

## **Accounting and Industry Update Data Analytics for Credit Unions**

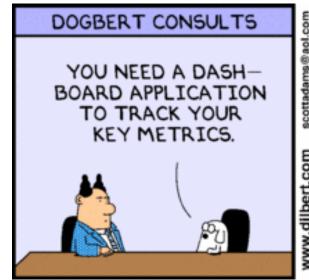
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## Not Today's Agenda







## The Business Case – Data Analytics

- More competition Internet/Smaller world/Global marketplace
- Market demands
- Adding products and services to stay competitive
- Higher level partnerships
- Speed
- Growth
- Increased complexity



## The Ongoing Rise of Data

- Big Data
- Data Warehouse
- Artificial Intelligence
- Machine Learning
- Quantum Computing

- Digital Strategy
- IoT Internet of Things
- Data Science
- Operations Research
- Expert Systems



## The Ongoing Rise of Data

#### Common questions and concerns that we hear:

- Not enough or too much data
- Is it accurate?
- Am I going about this the right way?
- Am I painting myself into a corner (tools)?
- How much do I need to invest?
- How do I get started/Where do I go from here?



## Metrics

#### Common metrics used by companies:

- Budget
- P&Ls consolidated, location, product line
- LTV, Quick Ratio, Current Ratio
- Cash Days
- A/R Days
- Revenue
- Sales Pipeline
- Net promoter score/customer retention



## Metrics – Credit Union Specific

#### **Productivity**

#### **Staffing**

1. Members Per FTE: 386 2. Accounts Per FTE: 955

Members and accounts per full time equivalent (FTE) are two key metrics that help ensure the credit union is neither overstaffed nor stretched too thin. Lower numbers translate to more focus on personalized member experience.

#### **Output**

3. \$ Revenue Per \$ Salary And Benefits: \$3.07

4. Loan Originations Per FTE: \$1.7 M

Employee revenue creation and loan origination are essential to running a productive credit union. The metrics in this quadrant are ones to maximize.

## High

#### **Expenses**

5. Efficiency Ratio: 71.6%

6. Operating Expense Ratio: 3.10%

Operating expenses are inherent to credit union operations. However, monitoring and lowering both the efficiency ratio and the operating expense ratio are ways to ensure a credit union is operating efficiently.

#### **Earnings**

7. Revenue Per Member: \$435

8. Earning Assets Over Total Assets: 95.5%

Credit unions should strive to grow revenue per member and keep earning assets over total assets high. These are good metrics to monitor while also keeping in mind the value returned to members.

#### Efficiency

## Metrics - Credit Union Specific

#### **Metrics for different roles:**

- CEO Loan Growth, Member Growth
- CFO Cost of Funds, Capital Ratio
- COO Operating Expense Ratio, Efficiency Ratio
- CLO Average Member Relationship, Delinquency and Coverage Ratios
- CMO Net New Members per Location, Penetration Ratios
- HR Members per Employee, Revenue per Salary and Benefits

These metrics can be set up with targets and benchmarked to other credit unions.



## Be Careful with Metrics









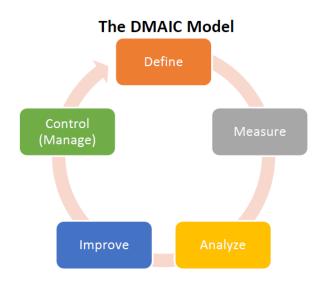
## The Importance of Metrics

- Quantity does not equate to quality
- Technology lets you have more metrics and custom dashboards without it becoming overwhelming
- No metric > Bad metrics
- No metric > Not using metrics already in place

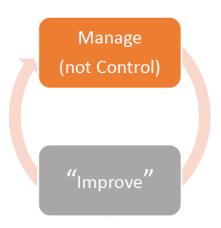


## The Importance of Metrics

- More quickly identify gaps in performance
- Better and faster decisions
- The focus should be on action not reporting



- Purposeful Action
- Data
- Proactive
- Root Cause based Problem Solving
- Prevent Future Problems (Higher Performance)



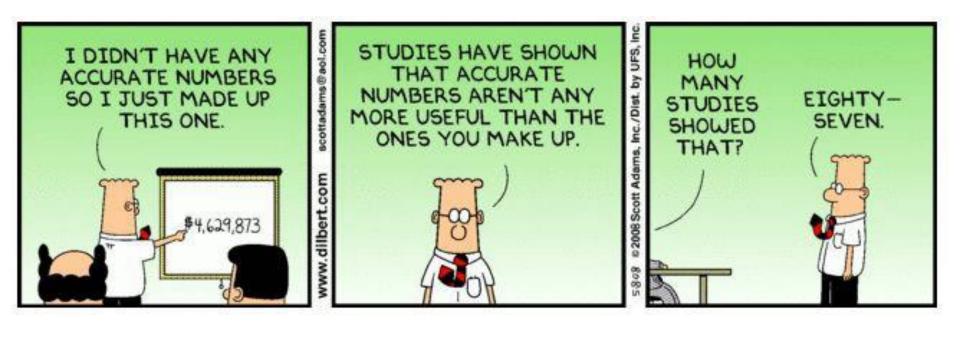
- No Data
- Reactionary
- Focused on Immediate
- Problem Solving less likely to be based on Root Causes
- Experience Same Problems Again



## Data Analytics

- Key Performance Indicators (KPI's) and dashboards
- Outside data Benchmarking metrics
- Scenario modeling and what-if simulations
- Deep dives and complex situations
- Trend analysis
- Correlation and regression analysis
- Fraud detection Vendor and employee files

## Please Validate the Data



# FOCUSED. ON YOU.

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