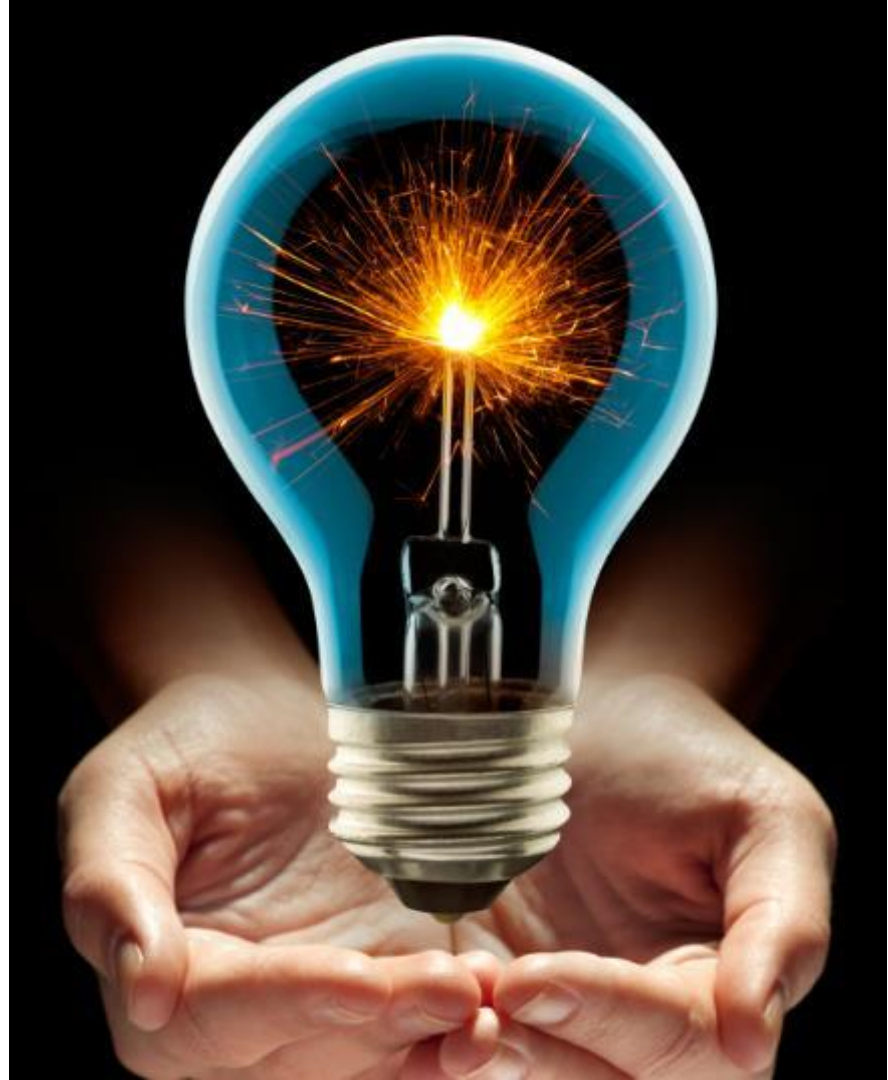
Industry averages by  
size



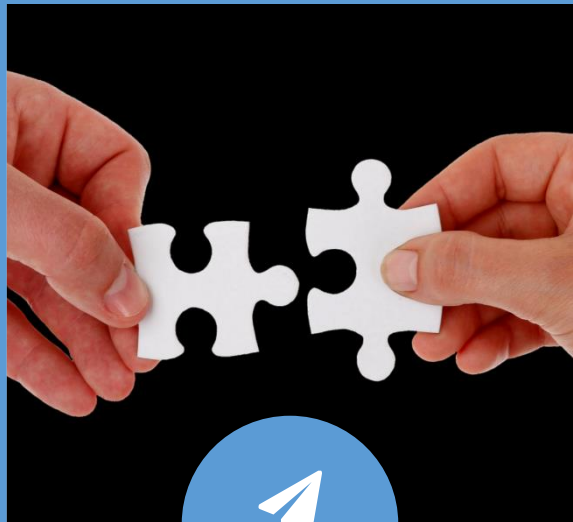
What is good enough?



Communicate the importance of efficiency to  
every team member



# Three Steps to Efficiency Improvement



**Assess the  
Culture**



**Investigate  
Processes**



**Implement**



# Assess the Culture



## A Proactive Culture

1. Empowers employees to ask “why”
2. Makes time for the “why” dialogue

# Investigate Processes



  
**Look through the  
customer's lens**

# EFFICIENCY IMPROVEMENT: HOW DO WE GET STARTED?



**Eliminate the  
Unnecessary**



**Identify Areas of  
Potential  
Improvement**



**Identify  
Compliance  
Impact**



**Begin with Email  
and Spreadsheets**



Institution	
Employee Name	
Position	
Status (Choose One)	<b>FULL TIME / PART TIME / TEMP</b>
Dept / Branch / Location	
Phone / Extension	
Supervisor	

## DESCRIPTIVE TASK LIST

**Please provide a complete list of the duties that make up your job by completing the following:**

**ACTIVITY OR TASK** - Enter a brief description of the routine activities or tasks that make up your job.

**FREQUENCY** - Identify how often each task is completed--daily, weekly, etc--by putting an **X** in the appropriate column.

**TIME FOR EACH TASK** - Enter the approximate time it takes to complete one occurrence of the task.

**ESTIMATED VOLUME PER FREQUENCY** - Enter the estimated number of times each task is completed per the frequency selected (daily, weekly, etc).

**% OF TOTAL TIME** - *DO NOT INPUT*. The percentage is calculated automatically based on input in the prior columns.

#	ACTIVITY OR TASK	FREQUENCY						TIME FOR EACH TASK (IN MINUTES)	ESTIMATED VOLUME PER FREQUENCY	% OF TOTAL TIME
		DAILY	WEEKLY	MONTHLY	QUARTERLY	SEMIANNUALLY	ANNUALLY			
1										
2										
3										
4										
5										

# A Real Life Example

	Account Opening	OLB Registration	OLB Documents Received	Mobile Registration	Debit Card Received	Other Interactions
ACTIVITY	<p>Day 1</p> <p>Checking account opened in branch.</p>	<p>Day 2</p> <p>Self-registered for OLB</p>	<p>Day 6</p> <p><u>NetTeller ID</u> received.</p> <p>Day 10</p> <p>OLB Password received.</p>	<p>Day 10</p> <p>Registered for mobile and downloaded mobile app.</p>	<p>Day 13</p> <p>Debit card arrives.</p> <p>PIN mailer arrives on same day.</p>	<p>Day 11</p> <p>Bank statement received.</p> <p>Day 15</p> <p>Onboarding letter received.</p>
OPPORTUNITIES	<p>Elapsed time of 35 minutes.</p> <p><u>ARGOKeys</u> appears to have opportunity to optimize.</p> <p><u>eSign</u> clumsy.</p>	<p>Process <u>fairly straight</u> forward, albeit inelegant.</p> <p>Very dated looking. Poor U/X.</p> <p>Best practice would allow for immediate access.</p>	<p><u>4 day</u> delay for ID unacceptable.</p> <p>Additional 4 days for password even worse – <u>esp</u> since password was last 4 of SSN.</p> <p>Paper intensive.</p>	<p>Mobile reg should not be dependent upon OLB.</p> <p>App functional, but dated relative to U/X.</p> <p>Requires branch visit for Mobile Dep</p>	<p>Menu navigation required to activate is unusual.</p>	<p>Multiple emails also received with a focus on <u>CyberSecurity</u>.</p>

# Implement



**Prioritize and Measure**



# Efficiency Improvement

## Develop an Implementation Plan



Executive Management and Record Keeper



Trained Project Manager

- Complete plan development
- Delegate responsibilities
- Assign target end dates

# Efficiency Progress Measurement

## Deposit

- ✓ Transactions / month – 2000 per FTE
  - ✓ Debit Card Penetration – 90+% @ 1.25 cards/DDA
  - ✓ Net New Accounts per FTE per month
  - ✓ PIN Interchange NBR > \$0.26/swipe  
...or 65 bps of sales \$
  - ✓ Additional services per existing relationship – 10 per branch/month
-



# Efficiency Progress Measurement

## Lending

- ✓ Mortgage Originations –
    - \* 10/month per MLO
    - \* \$750k - \$1M per MLO
  - ✓ Mortgage Processing –
    - 32/month per processor
  - ✓ Consumer Loans –
    - 6-10/month per retail lender
  - ✓ Commercial Loans -
    - \$40M-\$50M outstanding per LO
  - ✓ New Commercial Loans -
    - \$6M-\$12M per LO per year
  - ✓ 1 Credit Analyst per 3 Commercial Lenders
-

# Common Pitfalls



Overanalyze



Risk Management



Adding Staff



Delayed Successes



# Efficiency and the Future





“What if we don’t change at all...  
and something *magical* just happens?”



# PROFIT RESOURCES INCORPORATED

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