

GLORY

# Efficiency Ratio Leverage: Working Both Sides of the Equation

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# EFFICIENCY RATIO LEVERAGE: WORKING BOTH SIDES OF THE EQUATION

**According to nearly all sources, improving efficiency generally, and the institution's efficiency ratio specifically, continue to be top-of-mind with bankers. Simply stated by Cornerstone Advisors in their recent report, What's Going On 2016, "Achieving efficiency gains tops the list of technology priorities for both banks and credit unions in 2016."**<sup>i</sup>

In order to address efficiency ratio improvement, two types of initiatives need consideration. The first part of the efficiency equation involves sustainable cost reductions and the second component involves revenue enhancement. Doing one or the other is considered a 'winning' plan. But there is a class of solutions that, when implemented properly, can impact both sides of the equation. We call these ERL solutions. ERL is short for Efficiency Ratio Leverage.

## **Cost-Down AND Revenue-up!**

Reducing non-interest expense normally means labor reductions. ERL solutions all deliver on this labor-saving requirement, generally without negatively impacting branch service levels. They also provide the time and opportunity for effective execution of cross-sell and up-sell initiatives. Cost containment plus revenue lift provided by a single investment? You bet!

**IN ORDER TO ADDRESS EFFICIENCY RATIO IMPROVEMENT, TWO TYPES OF INITIATIVES NEED CONSIDERATION.**

## Accomplishing ERL

Lobby coin counting machines free the staff from physically counting the coins, but still provide that face-to-face interaction with existing or potential clients. The counting is completed by the customer or visitor and a ticket is issued. This ticket is then taken to a staff member where the person-to-person interaction occurs and the ticket is redeemed for cash or deposited. Additionally, these devices can generate revenue from service charges assessed at the institution's discretion. Presto...Labor down...Revenue up via an ERL solution!

Teller cash recyclers [TCRs] also reduce the cost of processing cash-in and out transactions. By eliminating the need for redundant counting of cash, cash

withdrawals are faster and wait times are reduced. Bank staff is able to focus fully on the customer and also has the time needed to build relationships and cross-sell products and services.

According to ISG, several technologies including TCRs represent significant opportunities to provide improved branch efficiency. Quoting from the whitepaper and related research, "Significant opportunities exist... to leverage technology to reduce transaction processing costs. The findings also suggest that customer satisfaction and customer retention actually increase as a direct result of efficiency initiatives, as counter waiting time is reduced and more staff are [sic] available for dedicated customer advice." <sup>ii</sup>

Cost-saving efficiency gains with teller cash recyclers have been well documented and the business case confirmed over and over again. However, revenue enhancement is harder to directly correlate to this automation because the TCRs don't do the selling; they only create the time and opportunity for it! However, many who have adopted TCR technology in their branches and implemented a customer -focused selling initiative will confirm that 'revenue lift' following a TCR deployment is indeed real!

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As an example, First Tennessee Bank has deployed teller cash recyclers in about one-third of its branches to date. Those branches have experienced sales growth of 5% over the traditional branches that are not yet automated. According to Ben Hopper, VP of Retail Strategy and Transformation, “This sales increase has been seen consistently over a six-month period. So that number is real.” He went on to state that the TCR has become “one of the cornerstones in our sales process.”<sup>iii</sup>

The same general value proposition is true for lobby assisted service kiosks like Glory’s TellerInfinity. These devices provide those who visit your branches the choice of completing transactions on their own in full self-service mode, saving staff labor, or by doing so with staff assistance. Because staff can also monitor these transactions on a tablet, they can also intervene whenever required or desired to engage a customer. Our assisted service solutions provide sustainable labor cost reductions while also promoting interaction opportunities that, in turn, provide staff with opportunities to create new revenue streams.

## Continuing the Conversation

If you are interested in hearing more about Glory’s Efficiency Ratio Leverage solutions for your branches, please contact your Glory Account Manager. Why choose between cost reduction and revenue enhancement when you can have both with an ERL solution from Glory?

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i WHAT'S GOING ON 2016: Cornerstone Advisors' Take on Community Bank and Credit Union Priorities and Technology Plans, Cornerstone Advisors, 2016, P 7

ii Raising the Stakes: Improving Branch Counter Productivity, ISG, A. Volkers and R. Warner, 2013

iii First Tennessee Bank Interview with Glory, Ben Hopper, 2015

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