

**Bank**Director.

# Lunch & Learn Session 3: **Top 10 Ways to Impact Profitability During Economic Uncertainty**

**Mike Holt**

*Profit Resources Inc.*

#AOBA24

# 10 Ways to Impact Profitability in Economic Uncertainty





## Michael 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





# FTE: CAPACITY PLANNING



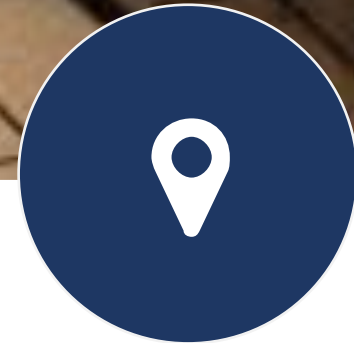
**Observe, Record  
and Measure Tasks**



**Eliminate the  
Unnecessary**



**Identify Areas of  
Improvement  
and Automation**



**Capture Growth %  
From Current  
Capacity**

	MONTHLY AVERAGE VOLUME	MINUTES PER ACTIVITY	REQUIRED HOURS MONTHLY	REQUIRED FTE
DEPOSIT SERVICES				
Overdraft On-Us				
NSF/OD Notice Printing/File Submission				
Overdraft Program Administration (# of accounts in program)				
Approaching Charge-off Letters				
Overdraft Charge-off Processing and Letters				
Unposted DDA, Savings & CD (includes Dormant)				
Branch Batch Review/Reject Repair				
Returned Deposited Items (Chargebacks)				
Cash Letter Adjustments				
Large Dollar Notifications				
General Ledger/DDA Account Balancing				
Application Balancing (DDA, SAV, CD/IRA, SDB)				
Network Balancing				
Cash Balancing				
Cash Ordering				
Dormant Account Removal				
Closed Accounts				
Returned Mail				
Verification of Deposits (Government)				
Verification of Deposits (Non-Government)				
Levies/Garnishments/Other				
Subpoenas				
Escheated Items				
CD Interest/Christmas Club Checks				
Foreign Item Processing				
Foreign Currency Orders				
Savings Bond Processing				
Research Requests				
Reg D Monitoring/Customer Letters				
Customer Phone Calls				
Internal Phone Calls			3.00	0.00

OTHER ACCOUNT BASE SERVICING ACTIVITY			
	# OF ACCOUNTS	ACCOUNTS PER FTE	
DDA			
Savings & CDs			
IRAs & HSAs			
			0.00
TOTAL MEASURABLE ACTIVITIES			0.00
MISCELLANEOUS & TRAINING			
VACATION & ILLNESS			
MANAGEMENT			
TOTAL OTHER			0.00
TOTAL REQUIRED FTE			0.00
RECOMMENDED STAFF			
CURRENT APPROVED STAFF POSITIONS			
CAPACITY			0.00

Note: 1.00 FTE =

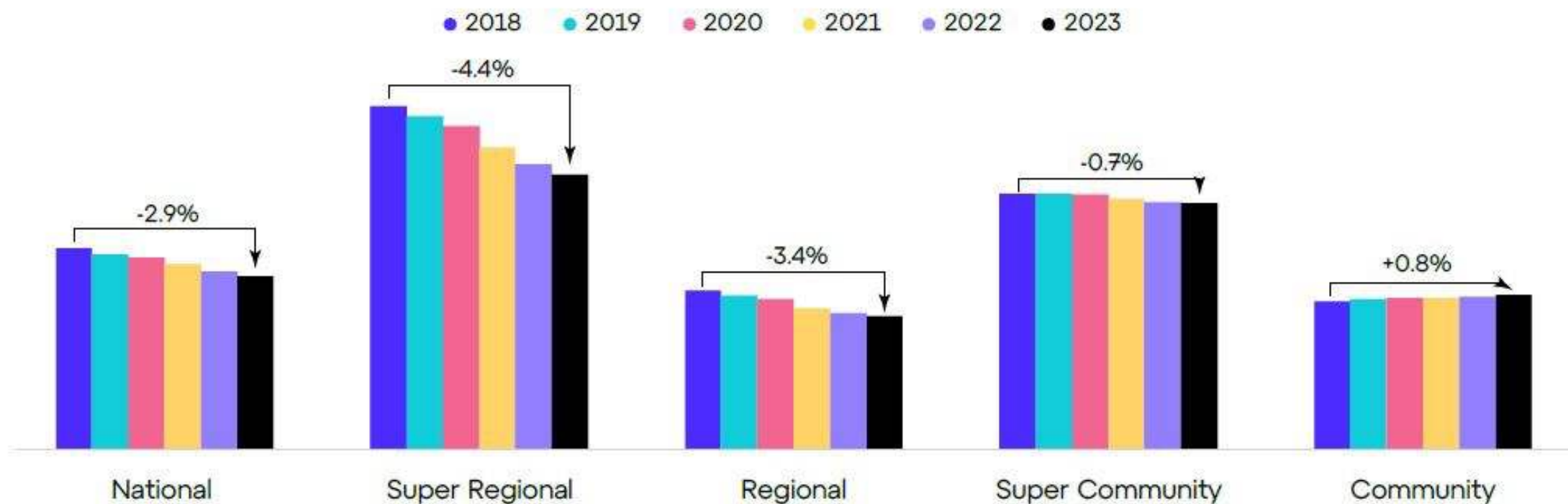


# FTE & PREMISES: RETAIL STRATEGY



Figure 1: Branch Count Trend, 2018–2023

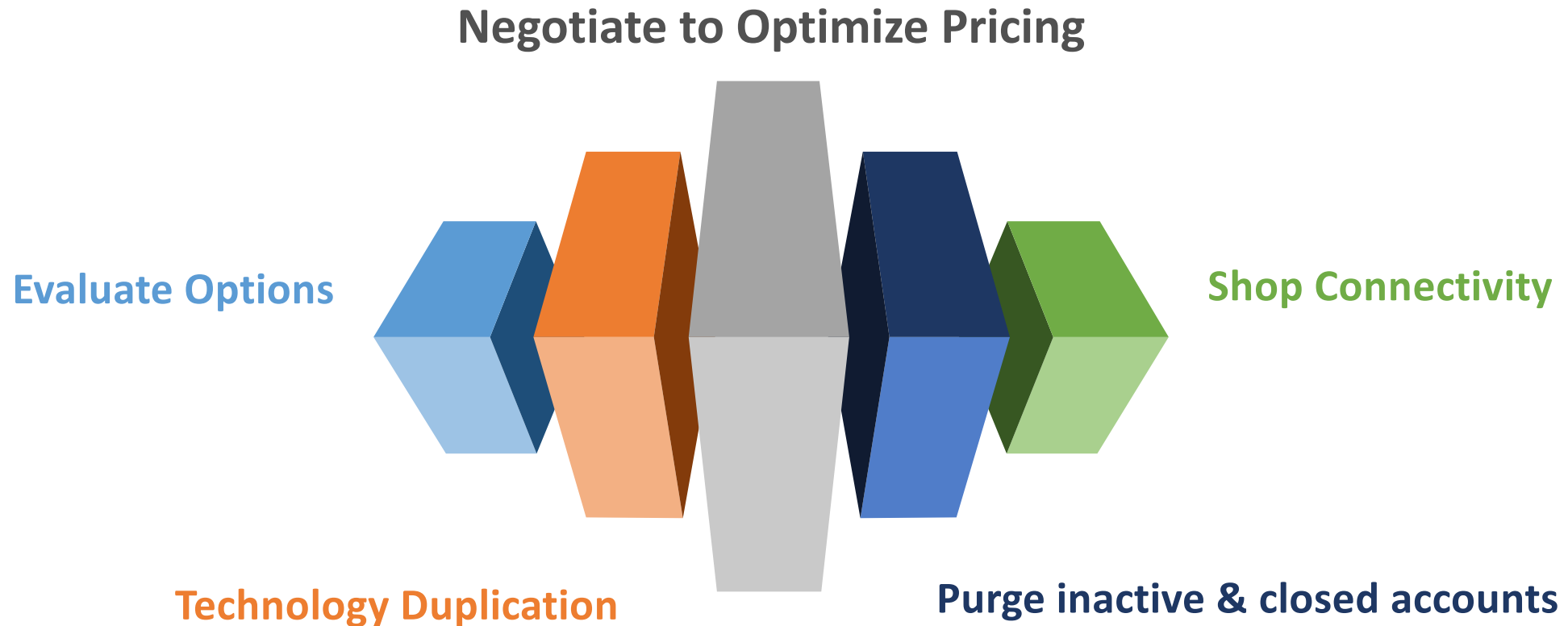
While they announce new branches in thin markets, the national banks are reducing their branch count at a rate similar to the super-regionals and regionals



Source: Curinos BranchScape, FDIC; National includes Chase, Wells Fargo and BofA, Super Regional >300 Branches, Regional 75-300 Branches, Super Community 10-75 Branches, Community 2-10 Branches



# DATA PROCESSING: System Evaluation and Negotiation



# DATA PROCESSING: EFT Processing



## Components and Add-ons

Fraud extras, reporting extras, etc.

Annual costs benchmark:

- < \$17 per active card
- < \$13 per open DDA annually



## Cost is most important factor

No major qualitative differentiators



EFT Processing  
evaluation and  
negotiation should  
be handled  
simultaneous but  
separate from the  
overall negotiation

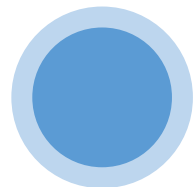
## OTHER: Miscellaneous Contracts



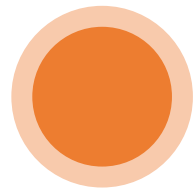
- ✓ Debit Card Rewards
- ✓ ATM Driving / Servicing
- ✓ Check Printing
- ✓ Redundancy



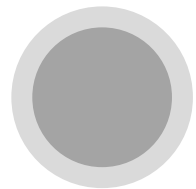
# BONUS : Paper Handling



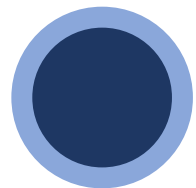
Eliminate Report Printing



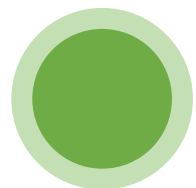
Utilize electronic meeting materials



Eliminate all couriers



eSign account and loan paperwork



Reduce # of printers per office



# INTERCHANGE: Optimize Networks



**Only ONE**

Unaffiliated Network



**Optimal POS NBR**  
**\$0.36-0.48**

> 85 bps



**Evaluate and**  
**Negotiate**



**Understand**  
**Profit**

Cost by network

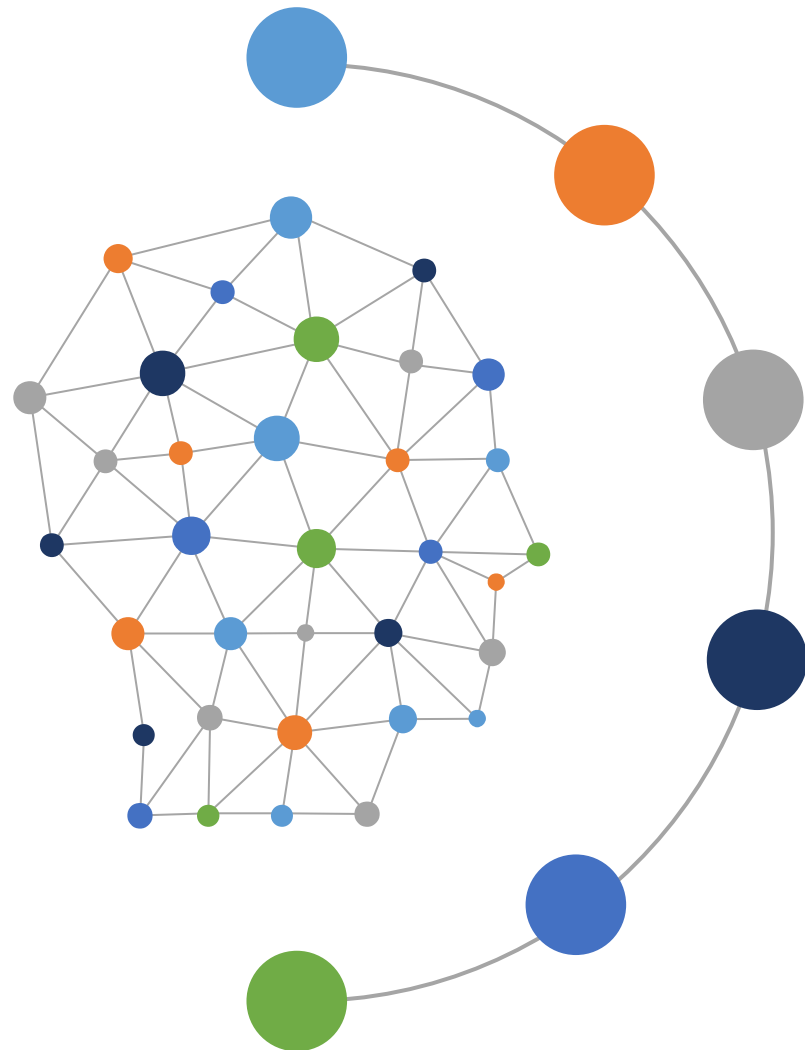
# INTERCHANGE: Portfolio Performance

- Increase PAU
- Card Provisioning
- Top of wallet
- Push and pull marketing messages
- Business Debit Cards





# PRODUCTS: Customer Profitability



Evaluate and Redesign Product Suite



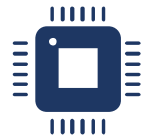
10% are Profitable



Free Basic Checking for Unprofitable



Improve Fee Income for Shortfall



No Silver Bullet for Profitable Deposit Growth



# SERVICE CHARGES: Collect What You Earn

95%+ Fee Collection Rate

Waiver rates should never exceed 2%

Refunds are better than waivers

Service Fee Training

Track waivers and refunds



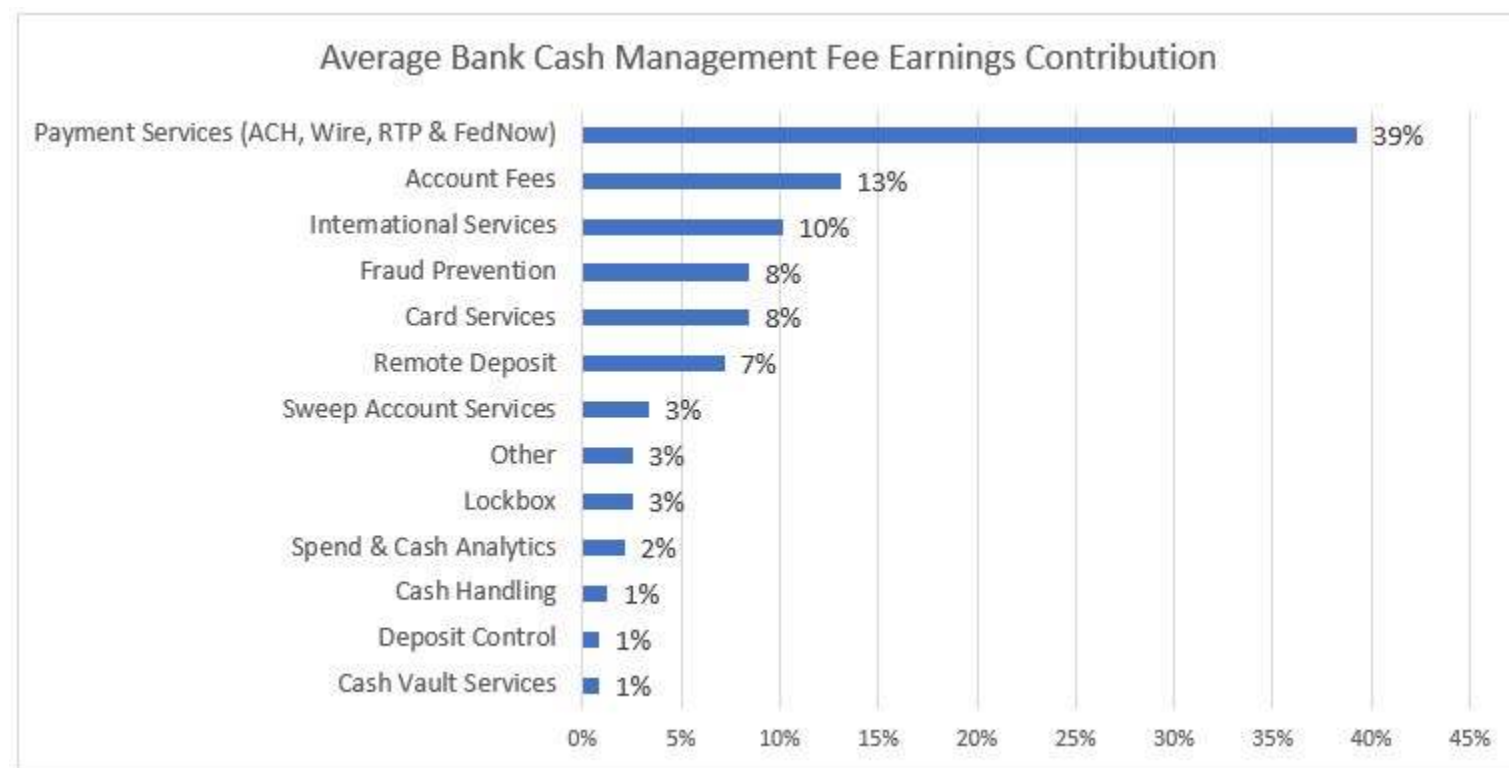
# PRODUCTS: Treasury Management

- ✓ Competitive Product Features
- ✓ Is System Charging Accurately?
- ✓ Monitor Exceptions, Refunds & Waivers
- ✓ Mobile & RDC
- ✓ Focus on Small Business





Finally, there is the fee piece. An average cash management customer generates about \$13k of fee income, while a good cash management customer can generate \$300k or more per year. As you can see in the chart below, one major marker of cash management profitability is payments. The more transactions processed, the more fee income that is generated and the higher balances that are left on deposit. ACH, Wire, real-time payments (RTP), and FedNow (as of July) alone drive almost 40% of the total cash management fee income at a bank. Thus, if there is one thing you want to know when prioritizing cash management sales leads, it's the number of payments sent and received.



\* SouthState article 9/20/23: These Are Your Most Profitable Cash Management Clients

# Session Key Takeaways



Capacity planning



Full review of all contracts



Debit card performance



Market strategy;  
branches



Interchange NBR  
\$0.36-0.48 (or >85bps)



Product profitability



# PROFIT RESOURCES

I N C O R P O R A T E D

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Scan here to fill out  
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this session.



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