



COST REDUCTION STRATEGIES

According to a recent survey conducted by Finextra on behalf of Misys, reducing IT complexity and cutting costs are among the biggest challenges facing transaction “bankers” (debit card, credit card, payments, and other transactions).

- 34% of those cite 'increasing IT and system complexity' as the major challenge
- 33% view 'increasing regulation' as an over-riding concern.
- 45% describe their infrastructure as consisting of 'multiple core processing systems'.
- Reflecting this, a top priority for 35% of banks was the introduction of a 'simplified process for making changes to payments standards and rules across all systems'.
- From a strategic perspective, the addition of new products and services was billed as a big issue

Universal Challenges- IT and system complexity, cutting costs, increasing regulations, multiple core systems (or vendors and processors), and adding new products, are high-profile issues for all financial institutions regardless of size.

New Challenges- These issues become even more important as consumers demand more on-line services, easier access to their accounts through multiple channels, and mobile “devices” become the consumer’s primary connection with the financial institution.

What to do- We have performed operational assessments, card program profitability analyses, technology and vendor reviews, and strategy reviews for financial institutions and in every case there were opportunities for improvement. Here is what you can do to get started:

- Conduct a situation assessment of the card and payment programs at your financial institution
 - ✓ Identify all card and payments related vendors and the terms and conditions of your contracts with them.
 - ✓ Create a snapshot of your card program metrics. Number of cards, transactions, revenue, costs, fraud losses, positive attributes, things that could be done better
 - ✓ Review internal operations and document processes, determine if there is a more efficient method, if there are duplicate or redundant process that could be changed or eliminated.
 - ✓ Compare card and payment strategies with the financial institution’s strategies, determine if the strategies are aligned
- Based on the assessment, identify areas that can be improved, costs that can be reduced, metrics that are not up to financial institution requirements, and processes that can be improved. This step will produce a list of potential cost reductions and revenue improvement opportunities.
- Implement the improvements that you select and monitor the results.

Does it work? Absolutely, a credit union we worked with (\$150 million in assets and 15,000 members) will save over \$500,000.00 in processing costs over the next five years. They are also implementing a credit card program that will be very cost efficient, feature rich, and fully integrated with their current operations.

Want to talk? We would be happy to share our experiences with you and help you get started with your assessment. All it takes is an email or call.