



# **Immediate Cost Savings vs. Long-Term Tech Investments: The Real-Time Financial Benefits of Outsourcing**

In financial services, the allure of technology investments often centres on their long-term benefits and potential to revolutionise operations. However, the reality of technology implementation is that it is a gradual process, often fraught with delays and hidden costs. Outsourcing operational processes provides not only a critical bridge during technology transitions but also delivers immediate and tangible financial benefits.



## **Immediate Cost Savings: How Outsourcing in the Short Term Assists Tech Investments Long Term**

A prevalent challenge in financial services is the time and expense involved in building and integrating new technology. While the promise of technology is to streamline operations and reduce costs, the initial phases of technology adoption can be lengthy and costly. In contrast, outsourcing offers an immediate reduction in operational costs, providing financial relief and efficiency gains from day one.

For example, consider a scenario discussed in a recent strategic session where a financial institution faced internal operational costs of £1 per process. By switching to an outsourced provider, the cost could be immediately reduced to 60p per process. This change does not merely represent a 40% cost saving; it also liberates resources that can be redirected towards strategic technology investments.

It is important to note that these benefits are only fully realised when partnering with an outsourced provider capable of rapid mobilisation. Larger outsourcing firms may struggle with this agility, often burdened by long onboarding times that delay the anticipated savings. Therefore, selecting a nimble and responsive partner is crucial to ensure immediate cost reductions.

While technology is a critical component of future operational strategy, its integration is not instantaneous. Outsourcing can serve as an effective bridge during this transitional period, managing current operational needs efficiently while internal systems are upgraded or new technologies are phased in.

Furthermore, the real-time financial benefits of outsourcing extend beyond simple cost reductions. Outsourcing allows financial institutions to scale their operations flexibly and with agility in response to market demands without the capital expenditures associated with expanding in-house capabilities.

## Overcoming the Cost Perception Barrier

One of the biggest hurdles in adopting outsourcing is the perception of external services as mere costs rather than as investments in efficiency. Financial decision-makers often focus narrowly on the outlay for outsourcing (the 60p in the above example) without fully accounting for the cost benefits that accrue from day one. This perspective overlooks the immediate savings and the potential for reallocating saved funds into long-term technological improvements.

There is a clear need for a paradigm shift in how financial leaders perceive and evaluate outsourcing expenditures. By understanding the full spectrum of costs and benefits, including the inefficiencies and hidden expenses of maintaining internal processes, leaders can make more informed decisions that favour both immediate and future budgeting health.

## Overcoming the Cost Perception Barrier

Outsourcing's benefits are not confined to cost savings alone. It provides a strategic advantage by allowing financial firms to focus on their core competencies while leaving operational tasks to specialised external providers. This shift can lead to better allocation of internal resources towards high-value activities, such as client relationship management, product development, and strategic planning.

The effective use of outsourcing can also serve as a catalyst for innovation within financial institutions. By engaging with outsourcing partners who bring diverse perspectives and capabilities, firms can tap into new ideas and technologies that may have been otherwise inaccessible.

### Conclusion

In AML teams, where every penny saved can be a penny earned towards future growth, recognising the immediate benefits of outsourcing is crucial. Outsourcing offers a strategic advantage by providing instant cost savings and operational efficiencies, which are especially valuable during the gradual process of technology integration.

By focusing on the real-time benefits of outsourcing, financial institutions can optimise their operations, ensuring that they are not just prepared for future technological advancements but are also maximising their current resources. This approach helps balance immediate needs with long-term goals, providing a comprehensive strategy for AML functions.



# NEXUS AML

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EFI are a managed services firm and we have been successfully providing financial crime operational support to regulated institutions since 2017. We are able to operationalise Financial Crime policies and requirements into a repeatable and auditable work product and our skilled offering includes CDD, Screening and Transaction Monitoring (BAU and remediation). Our innovative Nexus AML platform has been designed to address our clients' primary issues that are cost and quality. We proudly have over 2,500 registered members on our platform and increasing daily. Cost: We pay our analysts per case subject to passing quality. Our clients pay per case for what they need, allowing them to scale up or down as required from 1 analyst to 1000+. This model is ideal for new firms who can access skilled resources when they are needed and for established firms to amplify their teams when needed. Quality: We skill assess our analysts using testing based on case study scenarios and not just multiple choice. This testing approach focusses on skills and aptitude for the work rather than years of experience.

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