

# success has a low efficiency ratio



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Inefficiency is often driven by lack of solution integration and an inflexible core processing platform. Trying to force essential digital capabilities onto a legacy system degrades productivity. This is why the right technology partner and platform can improve efficiency ratios as well as other aspects of bank operations.



**Lending:**

A modern, efficient technology platform speeds the loan process by enabling integrated, all-digital loan origination, decisioning, and management. The result is saved time, improved service, and better pricing.



**Customer experience:**

Customers directly benefit from automation and platform efficiency. Their satisfaction and loyalty increase when banks and credit unions can (1) successfully blend digital and human assistance, and (2) more easily integrate the solutions their customers want.



**Competitive rates:**

Back-office efficiency helps keep staffing levels low and productivity high, allowing banks to offer rates and fees that accommodate long-term growth.

The ability to automate processes, integrate complementary solutions, and customize operations are keys to growth in today's market, and all rely on the capabilities of the technology platform.

**20%** ↓

From 2015 to 2018, less than **20% of mid-market banks** have shown a 5-point improvement in efficiency ratio.<sup>1</sup>

# **an inflexible technology platform can limit your growth**

As margins become slimmer, efficiency is more critical than ever for banks and credit unions. Many institutions struggle with efficiency because they are running non-integrated solutions as well as core processing platforms with limited capabilities. The lack of flexibility increases the difficulty of working with diverse applications.

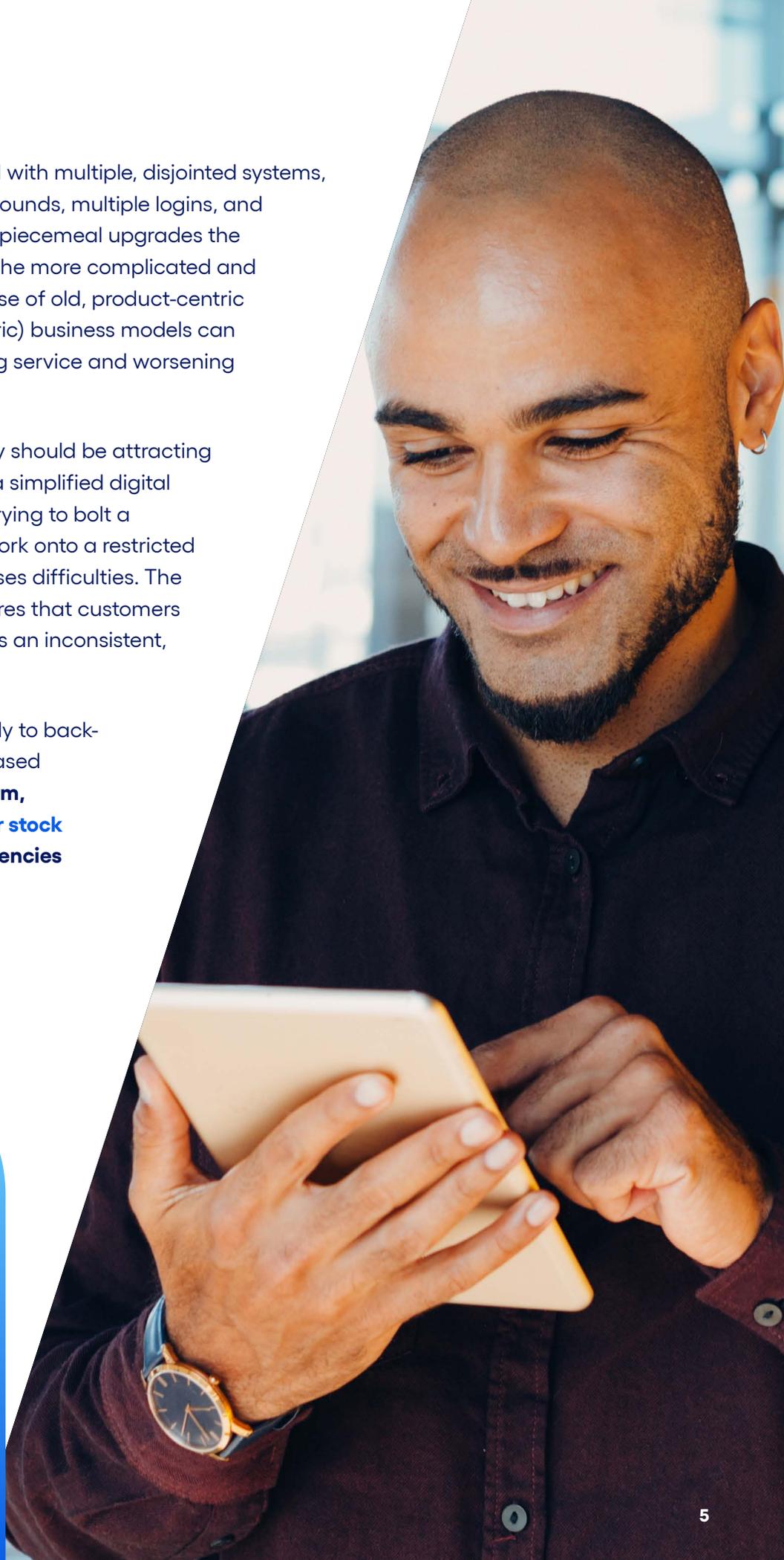
Employees are required to deal with multiple, disjointed systems, which means awkward workarounds, multiple logins, and unwieldy processes. The more piecemeal upgrades the financial institution attempts, the more complicated and slow processes become. The use of old, product-centric (as opposed to customer-centric) business models can compound the issue by slowing service and worsening customer experience.

Financial institutions know they should be attracting and retaining customers with a simplified digital experience across channels. Trying to bolt a comprehensive digital framework onto a restricted platform, however, only increases difficulties. The result may provide some features that customers are looking for, but overall gives an inconsistent, fragmented experience.

These issues contribute not only to back-office frustration, but an increased efficiency ratio. **In the short term, inefficiencies can lead to lower stock prices, while long-term inefficiencies could lead to an acquisition.**



A billion-dollar bank or credit union can gain \$14 million in operating profit if its efficiency ratio drops from 80% to 60%.<sup>2</sup>



# meet the challenge of attracting loans and deposits

The critically important issue of loans is clearly tied to core efficiency. The lending process can require integrating data from a technology platform, onboarding system, loan pricing system, underwriting software, documentation system, and more. If the core platform requires that integration of these processes occur manually or with complicated juggling between systems, internal costs are inflated. The result is a bank or credit union overpricing themselves, delayed response times, and lost business.

A modern platform enables integrated all-digital loan origination, decisioning, and portfolio management. It creates the capability for workflows that save time and enhance accuracy. Whether loans occur in a branch or online, seamless integration with a modern core means operational efficiency, better service, and better pricing.

When a bank or credit union can safely automate much of the application and decision process, and easily track the entire loan process, there are convenience benefits for both staff and customers. It becomes easier to get credit metrics and also creates faster approval cycles. Automating the loan renewal process alone can save enormous amounts of time. It's clear that a fully-integrated loan system is a necessity in an increasingly competitive market.



One large European bank **increased win rates by a third and average margins by over 50%** as a result of slashing its time-to-yes ... from 20 days to less than 10 minutes.<sup>5</sup>



# efficiency affects customer experience – inside the branch and out

As everyone knows, fewer accountholders are visiting branches today, and that points to the need for a personal, simplified digital experience. However, it doesn't change the necessity of providing the best possible service for those who do visit branches. In fact, "customer-first" supersedes both digital and in-person service models. Financial institutions must blend digital availability and the human touch that consumers expect.

Whether in or out of a branch, improving efficiency is essential for the financial institution to thrive and provide a great customer experience. As already mentioned, trying to build the digital experience on top of a limited technology platform is a losing proposition. An efficient technology ecosystem that easily integrates third-party mobile and online solutions, for example, enables quick access to customer data and related information. It helps provide a consistent, personalized experience across all channels.

Inside a branch, efficiency and digital technology minimizes the customer's time there. It not only enables the financial institution to offer modern, branch-based self-help solutions, but it can free employees to approach and assist customers with mobile, core-connected devices. The result is loyal customers that know they are receiving top-of-the-line service.

A flexible, up-to-date platform accommodates long-term growth and keeps FIs in step with (or ahead of) the technology trends shaping today's financial services industry.



**Up to 80%** of transactional operations, and **up to 40%** of more strategic activities can be automated.<sup>4</sup>



# financial institutions must turn to modern, open technology ecosystems for performance and flexibility

The limitations of an inflexible legacy infrastructure can prevent a Financial Institution from making a customer-centric overhaul of its organization. In a digital age, it's becoming increasingly clear that institutions have to re-think everything about the way business is done with an eye toward customer experience. For example, how quickly can you access vital information in your core and third-party systems?



A high efficiency ratio can increase your cost of doing business to an extent that you cannot offer competitive rates and fees. It also can hinder your efforts to do more without increasing staff numbers. There is a tipping point after which the inefficiency of a platform becomes such a liability that a change must be made.



What if you could easily integrate a wide variety of third-party solutions?



What if you could automate repetitive processes that slow your performance and agility?



What if you could customize the way your core platform operates so it fits your needs exactly?

# a modern technology ecosystem creates efficiency and freedom

Hundreds of progressive, growing banks – from *de novo* to over \$30B in assets – choose Jack Henry™. It's because they can break free from the shackles many providers put on their clients. It allows for improved efficiencies, more choices for the right solutions, and enables an unmatched customer experience. Jack Henry offers the most dynamic, comprehensive, scalable, and customizable technology ecosystem for growth, and an intuitive omnichannel experience for FI employees as well as your accountholders.

**Key solutions integrated into Jack Henry's ecosystem help banks and credit unions grow and compete:**

- Workflow automation that streamlines routine tasks, eliminates redundancies, and boosts your ROI.
- Core customization that enables you to make your system work the way you need it to.
- Digital loan management that offers a relationship-based lending system that manages the entire loan lifecycle.
- A mobile connection to your core platform so you can fully serve customers wherever they are; outside the branch or in your own lobby.
- Digital banking that provides elegant app-based functions that personalize and simplify the banking experience.



## **unlock limitless potential**

[Get further insights](#) and see how success and efficiency go hand-in-hand.

For more information about Jack Henry, visit [jackhenry.com](https://jackhenry.com).

**sources:**

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2. ["How Banks Can Get to a 45% Efficiency Ratio,"](#) CenterState Correspondent Division, 2017
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