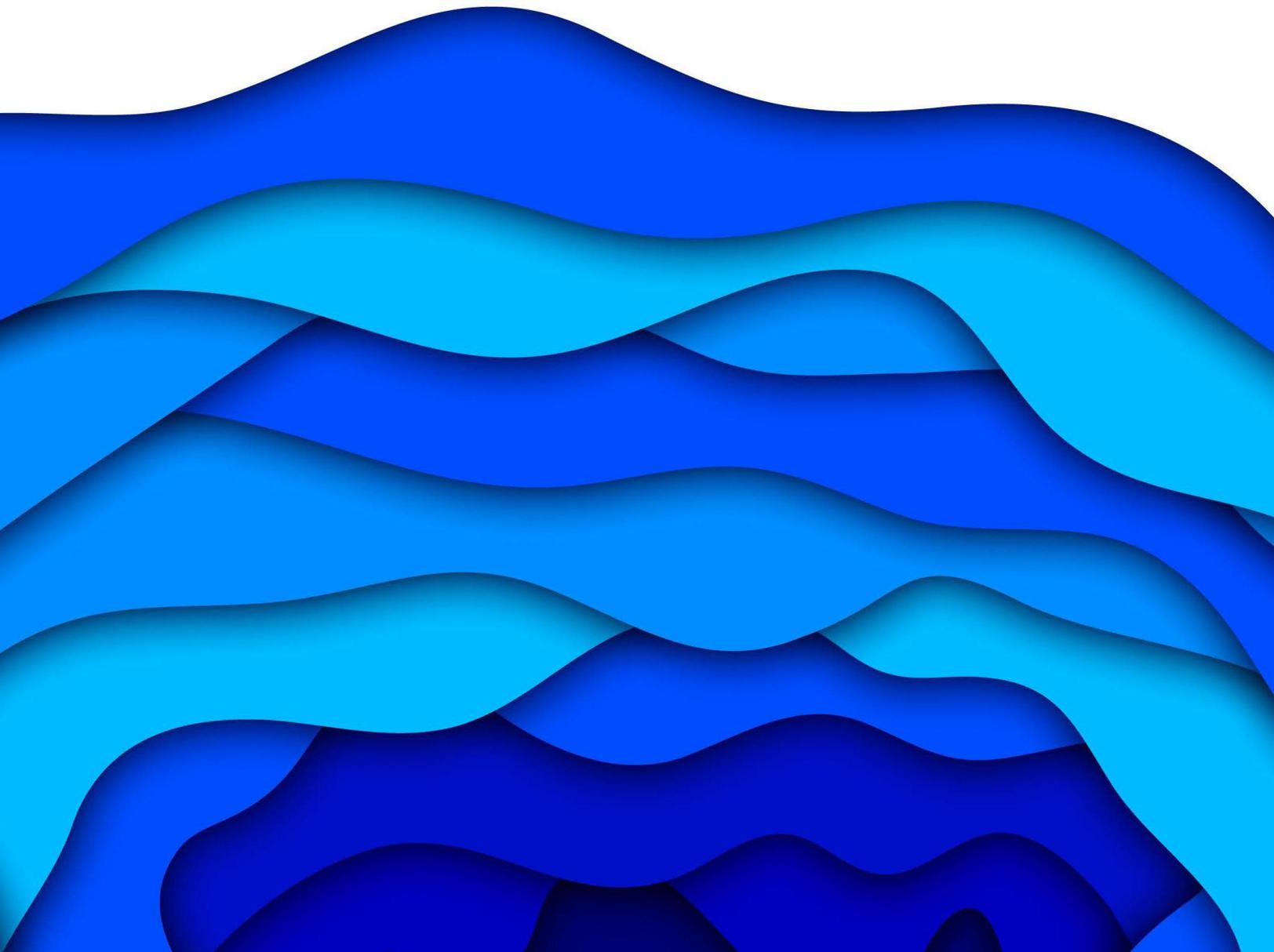


**NON-BANKING FUNCTION**

**PROFIT  
MINING**



---

# Table of Contents

Executive Take-Aways..... 3

Not in the Job Description ..... 3

More Than Paperclips ..... 3

Business Process Outsourcing as a Business Strategy..... 4

Business Process Outsourcing Advantage..... 5

Making Procurement & The Long Tail Relevant ..... 5

Cut Operational Expenses to Increase Dividends..... 6

More Impact, Less Disruption ..... 6

Gauging the Bank’s Resource Management Proficiency ..... 7

Closing Thought: The Cost of Disregarding Non-Core Function..... 7

For More Information. .... 8

---

## Executive Take-Aways

- Capitalize on opportunities to significantly improve profitability through a disciplined holistic approach to the infrastructure required for resource management both before and subsequent to purchase.
- Non-core, non-revenue generating, non-banking tasks are generally relegated to second-class status and thus managed as irrelevant, administrative functions.
- A bank can add up to 28% to earnings per share when leveraging business process outsourcing for many non-core tasks.
- Given the potential for positively impacting the bottom line, a bank's non-core activities should not be considered irrelevant.

## Not in the Job Description

That bank executives generally tend to ignore the strategic relevance of non-core resource management should hardly be a surprise. Their focus is on growing market share, on the net-interest margin, on revenues, and on managing risks. As a consequence, they recruit, train, and compensate their personnel to fulfill core banking activities: collecting deposits, lending money, providing fee-based services.

Moreover, during their careers, banking executives generally ascend through a series of line positions: credit, deposits, investments, commercial services, accounting, and marketing. It is a safe bet, however, that no bank president has ever done a stint in purchasing, which is unfortunate in that it ignores what banks spend the most money on day-in and day-out: purchased goods, services and supporting infrastructure.

It may come as a surprise to bank management that the purchase of goods and services comprises 50% to 60% of non-interest expense (NIE), with staff expenses comprising almost all of the rest. Furthermore, up to 10% of staff expense is non-banking directly related to the management of non-core goods and services. These employees are not bankers, their daily focus is inventory, supply, fulfillment, distribution, sourcing and procurement.

By nature, bankers know a great deal about the business of banking. What bankers do not generally know, however, is how to procure goods and services with rigor and supply-market knowledge nor are they experts in supply chain management; the process of planning, implementing and controlling the operations of the supply chain as efficiently as possible. This deficiency results in a lack of knowledge, skills, methodologies, tools, and creativity that are the hallmarks of best-in-class procurement and supporting infrastructure practices.

## More Than Paperclips

To fully appreciate the savings possibilities, it is important to understand the true scope of outside purchases and the long tail required to manage requisitions, invoice processing, payments, inventories, distribution, allocation and warranty management. Too often, when bank executives think about purchasing, they tend to think of the mundane: e.g., office supplies like paper, pencils, paperclips, etc. Yet, there are fully recoverable fixed and variable costs including physical infrastructure and employees spread across the requesting department to accounting, operations and facilities.

Viewed holistically, however, purchasing and its supporting infrastructure comprise all of the goods and services used by the bank: from temporary help to recruiting; benefits to market research services; direct mail to advertising services; telecommunication services to computer maintenance and repair; security services to utilities; from ATM support to janitorial services. Supporting infrastructure is viewed as a necessary cost of doing business and includes up to 10% of staff, dedicated facilities, distribution infrastructure and specialty software.

And when viewed in totality, the true impact of goods and services on the bank's bottom line is hardly irrelevant.

Banks tend to view purchases, which as a rule are mostly indirect expense items, as non-critical, backwater, and unrelated to the matter at hand. Consequently, this attitude relegates the purchasing function to a low-visibility, purely transactional role – a role generally viewed as necessary but non-banking, and therefore not strategic.

What many bank executives fail to realize is that the vast majority of external spending is buried within line-of-business budgets and is managed solely by the line managers most interested and affected. IT buys computers, software and telecommunication services; marketing buys commercial print and direct mail; retail buys armored courier and ATM services; and so on. There are little if any center-led controls on spend.

And while it is true that the interest and expertise resident in these departments makes it crucial that they be fully involved in the procurement decision, it is also true there is rarely enough procurement sophistication within the departments to ensure optimal results. This leads to a highly fragmented vendor base and the loss of an opportunity to aggregate spending and outsource functions – which is the essence of business process outsourcing for dramatic cost reduction.

## Business Process Outsourcing as a Business Strategy

NaviSource BPO is the process of:

- precisely defining actual business needs
- thoroughly analyzing and understanding the economics of the industry from which goods or services will be supplied
- combining spend category expertise, aggregation and arbitrage in a source-to-settle-to-distribution enterprise solution
- codifying all requirements and quantities
- matching appropriate source from a large and vigorously maintained database of ISO9001 manufacturers and service providers
- and elimination of as much non-core, non-revenue generating, non-banking infrastructure as possible refocusing resources on core, revenue generating, banking activities.

In short, NaviSource BPO is a coordinated, holistic process that aligns actual business needs and requirements with service acquisition and then measures the entire catalog of goods and services against savings performance. NaviSource BPO is an integrated, open, cross-platform technology that maximizes intelligence and efficiency to buy smarter, consume wisely and manage daily operations.

## Business Process Outsourcing Advantage

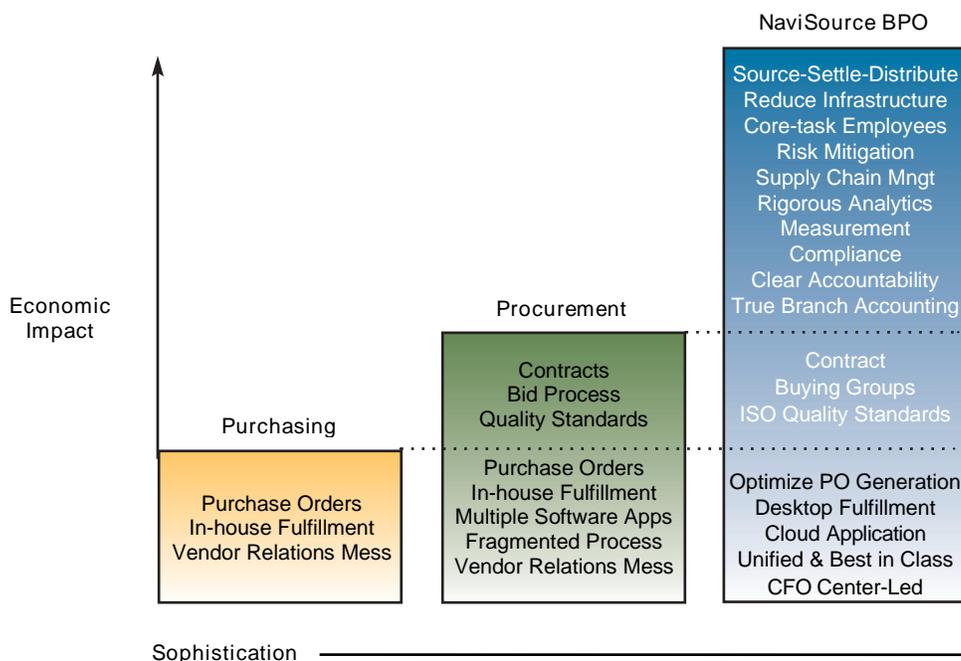
NaviSource BPO provides five distinct advantages:

- cost reduction on prices paid, spend reduction to essential needs, elimination of non-core fixed infrastructure and tasks
- access to experienced domain professionals
- ability to focus on core banking business rather than the long-tail of non-core support function
- generate actionable data for executives to make better business decisions to grow your business and enhance performance
- access to the latest updated technologies and collaborative industry buying groups

In short, NaviSource BPO delivers on the promise of leveraging technology, professionals and process as a service. It combines both software and service cloud delivered for CFO's to effectively manage their organization.

## Making Procurement & The Long Tail Relevant

In order to appreciate the transformative power of NaviSource BPO, it is important to distinguish it from traditional approaches of acquiring, managing, and distributing goods and services. In increasing levels of sophistication, the approaches can be categorized as purchasing, procurement, and NBPO, with each category demonstrating increasing levels of strategic awareness and operational sophistication.



## Cut Operational Expenses to Increase Dividends

NaviSource BPO fuses outsourcing of non-banking infrastructure, staff reduction and asset re-tasking to best-in-class global procurement, distribution, true branch accounting, individual accountability and collaboration.

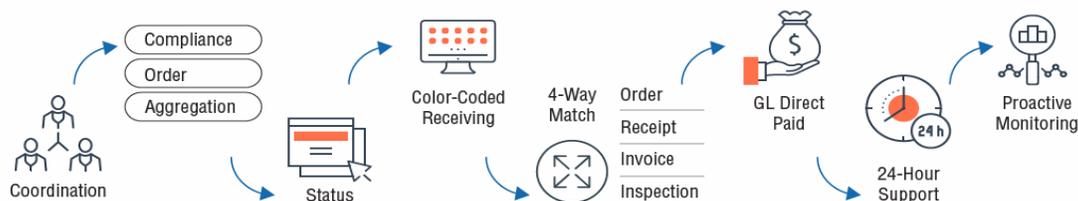
A saving of \$500,000 in unnecessary overhead costs can have the same effect on the bottom-line as an increase in revenue of \$5,000,000 - and the results can be delivered quickly and sustained. Banks can realize significant savings from non-pay overheads, the kind of goods and services most take for granted, and where they probably do not have the time, expertise or resources to carry out a rigorous review.

By matching spend reduction strategies through managed consumption to price reduction opportunities and outsourcing non-core function banks increase profitability. Using NaviSource BPO banks can dramatically reduce the cost of conducting business, savings that go directly to the bottom line. When a sales team reports a ten percent increase in profit it is more likely to come from twenty things that contribute one-half percent each than from one thing that gives the full ten percent. It is easier to increase profitability by reducing costs than it is generating new sales and the results are immediate and sustained.

## More Impact, Less Disruption

Of all the cost-cutting strategies available to bank executives, capturing savings through NaviSource BPO is painless and non-disruptive. When it comes to expense-reduction programs, most bankers' frame of reference is on controlling budgets and managing core headcount. NaviSource BPO does not entail displacing core systems or core employees, it focuses exclusively on non-banking, non-core, non-pay disciplines.

As a management discipline, NaviSource BPO results in a digital, scalable platform to provide the best-in-class cloud procurement solution with innovative new services and infrastructure to manage and reduce the cost of the hidden long-tail of spend support. This ensures your success and helps to meet your savings and profitability goals. It allows a reduced staff of non-core employees to become managers of information rather than movers of boxes. These requirements are focused on strengthening the enterprise management function in terms of capabilities and skill sets, methodologies and tools, and responsiveness to the needs and requirements of the internal customers. The end state is a minimal internal non-core organization augmented by a comprehensive professional Support Team and a digital platform operating as a unit of your accounting department aligned to the bank's strategic direction. Our systematic approach defines requirements, selects optimal sources, and proactively manages consumption to provide improved quality of delivery and support, with improved goods and enhanced services at an improved price.



---

## Gauging the Bank's Resource Management Proficiency

- Does a corporate procurement strategy exist and does it link to corporate strategy, goals, and objectives?
- Does a system of strategic resource management exist within the organization, and is it responsible in all supply groups or categories within the organization?
- Does the institution proactively leverage business cycle and volume upturns into more favorable price terms?
- Does the strategic resource management platform incorporate Total Quality Management (TQM) across the entire organization, supply chain, and product life cycle?
- Are all products and services measured by the ISO 9000 family of standards for quality;
  - monitoring processes to ensure they are effective;
  - adequate records and audit trails;
  - checking output for defects, with appropriate and corrective action where necessary;
  - regularly reviewing individual processes and the quality system itself for effectiveness; and
  - facilitating continual improvement?

## Closing Thought: The Cost of Disregarding Non-Core Function

Reducing cost remains the most lucrative and least painful opportunity for improving bank profitability. Disregarding non-core, non-revenue generating, non-banking task foregoes as much as 28% of earnings per share. This is hardly irrelevant. It is therefore incumbent upon executives to hold management accountable for taking the actions necessary to improve shareholder value through efficient resource management practices. Engaging NaviSource BPO is a straight forward easy fix to a non-core, non-revenue generating, non-banking hole in your budget.

## ABOUT NAVISOURCE

Navisource Solutions Group (NSG), is a comprehensive IT solutions provider and software developer. We are a value-added Solution Provider successfully engaging the Banking, Insurance and HealthCare markets. We provide solutions that minimize non-interest expense across all departments. NSG was the brainchild of a Rocket Engineer, a Fortune 50 Procurement director and a Fortune 50 IT director. The initial premise was to generate opportunities to significantly improve profitability through a disciplined holistic approach to infrastructure, procurement and resource management. See our Profit Mining solutions at [www.navisource.com](http://www.navisource.com).

## STAY CONNECTED

For more information visit:  
[www.navisource.com/contact](http://www.navisource.com/contact)

## SCHEDULE WEBINAR

[www.navisource.com/webinar](http://www.navisource.com/webinar)