



Financial Services Industry

Growth, Survival, or Extinction:

Why Operational Efficiency is Critical in Financial Services



In the face of rapid technological advancements and relentless fintech disruption, operational efficiency has become the single most critical focus for financial institutions seeking to survive and grow.

Some might argue: “What about attracting new customers? What about launching new products and services?”

Without maximally efficient operations, financial institutions won’t be able to build the frictionless digital experiences today’s customers expect, or the innovative products and services they desire.

Once, financial organizations may have gotten by with less-than-optimal efficiency, but the rise of leaner, nimbler fintech platforms like Chime and Revolut have set a new benchmark for the entire industry.

These disrupters are poaching customers — especially younger customers — by succeeding where more

traditional counterparts are challenged: superior customer experiences and products powered by invisible, yet formidable operational efficiency.

Simply put, the newer financial companies are doing more with less — less overhead, less on-premises infrastructure, less process complexity. This lean approach allows them to provide more relevant, intuitive, and frictionless services to customers who value simplicity and innovation.

Only by prioritizing operational efficiency can competing institutions:

- Improve productivity and responsiveness
- Optimize customer experience
- Open new streams of revenue

These benefits directly translate to financial performance, giving established organizations the edge they need to challenge the upstarts for the crown.

How Operational Efficiency Impacts the Bottom Line

The impact of operational efficiency on a company’s bottom line cannot be overstated. No wonder a global survey of CEOs found that [77% were pursuing operational efficiencies](#) to drive revenue growth.

However, the specific implications of efficiency can vary across different types of financial institutions.

How exactly does operational efficiency translate for banks compared to wealth management firms, lending companies, and insurance providers?



Efficiency's Versatile Role

Different types of financial institutions make money in different ways, with operational efficiency playing a distinct, yet pivotal role in each type's bottom line. Understanding how efficiency uniquely impacts profitability is crucial for identifying areas to streamline, optimize resource utilization, and unlock hidden potential.

- **For large and mid-size banks**, higher operational efficiency leads to better deposit and lending customer experiences for customers. This enables banks to optimize the deposit to loan ration and reduce the costs of funds.
- **For wealth management firms**, higher operational efficiency enables them to reduce the advisory support costs per customer and, in turn, provide a higher level of service to more customers.
- **For lending companies**, higher operational efficiency leads to a more streamlined loan process, as well as operational cost savings, which can be passed onto the customer via more competitive interest rates and terms.
- **For insurance companies**, higher operational efficiency directly impacts the bottom line as premiums can be driven by the market, rather than by cost.

How to Measure Efficiency

Organizations use various methods to gauge their operational efficiency, including expense ratio, efficiency ratio, and assets under management to employee ratio. These help management measure how effectively their organization uses its resources and identify areas of improvement.

A lower efficiency ratio signifies better operational performance. As most financial institutions know, a bank should strive for an efficiency ratio below 50%.



Boosting Check Processing Efficiency

CapTech recently helped a major U.S. bank streamline their check processing operations, a time-consuming task that burdened employees. By gamifying the experience, **we boosted efficiency by 13% across all bank functions.**

These efficiency gains impacted the bottom line in three key ways:

- ✓ **ENHANCED**
employee sentiment and engagement, leading to increased retention
- ✓ **EXPEDITED**
check processing speed, increasing employee productivity
- ✓ **IMPROVED**
check processing accuracy, reducing costly errors

This indicates that for every \$1 spent, they generate \$2 in revenue, which is considered optimal. Insurance and wealth management ratio targets may vary depending upon products and other attributes.

If an organization's efficiency metrics fail to meet industry benchmarks, this can indicate a waning ability to compete and a degraded customer experience. Continuous improvements are essential to remaining competitive.

CapTech's Data-Driven Approach to Optimizing Efficiency

Operational efficiency isn't just about short-term gains; it's the cornerstone of long-term success. In today's rapidly evolving financial landscape, building resilient operational efficiency requires a data-driven culture fueled by cutting-edge technologies. This allows organizations to adapt to changing market conditions, surpass expectations set by innovative competitors, and continuously deliver exceptional customer experiences.

Our approach comprises four key stages:



1. DISCOVER AND ASSESS

Identify areas within your organization where operational efficiency can be improved. This involves analyzing current processes, systems, and resource utilization to pinpoint inefficiencies and bottlenecks.



2. DEFINE A STRATEGY

Use findings from the discovery phase to develop a clear roadmap for achieving operational efficiency. This includes setting specific goals, defining success metrics, and prioritizing improvement initiatives.



3. CREATE AND BUILD

Translate strategy into action by designing, implementing, and integrating the people, processes, and technologies required to meet your goals.



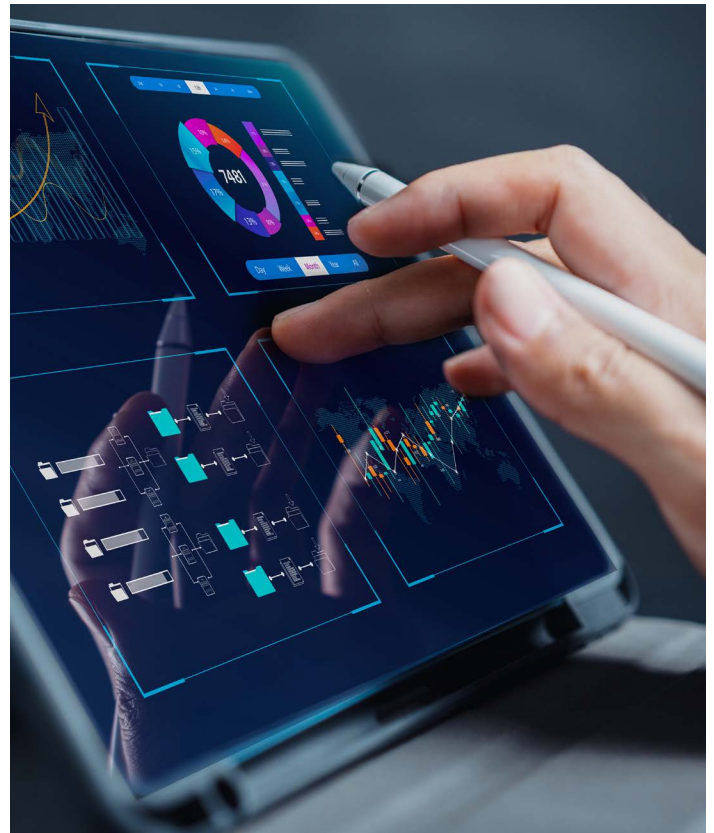
4. MEASURE AND OPTIMIZE

Continuously measure KPIs, analyze data, and refine processes to drive further improvement.



The CapTech Approach in Action

By following our four-stage approach, CapTech was able to help a top U.S. bank streamline the self-enrollment process for its Treasury Management unit. After assessing the unit's product set and documenting key features for the upcoming build, we created a sustainable framework for adding and maintaining product-specific attributes, then streamlined and simplified all of the products and attributes into a one-stop-shop location.



Optimize Now to Get Ahead

In today's cutthroat financial arena, operational efficiency is no longer a mere nicety; it's the essential weapon to outmaneuver the nimble fintech disruptors whose success hinges on frictionless experiences fueled by operational excellence.

Only by understanding the unique role efficiency plays in their organization and adopting a data-driven approach to optimization can financial institutions streamline operations, propel sustainable revenue growth, and secure their long-term survival.

This article is part one of our in-depth series exploring the transformative power of operational efficiency. Stay tuned for more insights and actionable strategies to achieve operational excellence and become an industry leader.



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