Branch Workforce Evolution Powered by Advanced Analytics

Analytics strikes the balance between containing costs and fostering employee excellence.

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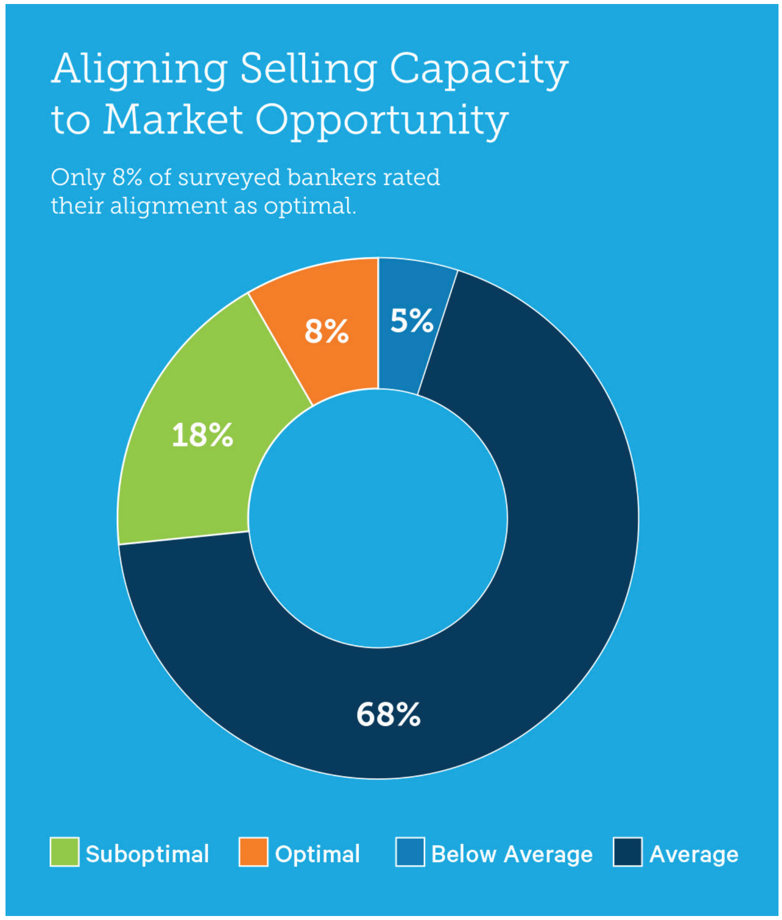
Fact: Face-to-face interactions and new account openings in bank branches provide the best opportunities to deepen customer relationships and build trust. And the quality of these interactions depends on putting the right staff in front of the customer, at the right time and place. Retail banking leaders are keenly aware of this.

In the face of pressures to grow revenue and cut labor costs, most banks struggle with how to change and optimize their branch workforce. Yet priorities are tipping in a positive direction.

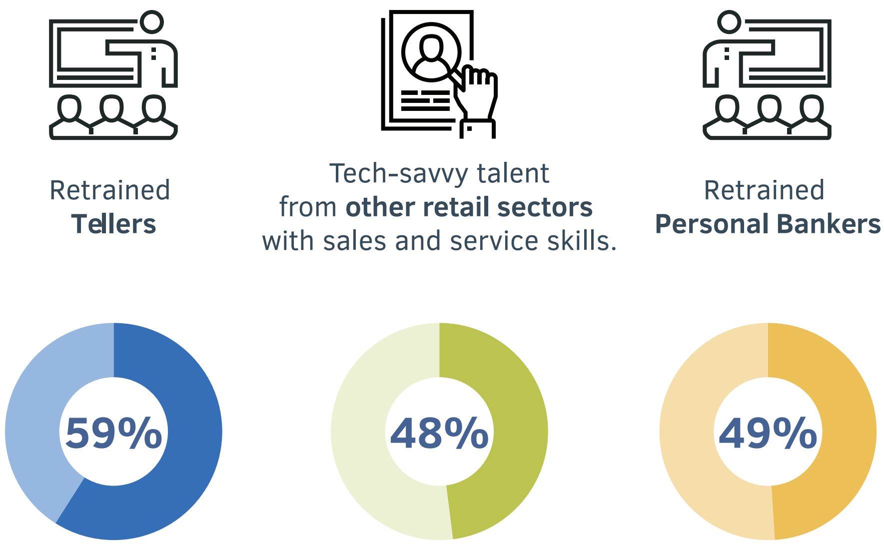
Representing more than 42,000 branches in North America, the second annual Kiran Analytics Workforce Strategies survey of banking executives reveals a noteworthy change: The focus is shifting from expense reduction to growth-oriented workforce strategies.



Without a doubt, the banking industry remains ahead of other sectors in adopting enterprise-wide analytics. According to a recent "analytics maturity" study conducted by the International Institute of Analytics, Financial Services industry leaders finished second only to the Digital Natives. This should come as no surprise: Applications of advanced analytics are commonplace for fraud detection, risk management and portfolio optimization. Yet when it comes to workforce management, only a small fraction of banks use data and advanced analytics to their fullest potential.

Workforce Strategies for Simultaneously Growing Revenue and Reducing Expense

Since the branch workforce makes up about 25 percent of most retail banks' operating expenses, improving resource efficiency continues to have positive impact on the bottom



line. Common expense reduction strategies include:

- Reducing the number of tellers
- Increasing the part-time to full-time mix of tellers
- Sharing platform staff across multiple branches (resource pooling)

Bank managers agree that an even greater payoff in the top line results when branch workforce capabilities and capacity align with market opportunity. Popular growth-oriented workforce strategies are:

- Redeploying bankers to markets with greater potential
- Hiring talent with sales and service skills from other retail sectors
- Placing finance specialists, mortgage and wealth management advisors in branches with growth potential

Kiran's Workforce Strategies survey results show that retraining tellers and personal bankers to become universal bankers rank as the most popular workforce strategies. The survey responses also show that nearly half of the banks have already deployed the universal banker staffing model—with the remaining half in the investigation or pilot stage.

Optimizing Staffing Capacity and Capability Is Difficult

It's difficult to balance the trade-offs between customer experience, revenue growth, and operational efficiency, while optimizing the branch network and workforce. Why?

- As the nature of customer interactions in the branches changes from simple transactions to complex service and sales activities, transaction volumes are lower, and the variability of service times higher.
- Customers using new branch technologies and mobile applications still require front-line staff support.
- Bankers using new back-office solutions need time for training and non-customer-facing activities.
- Network changes, such as branch closures and operational changes, impact the activity volume and staff capacity in nearby branches. For example: An increase in open hours will most likely require adjustments to full-time, part-time, and peak-time staffing.

Banks that use average daily transaction counts, or a one-size-fits-all approach to setting staffing levels, will likely end up with too little capacity—or too much. Too little capacity means longer wait times, frustrated customers, and missed sales opportunities. And too much capacity translates to excess staffing costs and operational expenses. Either way, inability to align selling capacity with market opportunity limits revenue growth. Kiran's Workforce Strategies survey found that only 8 percent of bankers think their selling capacity is aligned with market opportunity.

Talent acquisition and retention also complicates workforce planning and scheduling. There is no question that retail banking

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as an industry struggles with acquiring and retaining top talent. High employee turnover increases hiring and training costs. Increased performance variability will adversely impact service quality and branch productivity. And slow adoption of analytics in HR contributes factor to high turnover and performance variability.

Advanced Analytics for Optimizing the Workforce

As the pace of branch transformation accelerates, bank managers need to make better workforce decisions, faster. Predictive and prescriptive analytics bring a higher value to a business—but are harder to implement. They require banks to be highly data-oriented, have advanced analytics tools in place and make widespread use of them.

In the face of these challenges, optimizing the branch workforce starts with accurate forecasting of customer arrivals and work content, for customer-facing as well as non-customer-facing activities. High fidelity predictive models are proven to reduce labor expenses by one FTE per branch without adversely impacting the target customer service level.

In addition, predictive models are proven to increase revenue by as much as 20 percent without additional FTE. Rather than deploy universal bankers with a one-size-fits all approach, bank managers should assess the optimal position mix for each branch, utilizing insights from their data and advanced analytics.

What's more, the use of predictive analytics in talent acquisition has been proven to produce higher quality candidates in a shorter amount of time—with at least a 15 percent decrease in turnover. Banks should use predictive models for scoring and ranking the most qualified candidates for the position, and who are most likely to stay on the job.

All this points to an important insight: Data and advanced analytics, treated as a priority and applied with precision to workforce management, will yield positive results. It's not just about fraud detection or portfolio growth anymore. New, innovative workforce optimization solutions provide the ability to continually align staffing roles and resource capacity with market opportunity. And what bolsters the bottom line also preserves excellent service--enabling bank managers to put the right bankers in front of their customers, at the right time and place.

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APPLICATIONS OF ADVANCED ANALYTICS IN BANKING