REFLEXIS

Managing Today's Branches with Yesterday's Tools

A look into the current branch banking environment and what matters most to banks today.

OVERVIEW

It's widely recognized that branch banking is in transition, but the impacts and the elements critical to success in the new environment are not always obvious. In 2018, Reflexis was pulled into the banking market by several top US and European banks, who indicated to us that existing offerings weren't keeping up with the demands of modern branch forecasting and scheduling; these banks wanted key differentiators, like more nimble, market-level scheduling and mobile-first employee self-service technology, to help drive their future branch strategy.

To understand these trends in branch banking and the larger opportunity, we partnered with Celent in order to provide clarity on both the state of branch transformation—what's changing, how, and why—and how banks are preparing for the future of branch banking.

Many of the survey's findings validated what we already knew or suspected—50% of banks are in transition and most now use part-time and floating staff not tied to a specific branch. However, there were some surprises; despite a stated interest in customer experience and equitable employee scheduling, many of the surveyed banks have been slow to adopt solutions to improve these, like labor forecasting with AI or mobile employee self-service. We suspect that, due to gaps in incumbent vendor technology and misapprehension regarding security and deployment, many banks have been slow to connect employee satisfaction and mobile self-service tools.

Both Celent's data and what we've heard from top banks point to the beginning of an industry shift—and our platform to optimize network staffing and empower employee productivity can help banks prepare for it. This shift will be led by top banks, like those we are already working with, who are focused on retaining top talent and improving employee satisfaction, in turn fueling improved customer engagement and market success. Banks that are innovators today and proactively adopt these tools to engage and simplify scheduling for employees will be tomorrow's branch banking leaders.

Ron Wellman *Director, Industry Marketing for Banking*

At Reflexis, Ron is leading the efforts to grow the banking vertical including; defining go-to-market strategies, building awareness, consideration, and engagement among banking executives, industry analysts and market influencers. Our Reflexis ONE for Banking suite of workforce management and real-time branch activity management will help banks power their branch transformation by increasing staffing efficiency, employee retention, and ensuring compliance with federal state and local labor laws.

CELENT

MANAGING TODAY'S BRANCHES WITH YESTERDAY'S TOOLS

BRANCH PANEL SERIES PART 9

Bob Meara
06 May 2019

This report was commissioned by Reflexis Systems, Inc. The analysis and conclusions are Celent's alone, and Reflexis had no editorial control over report contents.

OLIVER WYMAN

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EXECUTIVE SUMMARY

This is the ninth in a series of reports based on Celent's Branch Transformation Research Panel. The purpose of the effort is to look deeply into the objectives, priorities, risks, barriers, and likely outcomes of the growing trend that is branch channel transformation in North America. Panelists were recruited among Celent clients and nonclients alike. Celent is accepting additional requests for membership in the panel and expects to field ongoing research at quarterly intervals. To request a place on the research panel, apply online.

Key Research Questions

1 *What are banks' top branch channel strategic priorities?*

2 *What are banks' biggest challenges to achieving branch channel objectives?*

3 *How do banks perceive technology can help maximize branch channel effectiveness?*

Conclusions/Observations

- Survey results clearly depict an industry in transition between historic branch models designed to accommodate heavy transaction volume and a future state designed around sales and service.
- Most surveyed institutions share a triumvirate of branch channel operating priorities: improving sales performance, perfecting the customer experience (CX), and increasing customer awareness and utilization of digital channels.
- Surveyed institutions concede a significant opportunity for improvement in delivering on top operating objectives. On average, they give themselves a B-, with a lower assessment of their progress toward customer digital enablement.
- Despite several bankers complaining about having to compete with digital initiatives for funding, most surveyed institutions cited legacy constraints (business processes, technology, procedures, etc.) as the biggest barrier to achieving branch channel objectives. Staff recruiting and training challenges are also a significant obstacle, particularly for small institutions.
- The survey offers a glimpse into branch channel technology adoption. While not comprehensive, the picture is clear: most banks are asking front line staff to deliver highly personalized customer experiences without the tools to do so and are asking managers to orchestrate complex systems of personnel and processes without an adequate understanding of what's happening across the network.
- Institutions assert that improving the in-person customer experience is a high priority yet observing a lack of metrics in use and technologies deployed suggests the in-person CX may not be as important to banks as expressed sentiment indicates.
- Mobile capabilities in applications used by front line staff are underappreciated, while enhancing customers' mobile banking capabilities is every bank's #1 priority.
- Institutions spend considerable staff time on non-customer-facing activities. Yet, a minority of institutions manage when non-customer-facing activity is scheduled to be completed and account for it in staff forecasting. Most surveyed institutions are either unconcerned or don't consider this a problem in need of a solution.

- Many banks do not appear to appreciate that today's branches can't be effectively managed using yesterday's technology.

Recommendations

- Institutions share important branch channel objectives and should not be content with "modest" effectiveness in attaining them. High standards for excellence are appropriate. Management should not rest until they are attained. Today's market is too competitive for a less aggressive disposition.
- Banks' focus on digital banking solution efficacy is well-placed. However, many banks fail to appreciate mobile's importance to employee-facing applications. Celent encourages banks to extend their focus on the customer journey so that it includes the employee journey as well. We expect this will result in welcome improvements in staff engagement and retention.
- As the adage suggests, "You get what you measure." Institutions should not be content with random sampling of customer satisfaction. As important as the in-person customer interaction remains, institutions should pursue a granular understanding of the branch environment — just as they have come to enjoy in the digital channels.
- Too few institutions appear to place a watchful eye on non-customer=facing activity. Staff capacity needs to be viewed through a new lens, one that seeks to engage customers both reactively and proactively. In this context a few percent of a staff member's weekly time can be highly productive.

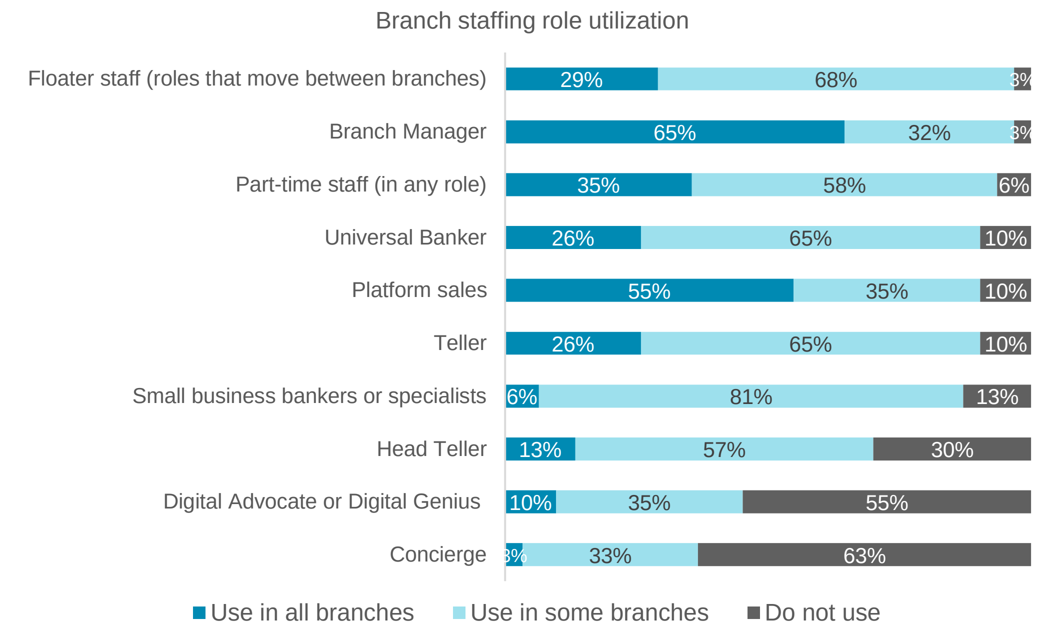
The report begins with a look at how institutions staff their branch networks. It then details top surveyed branch operating objectives, followed by the Panel's self-assessment of their ability to deliver on those objectives along with perceived barriers to doing so. We conclude with an analysis of institutions' perception of technology and surveyed adoption plans.

Note: the panel is not strictly representative of the North American financial services market for two reasons. Like most surveys, a managed panel necessarily involves some selection bias. That is, individuals more concerned about the topic are likely to participate. While this is a known error mechanism, the extent of its impact is difficult to determine. Secondly, the panel composition does not mirror the overall market in terms of asset tiers. Celent expects the insights contained herein will be a good yardstick for the attitudes and activities of North American financial institutions.

A BRANCH NETWORK IN TRANSITION

Survey results clearly depict an industry in transition between historic models designed to accommodate heavy transaction volume and a future state designed around sales and service. If one thing jumps out, it is that very few institutions have a single branch model. Few even have the same roles in every branch. Instead, most roles are in use in some but not all branches (Figure 1). Wise banks are designing for change.

Figure 1: Footprintwide Approaches Are a Rarity



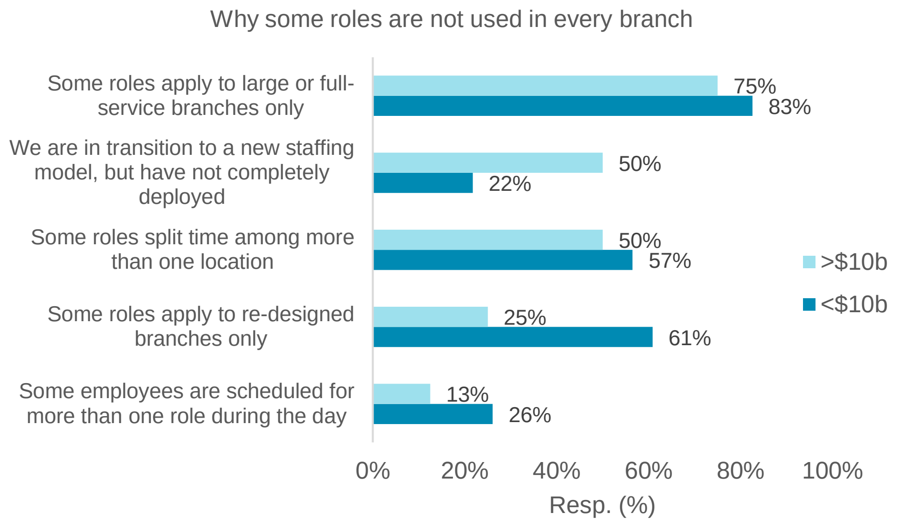
Source: Celent survey of NA financial institutions, March 2019, n=32. Q: Which of the following unique roles are utilized in one or more legacy, new, or redesigned branches at your institution?

Role utilization did not vary dramatically by asset size. Institutions large and small broadly use part-time and floater staff, for example. Most eschew concierge roles in favor of universal bankers greeting arriving customers. Roughly half of surveyed institutions use a digital advocate role equipped to coach customers on leveraging digital channels in some or all branches. Other institutions train all staff to advance digital activation. The survey did not explicitly state or imply that these roles would be separate full-time positions. Most surveyed institutions either no longer use tellers at all or use them only in some branches.

Not surprisingly, some roles are staffed in large full-service branches, but not in smaller formats. But evidence of transition abounds. For example, fully half of large banks[1] are in transition to a new staffing model, compared to a fifth of small banks. Nearly two-thirds of small banks indicate some roles apply to redesigned branches only — suggesting they are not finished with network redesign. Half the survey sample utilize some roles that split time between more than one branch, and a minority schedule employees for more than one role during the day (Figure 2 on the next page). Managing this complexity and pace of change needs to be a core competency.

[1]The survey's relatively small sample size (32) afforded a limited view of differences between the asset tiers. For brevity, the report refers to institutions with assets of less than $10 billion as "small banks" and those with assets over $10 billion as "large banks."

Figure 2: Evidence of Transition Abounds



Source: Celent survey of NA financial institutions, March 2019, n=32. Q: If you selected “Use in some branches” above, which best describes your approach? Select all that apply.

As institutions continue their branch channel transformation journey, it is critical that they fully utilize available technology to equip front line staff to succeed and equip management with tools to facilitate appropriate oversight.

Since so many institutions remain in transition with their branch networks, it follows that current state networks aren’t well equipped to deliver banks’ top priorities. However logical, this conclusion aligns with respondents’ self-assessment, as the next section illustrates.

CHALLENGING OBJECTIVES; LEGACY CONSTRAINTS

Most surveyed institutions share a triumvirate of branch channel operating priorities: improving sales performance, perfecting the customer experience (CX), and increasing customer awareness and utilization of digital channels.

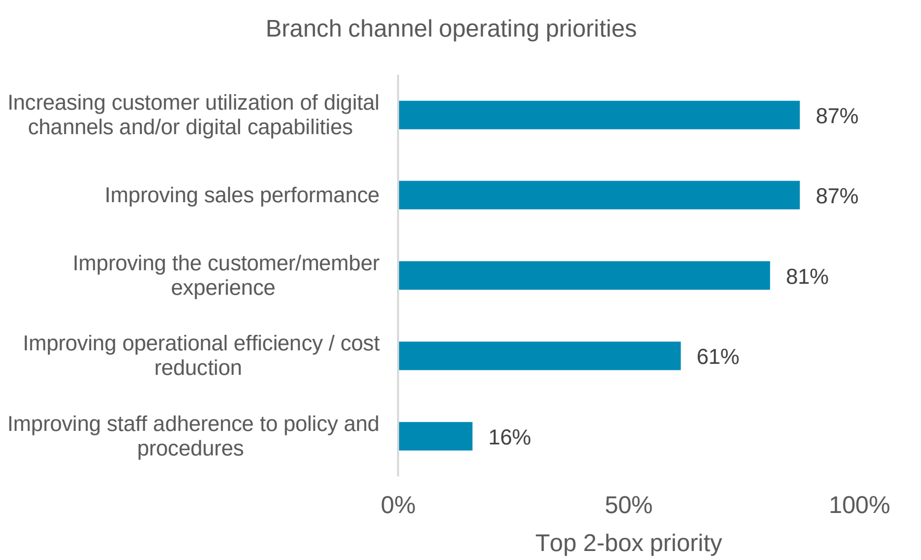
Key Research Question 1

What are banks' top branch channel priorities?

A triumvirate of objectives share top priority.

These priorities are shared broadly across asset tiers and among both banks and credit unions. Larger banks place comparatively higher priority on cost reduction. Not surprising, perhaps, since large banks operate a disproportionate share of operating branches in North America (Figure 3).

Figure 3: Institutions Broadly Share a Triumvirate of Branch Channel Priorities

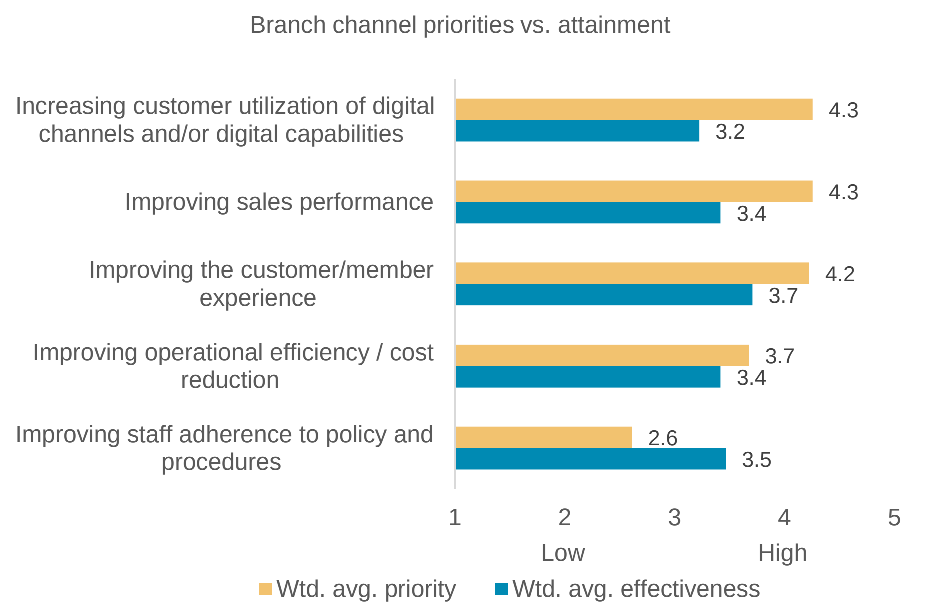


Source: Celent survey of NA financial institutions, March 2019, n=32
Q. Which of the following are branch channel objectives at your institution? Indicate the relative priority of each.

Increasing customer awareness and utilization of digital capabilities is a high priority for two reasons. First and foremost, doing so directly leads to an improved customer or member experience. Late adopters often need coaching and, in some cases, coaxing to do things differently, and they generally appreciate branch staff taking the time to educate them. Many institutions also see greater digital utilization, with a resulting transaction migration, as a practical prerequisite to further investments in branch channel transformation. To the extent that banks are successful in this ambition, it will result in an accelerating pace of change in the network. Wise institutions prepare for this by designing physical and technology environments that support continual change. Branch formats and staffing will continue to evolve as the industry transitions from historic models designed to accommodate heavy transaction volume to a future state designed around sales and service.

Surveyed institutions concede a significant opportunity for improvement in delivering on top operating objectives. The survey asked respondents to indicate how effective they were in each of the surveyed objectives using a five-point scale. Respondents generally regarded their institutions as being moderately effective in attaining stated branch channel objectives. Interestingly, surveyed institutions regarded themselves least effective in increasing customer utilization of digital capabilities — one of the most important operating priorities (Figure 8).

Figure 4: Opportunity for Improvement Abounds



Source: Celent survey of NA financial institutions, March 2019, n=32
Q. In your view, how effective is your institution in attaining each of those objectives, if applicable?

In today's increasingly competitive environment, "moderate" effectiveness is unacceptable. Given the branch channel's comparatively high cost and complexity to other customer touch points, missing the mark in person is particularly grievous.

What's Getting in the Way

The clear room for improvement shown in Figure 4 suggests there are barriers to achieving strategic objectives. Indeed, there are! Bankers were not bashful during post-survey interviews in emphasizing the difficulties they are experiencing. The survey explicitly asked, *"What are your biggest challenges/barriers, if any, to achieving your institution's branch channel objectives?"* Respondents were free to select one or more of seven possible choices derived from pre-survey interviews. Most selected between two and three barriers.

Key Research Question

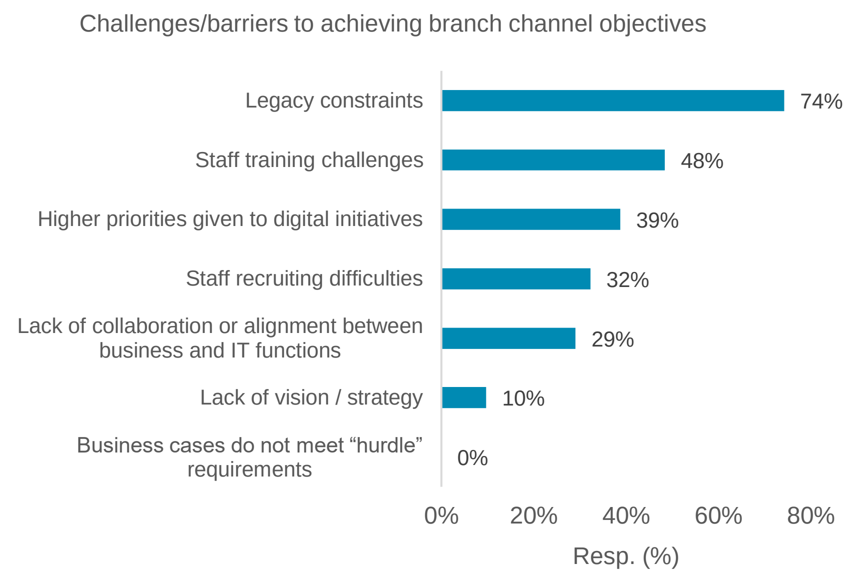
2

What are banks' biggest challenges to achieving branch channel objectives?

Legacy constraints rank as the #1 barrier to achieving branch channel objectives.

Despite a number of bankers complaining about having to compete with digital initiatives for funding, the majority of surveyed institutions cited legacy constraints (business processes, technology, procedures, etc.) as the biggest barrier to achieving branch channel objectives (Figure 5). For example, legacy onboarding procedures and systems keep bankers tied to desktops and paper-based workflow. Siloed channel systems keep front line staff from having a complete view of the customer journey. Dated infrastructures complicate training initiatives and make it harder to attract and retain talent. Manual processes make administrative tasks consume time that should be generating value.

Figure 5: Legacy Constraints Haunt Most Institutions



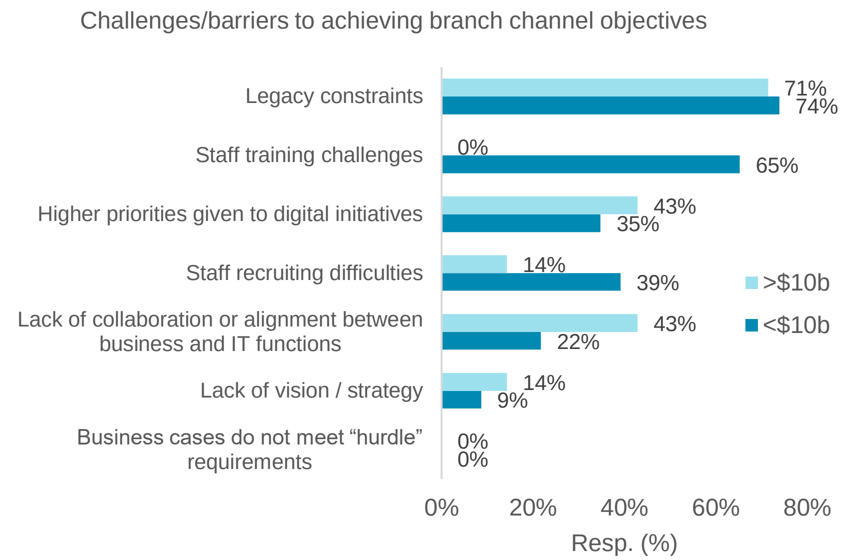
Source: Celent survey of NA financial institutions, March 2019, n=32
Q. What are your biggest challenges/barriers, if any, to achieving your institution's branch channel objectives?

Staff recruiting and training challenges are another barrier cited by a third of the Panel. Both of these can be mitigated through purposeful use of technology we'll review in the next section. The classic lack of collaboration between business and IT functions, although present to varying degrees perhaps, appears to be a second order barrier to branch banking effectiveness. Lack of a compelling business case may shipwreck some otherwise fine initiatives, but not a single respondent cited this as a meaningful barrier to achieving branch channel objectives.

Alongside the uniform challenges presented by legacy constraints, the survey suggests significantly different challenges present themselves in large versus small institutions.

The most glaring difference involves staff training, cited by two-thirds of small institutions, but not a single large institution. To a lesser degree, small institutions are also challenged with recruiting skilled front line staff (39% compared to 14%). Conversely, larger institutions are more likely to cite a lack of business and IT alignment as a key barrier (43% compared to 22%). Figure 6 illustrates.

Figure 6: Secondary Challenges Vary Between Large and Small Institutions



Source: Celent survey of NA financial institutions, March 2019, n=32
Q. What are your biggest challenges/barriers, if any, to achieving your institution's branch channel objectives?

Institutions must constantly adjust for and manage ever-increasing customer expectations for convenience and personalization. In this environment, institutions must have their game on! A key aspect of doing so involves equipping front line staff with the right technology.

YESTERDAY'S TOOLS

Yesterday's branch environment was designed to efficiently facilitate a large volume of customer transactions conveniently for customers. Today's environment must be designed to create extremely effective, personalized sales and service interactions as customers visit branches less frequently. Bankers must consistently develop meaningful connections with customers through understanding and empathy built upon trust and credibility. Most institutions are asking front line staff to do this with yesterday's tools. The survey sought to understand current and planned utilization of a variety of technologies grouped below by purpose.

Transaction Automation

Teller Cash Recyclers (TCRs) — automate currency handling in the branch. When integrated with teller automation systems, TCRs reduce administrative workload, speed transaction fulfillment, and reduce errors.

Teller Check Image Capture — automates the handling of check payments at the teller line. Teller capture is to checks what TCRs are to cash. Both are practical prerequisites for implementing open branch designs where tills cannot be safeguarded behind teller counters.

Assisted Self-Service — While focused on branch transactional activity, assisted self-service can be a win for customer engagement by fulfilling a greater percentage of transaction needs via self-service, thereby allowing branch staff to be more available for service and advisory tasks. Assisted self-service has been shown to be a good fit with universal banker roles by reducing the transaction fulfillment burden on universal bankers.

Customer Engagement and Personalization

Digital Account / Loan Origination — provides a paperless, device-agnostic user experience while allowing the bank to keep core DDA and lending systems in place. In addition to obvious time savings, digitizing customer onboarding also gives branch personnel visibility to any activity customers may have already begun. This is an example of technology that reduces constraints imposed by legacy systems while also improving visibility to the customer journey.

Digital Appointment Booking — allows customers to book appointments at the time and place of their choosing. Beyond adding a measure of convenience, appointment booking helps banks with capacity planning and favorably impacts sales and service performance because bankers can prepare for each appointment. Digital appointment booking helps banks approach sales and service proactively, rather than just waiting for walk-ins.

Biometric Customer Authentication — can be used to speed authentication, improve branch choreography, and alert bankers to the arrival of appointments, providing a more personalized CX.

Tablets for Frontline Staff — Even well-equipped staff cannot ensure a great customer experience unless they are engaging the customer on their terms. Among other things, this requires a divorce from the desktop. Tablets equipped with the right applications can literally reinvent the branch customer experience.

Staff Productivity and Management

Workforce Management (WFM) — provides forecasting and planning tools, and automates scheduling of personnel for branch and/or call center operations. Said simply, WFM helps organizations optimize the people, processes, and technologies involved in delivering sales and service. This begins with getting the right people in the right place at the right time. That is, scheduling an appropriate mix of branch personnel across the enterprise and throughout the day to maximize efficiency and effectiveness consistent with forecasted customer flow, desired service levels, and applicable security procedures. As branch foot traffic declines, WFM's value is appreciated more for sales and service optimization rather than capacity management.

Lobby Management System — Often used alongside biometrics and self-check-in kiosks or tablets, lobby management systems provide granular insight into customer needs and an institution's effectiveness in meeting them.

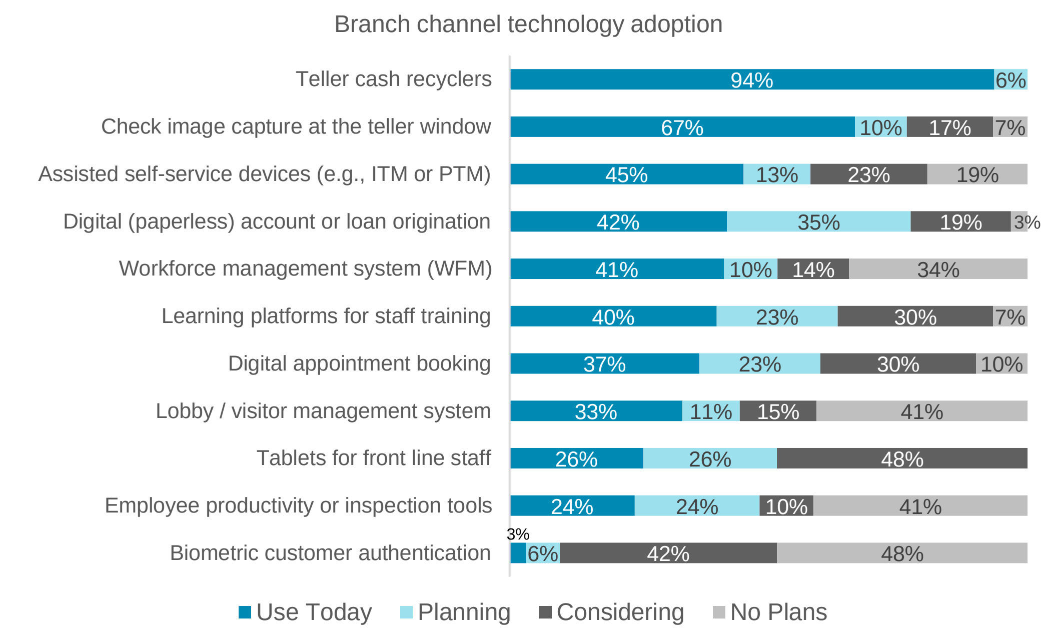
Learning Platforms — excel at efficiently and effectively equipping front line staff with requisite product knowledge and digital channel expertise. Modern learning platforms are highly interactive and utilize microlearning and gamification methodology to improve staff engagement and knowledge retention.

Employee Productivity Tools — automate, streamline, and validate non-customer facing activities. By proactively managing and minimizing the time spent on non-customer-facing activities, banks optimize staff effectiveness in their primary role: serving customers.

The survey offers a glimpse into branch channel technology adoption. While not comprehensive, the picture is clear: most banks are asking front line staff to deliver highly personalized customer experiences without the tools to do so and are asking managers to orchestrate complex systems of personnel and processes without an adequate understanding of what's happening across the network.

Figure 7 shows surveyed utilization of these solutions. With the exception of teller transaction automation, which is broadly used, a minority of institutions are using these established technologies. In each case, a higher percentage of large institutions deploy.

Figure 7: A Minority of Institutions Are Well-Equipped



Source: Celent survey of NA financial institutions, March 2019, n=32
Q. Indicate which best describes your institution's intention or each of the following technology solutions.

One solution that is particularly well-suited to help banks manage today's complex, evolving, and thinly staffed branch networks is workforce management. WFM is broadly used in virtually every retail category except banking. While three-quarters of large banks indicated their use of WFM, just 29% of small banks so indicated. Even fewer (18%) utilize employee productivity or inspection tools to automate, streamline, and validate non-customer-facing activities.

An encouraging aspect of the data shown in Figure 7 is the extent of planned adoption of many technologies. The survey defined "planned" as having a clear intent to implement a technology and a budget to do so. Roughly a third of surveyed institutions cite plans to adopt digital account and loan origination systems. Roughly a quarter of surveyed institutions plan to implement learning platforms, digital appointment booking, tablets for front line staff, and employee productivity or inspection tools. To this end, we hope plans come to fruition and more banks follow suit.

Encouraging signs notwithstanding, this data invites a question. Is the in-person customer experience really important to banks? If it were, why are so few institutions availing themselves of technology that demonstrably improves their ability to enhance the in-person customer experience? The next section explores this question.

HOW IMPORTANT IS CX, REALLY?

Anticipating a clear focus on delivering excellent CX (81% said this was a top priority in Figure 3), the survey asked respondents to rate the importance of a variety of things generally understood to impact CX.

What seems clear is that most surveyed institutions prioritize the delivery of personalized service (4.4 on a five-point scale) much higher than doing so in a manner that is exceptionally convenient for customers. Institutions rate maximizing staff availability, reducing wait times, and differentiating through offering the most convenient hours considerably lower (2.7 to 3.5). It is difficult to understand how delivering a great in-person CX can be deemed important if closely managing customer wait times is not. Equally, how can a bank deliver personalized service if staff with requisite expertise is not available?

Perhaps, personalization trumps convenience when it comes to the in-person CX in the eyes of many institutions (Figure 8).

Figure 8: When it Comes to In-Person CX, Does Personalization Trump Convenience?

Source: Celent survey of NA financial institutions, March 2019, n=32
Q. Considering the in-person customer experience how important are each of the following at your institution?

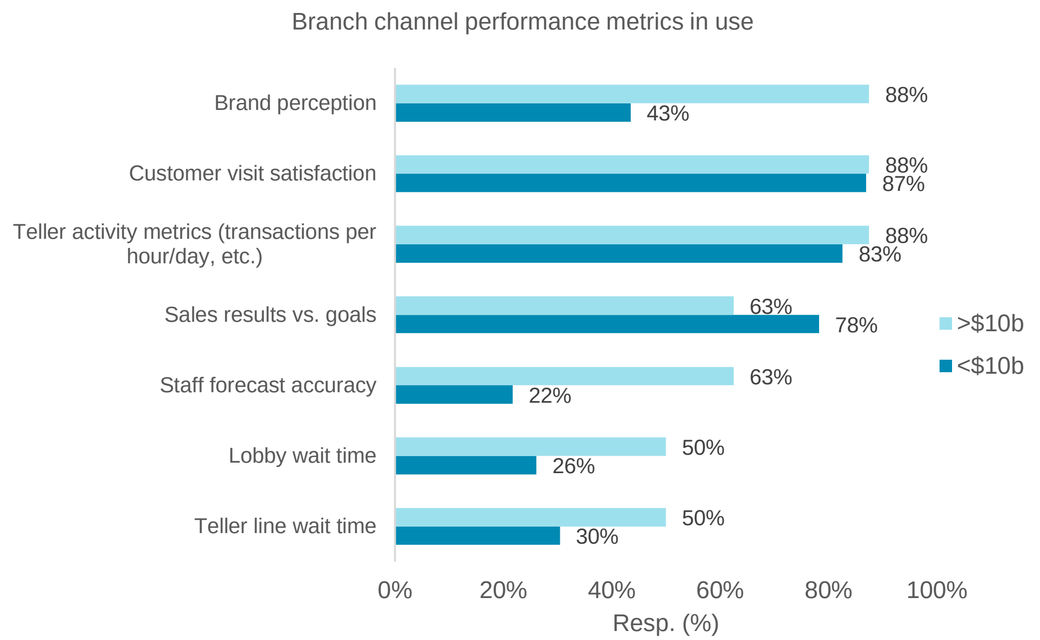
Understanding that there is causality between several of the answer options, Celent did not design the question as a forced ranking. In other words, respondents could rate all of the available answer options as highly important if they so choose. No one did.

A more likely interpretation of the results suggests that CX may not be as important to banks as expressed sentiment indicates. This was apparent in a post-survey interactive webinar when one respondent remarked that long lines at the teller would likely motivate customers to utilize the bank's digital channels in the future. We think this is a shortsighted position.

Moreover, concluding that personalization trumps convenience is inconsistent with consumer research that indicates ill-equipped associates and long wait times are more likely CX dissatisfiers than impersonal service. These findings among others are detailed in the Celent report, *Delivering Excellent Customer Service; When and How Consumers Prefer Face-to-Face Engagement and What it Means for Banks*, May 2018.

Given the downward trend in foot traffic, institutions may feel justifiably unconcerned with customer wait time. But fully half of larger banks and 70% of small institutions do not measure teller line wait time! Fewer still measure lobby wait time, and only 20% of small institutions measure staff forecast accuracy. This is alarming. Institutions with an abundance of data to inform a deep understanding of their customer's digital journey are ill-equipped to similarly understand the in-person customer journey. Smaller institutions are particularly lacking (Figure 9).

Figure 9: Many Banks Operate Without a Quantitative Understanding of the In-Person CX



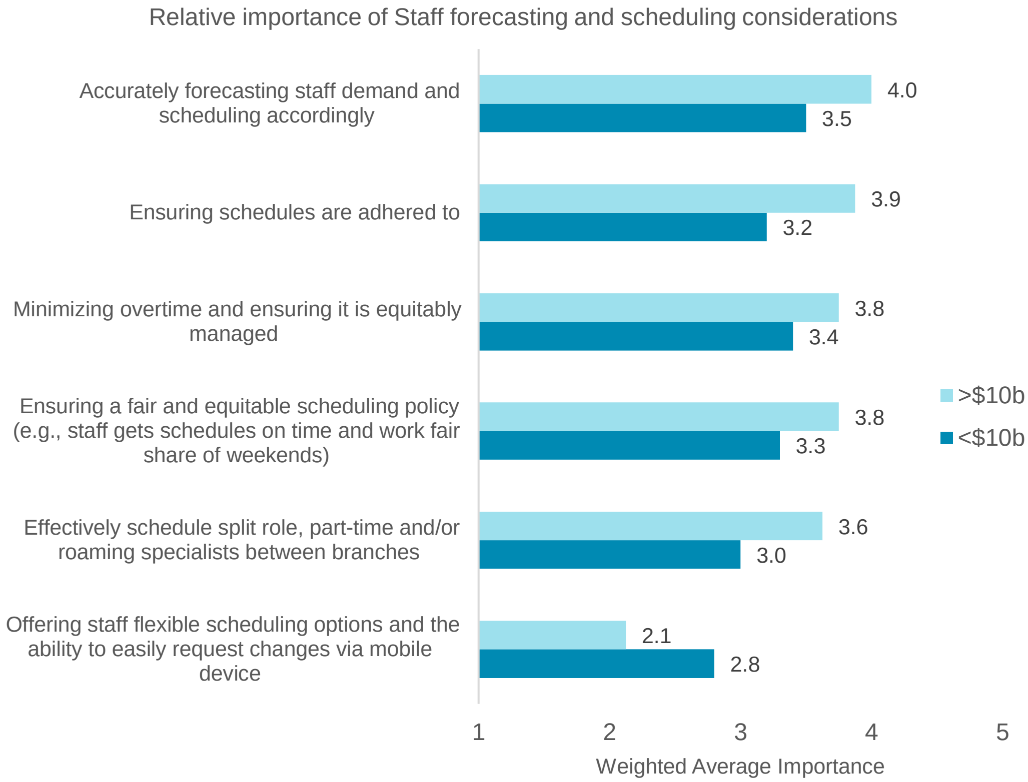
Source: Celent survey of NA financial institutions, March 2019, n=32
Q. Which of the following performance metrics do you monitor at your institution?

Most institutions, large and small, measure teller activity metrics (88%/83%), but these transactions have been rapidly leaving the branch for digital channels. Thus, teller metrics are rapidly losing their relevance. Why aren't more institutions seeking a firm understanding of today's branch foot traffic (e.g., brand perception, lobby wait time)?

The survey also looked into the perceived importance of a variety of staff forecasting and scheduling considerations. In Celent's view, this is a topic of evolving importance. In yesterday's branches, the topic was closely tied to managing staff capacity. In today's branches, its importance is more subtle and can be lost on banks without a quantitative understanding of today's foot traffic. What percentage of customers visited a branch and left without getting their needs met, for example? Many institutions don't know.

Some considerations directly tie to caring for staff, which the majority of institutions rated as highly important (Figure 8 on page 12). Others tie to delivering for customers. Given the complex and changing branch infrastructure at many institutions, Celent expected to see a high level of importance placed on these considerations. Such was not the case — particularly among small institutions. Most surprising was the low importance placed on mobile scheduling capability for front line staff. The irony is remarkable: mobile capability for customers is every institution's #1 priority, but mobile capability for front line staff ranks dead last. See Figure 10 on the next page.

Figure 10: Forecasting and Scheduling Considerations Reflect Concern for Staff and Customers



Source: Celent survey of NA financial institutions, March 2019, n=32. Q. Indicate the practical importance of each of the following staff forecasting and scheduling considerations at your institution.

Key Research Question

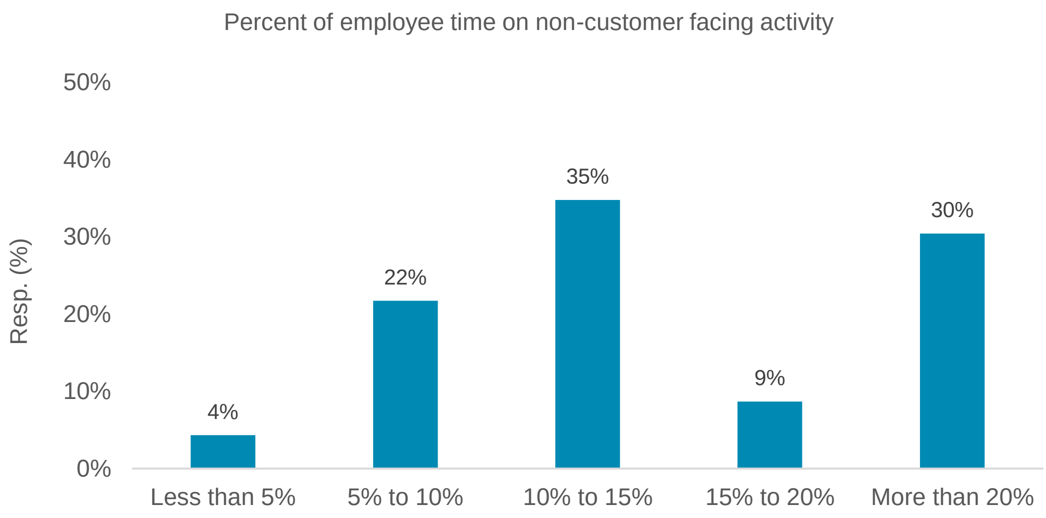
3

How do banks perceive technology can help maximize branch channel effectiveness?

Many banks do not appear to appreciate that today's branches can't be effectively managed using yesterday's technology.

One aspect of branch channel management of historic importance is minimizing non-customer-facing activity. According to Celent's survey, this administrative time remains significant, accounting for more than one full day per week at roughly a quarter of institutions (Figure 11). Three-quarters of large banks and 45% of small banks manage when non-customer-facing activity is scheduled to be completed and account for it in staff forecasting.

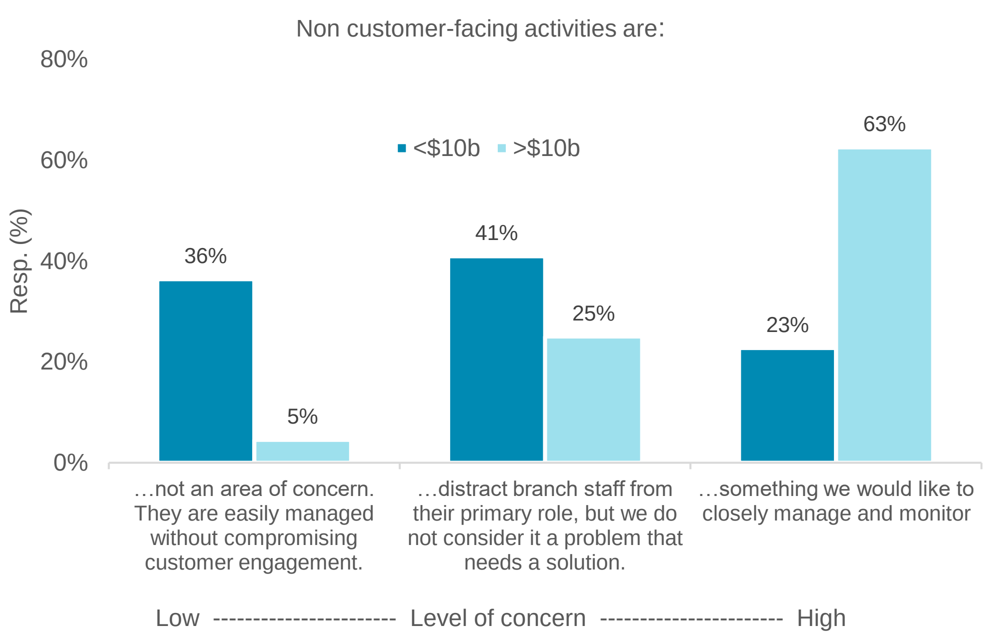
Figure 11: Non-Customer-Facing Activity Represents a Significant Time Commitment



Source: Celent survey of NA financial institutions, March 2019, n=32. Q. Approximately what percent of weekly employee time is spent on non-customer activities across your network?

Despite the significant quantity of staff time devoted to non-customer-facing activity, attitudes toward its management vary considerably. Not surprisingly perhaps, large banks place comparatively greater importance on its management (Figure 12).

Figure 12: Larger Institutions Place Greater Importance on Customer Focus



Source: Celent survey of NA financial institutions, March 2019, n=32. Q. Which of the following best applies to non-customer-facing branch activities at your institution? Non-customer-facing activities in the branch are…

Overall, two-thirds of respondents felt that non-customer-facing activities in the branch are either not a concern or not a problem needing a solution.

RECOMMENDATIONS

Celent has long asserted the importance of in-person customer engagement without diminishing the focus on digital. This is not mere sentiment, it is a research-based position. This also does not constitute defense of the status quo — quite the opposite. Customer preferences and expectations are changing rapidly in favor of digital. Our concern is that for too many institutions, this simply invites tweaking branch design and staffing to accommodate the changing transaction mix. Doing so is necessary but not sufficient.

The new environment must be designed to create extremely effective, personalized sales and service interactions as customers visit branches less frequently. As digital utilization continues its ascent, in-person customer interactions will become a rarity. Customers won't visit a branch often, but when they do it will be imperative to woo them. We don't see evidence of that commitment in very many branch bankers. Said simply, we see a comparatively greater devotion to CX in most banks' digital teams. This shows up in what gets measured (or not) and what initiatives get funded and technologies deployed. These survey results point to four recommendations. Specifically:

- Institutions share important branch channel objectives and should not be content with "modest" effectiveness in attaining them. High standards for excellence are appropriate. Management should not rest until they are attained. Today's market is too competitive for a less aggressive disposition.
- As the adage suggests, "You get what you measure." Institutions should not be content with random sampling of customer satisfaction. As important as the in-person customer interaction remains, institutions should pursue a granular understanding of the branch environment, just as they have come to enjoy in the digital channels.
- Banks' focus on digital banking solution efficacy is well-placed. However, many banks fail to appreciate mobile's importance to employee-facing applications. Celent encourages banks to extend their focus on the customer journey so that it includes the employee journey as well. We expect this will result in welcome improvements in staff engagement and retention.
- Too few institutions place a watchful eye on non-customer-facing activity and seek to minimize its impact on CX. Staff capacity needs to be viewed through a new lens — one that seeks to engage customers both reactively and proactively. In this context a few percent of a staff member's weekly time can be highly productive.

How to Use This

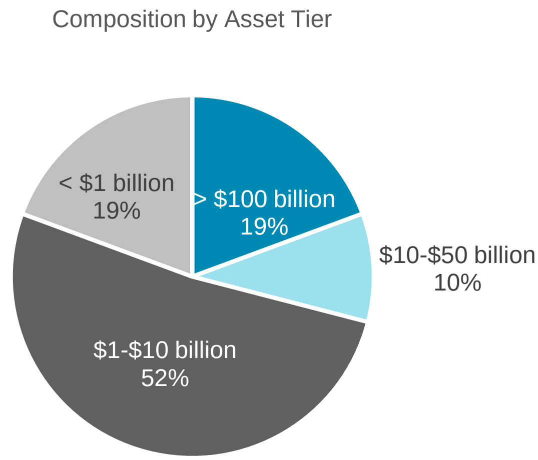
As we've mentioned, this panel is self-selecting: if panelists didn't have significant interest in the topic of branch channel transformation, they wouldn't have completed the instrument — and you wouldn't have read this. Those who need this most likely won't have seen it. You can change that. Feel free to share this and the following reports with your colleagues. We believe passionately in the importance of branch channel redesign to FIs' ongoing success, and if this report will help you make the case to your colleagues, please share it with them.

Was this report useful to you? Please send any comments, questions, or suggestions for upcoming research topics to info@celent.com.

APPENDIX I: PANEL DEMOGRAPHICS

The results presented in this report were based on responses from 29 financial institutions in June 2018. Panelists represented financial institutions from across the asset tiers; 64% represented banks and savings institutions, while 36% represented credit unions. Because this is a quasi-static panel, demographics are similar to previous surveys (Figure 13). Credit unions, however, were better represented in this survey.

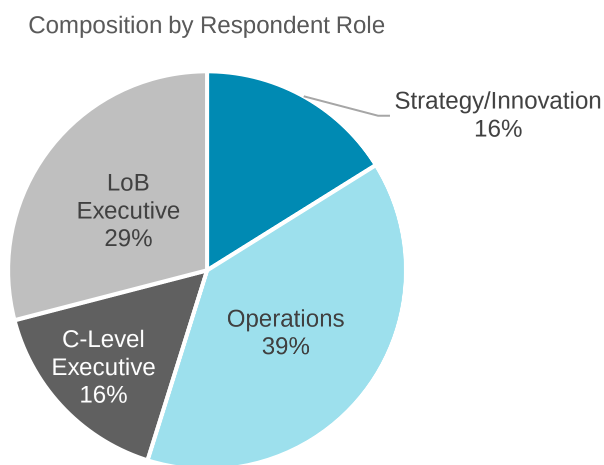
Figure 13: Large Banks Are Overrepresented in the Panel



Source: Celent Branch Transformation Panel Survey, March 2019, n=32

A number of roles were also represented (Figure 14).

Figure 14: Responses Represented a Diverse Set of Roles



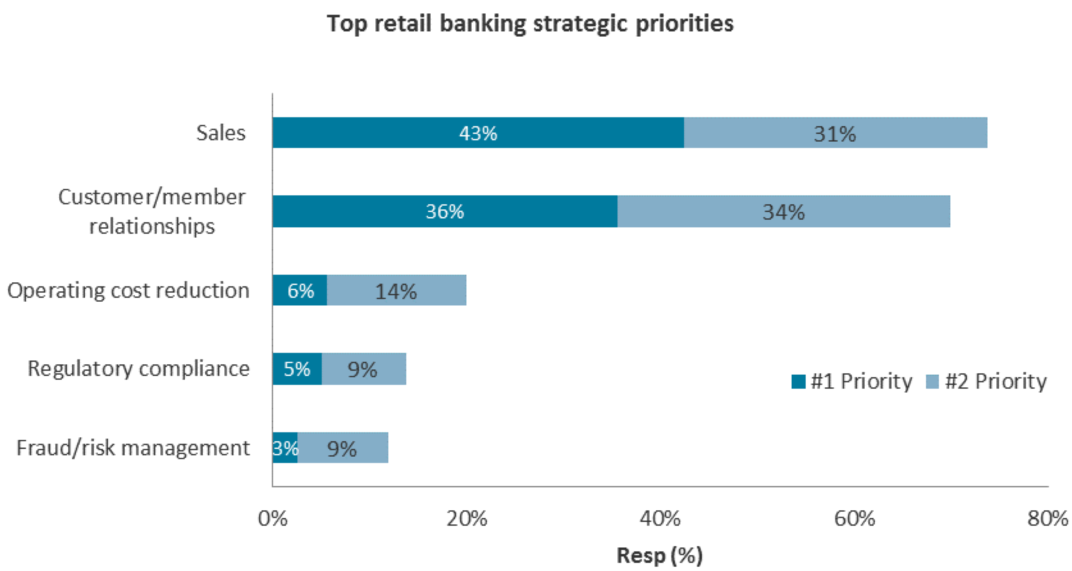
Source: Celent Branch Transformation Panel Survey, March 2019, n=32

APPENDIX II: SURVEY INSTRUMENT

In the interest of transparency Celent provides the full survey instrument in this appendix.

Introduction:

A recent Celent survey found sales growth and customer/member relationships the #1 or #2 retail banking strategic priority among an overwhelming majority of North American banks and credit unions. This survey investigates how institutions are pursuing these two objectives in the branch network.



Source: Celent survey of North American financial institutions, January 2019, n=160

This survey has three parts.

1. Page 1 considers your branch channel strategic and operational priorities.
2. Page 2 examines technologies to optimize branch channel efficiency and effectiveness.
3. Page 3 examines workforce management considerations such as forecasting and scheduling.

Page 1: Strategic and Operational Priorities

This section examines your institution's branch channel priorities.

1. Which of the following are <u>branch</u> channel objectives at your institution? Indicate the relative priority of each. [Randomize list]

Lowest Priority				Highest Priority
1	2	3	4	5

- Improving sales performance
- Improving operational efficiency / cost reduction
- Improving the customer/member experience
- Increasing customer utilization of digital channels and/or digital capabilities
- Improving staff adherence to policy and procedures

2. In your view, how effective is your institution in attaining each of those objectives, if applicable?

Least Effective				Most Effective	Not Applicable
1	2	3	4	5	

- Improving sales performance
- Improving operational efficiency / cost reduction
- Improving the customer/member experience
- Increasing customer utilization of digital channels and/or digital capabilities
- Improving staff adherence to policy and procedures

3. Considering the in-person customer experience how important are each of the following at your institution?

Least Important				Most Important
1	2	3	4	5

- Differentiating through offering the most convenient hours
- Reduce wait times to achieve target service levels
- Deliver personalized service
- Maximize availability of specialists
- Equip staff to meet advisory needs
- Improve branch staff engagement / satisfaction
- Improve staff retention
- Educating customers on digital capabilities and usage

4. Which of the following performance metrics do you monitor at your institution?
   - Teller line wait time
   - Teller activity metrics (transactions per hour/day, etc.)
   - Lobby wait time
   - Customer visit satisfaction
   - Brand perception
   - Staff forecast accuracy
   - Sales results vs. goals
   - Other ________________

5. Which of the following unique roles are utilized in one or more legacy, new or re-designed branches at your institution?

	Do not Use	Use in some branches	Use in all branches

- Teller
- Platform sales
- Universal Banker
- Branch Manager
- Head Teller
- Concierge
- Digital Advocate or Digital Genius (roles equipped to coach customers on leveraging digital channels)
- Small business bankers or specialists such as wealth managers, lending or mortgage bankers, etc.
- Part-time staff (in any role)
- Floater staff (roles that move between branches)
- Other ___________________

6. IF you selected "Use in some branches" above, which best describes your approach? (Select all that apply.)
   - Some roles apply to re-designed branches only
   - Some roles apply to large or full-service branches only
   - Some roles split time among more than one location
   - Some employees are scheduled for more than one role during the day
   - We are in transition to a new staffing model, but have not completely deployed
   - Other ___________________

7. What are your biggest challenges/barriers, if any, achieving your institution's branch channel objectives? Select all that apply.
   - Higher priorities given to digital initiatives
   - Business cases do not meet "hurdle" requirements
   - Lack of vision / strategy
   - Staff recruiting difficulties
   - Legacy processes
   - Staff training challenges
   - Lack of collaboration or alignment between business and IT functions

Page 2: Technology Considerations

This section explores solutions to maximize branch channel efficiency and effectiveness.

8. Indicate how familiar you are with the following technology solutions designed to optimize branch channel efficiency and effectiveness. [Randomize order]

Completely Unfamiliar	2	3	4	Very Familiar

- Workforce management (WFM) — forecasting, scheduling, and time & attendance
- Learning platforms — for staff training
- Wait time analytics — AI driven approach to determining customer wait times and service level
- Open hours analytics — aligns open hours with market opportunities and target service levels in each branch
- Digital appointment booking — customer self-service appointment booking integrated with branch calendaring and workforce scheduling applications
- Geolocation — use beacon technology to identify customers as they enter the branch and/or for staff time and attendance tracking
- Branch audio recording — captures face-to-face conversations to analyze interactions for quality, sales effectiveness and compliance.
- Lobby / visitor management system — facilitates customer check-in with alerts, reporting and task metrics

9. Indicate which best describes your institution's intention for each of the following technology solutions. "Planning" means you have firm plans and approved budget to acquire and implement.

	Use Today	Planning	Considering	No Plans	Don't Know

Transaction Automation

- Teller cash recyclers
- Assisted self-service devices (e.g., personal teller machines)
- Check image capture at the teller window
- Biometric customer authentication

Customer Engagement Technologies

- Digital (paperless) account or loan origination
- Tablets for front line staff
- Digital appointment booking

Employee Engagement and Productivity

- Workforce management system (WFM) - forecasting, scheduling, and time & attendance
- Employee productivity or inspection tools to automate, streamline, and validate non-customer facing activities
- Lobby / visitor management system
- Learning platforms for staff training

10. To direct you to the appropriate final page of this survey, indicate which best applies to your institution as it relates to employee engagement and productivity tools.
    - In place or planning to implement one or more vendor-supplied tools
    - In-place or planning to implement a home-gown solution
    - Considering or no plans to invest

Page 3: Employee Engagement and Productivity Considerations

This section looks at approaches to optimize employee engagement and productivity.

11. Indicate the practical importance of each of the following staff forecasting and scheduling considerations at your institution. Note: indicating a high level of importance to a consideration suggests your institution tracks metrics and actively manages it.

Least Important				Most Important
1	2	3	4	5

- Accurately forecasting staff demand and scheduling accordingly
- Ensuring a fair and equitable scheduling policy (e.g., staff gets schedules on time and work fair share of weekends)
- Offering staff flexible scheduling options and the ability to easily request changes via mobile device
- Minimizing overtime and ensuring it is equitably managed
- Ensuring schedules are adhered to
- Effectively schedule split role, part-time and/or roaming specialists between branches

12. Approximately what percent of weekly employee time is spent on non-customer activities across your network? Examples include: opening and closing procedures, employee scheduling for managers, time and attendance management, initiating branch maintenance requests and branch facilities requests, problem resolution, training, audits and sales reporting.
    - Less than 5%
    - 5% to 10%
    - 10% to 15%
    - 15% to 20%
    - More than 20%
    - Don't know

13. Does your institution manage when non-customer-facing activity is scheduled to be completed and account for it in your staff forecasting?
    - Yes
    - No

14. Which of the following best applies to non-customer-facing branch activities at your institution? Non-customer-facing activities in the branch are…
    - …not an area of concern. They are easily managed without compromising customer engagement.
    - …distract branch staff from their primary role, but we do not consider it a problem that needs a solution.
    - …something we would like to closely manage and monitor

15. Indicate the importance of each of the following WFM solution capabilities.

Least Important				Most Important
1	2	3	4	5

- Ability to easily schedule part-time, floater and mixed role staff
- Generate highly accurate staff forecasts with minimal time or effort
- Utilize artificial intelligence (AI) to generate forecasts
- Support for floating part-time and/or split role staff

- Support mobile schedule creation and edit for managers
- Support mobile schedule review and alerts for staff users
- Provide both mobile web and native app for mobile scheduling
- Provide or support digital customer appointment booking
- Support for managing non customer-facing activity/requests

[Skip to “Thank you” page]

LEVERAGING CELENT'S EXPERTISE

If you found this report valuable, you might consider engaging with Celent for custom analysis and research. Our collective experience and the knowledge we gained while working on this report can help you streamline the creation, refinement, or execution of your strategies.

SUPPORT FOR FINANCIAL INSTITUTIONS

Typical projects we support related to branch channel transformation include:

Vendor short listing and selection. We perform discovery specific to you and your business to better understand your unique needs. We then create and administer a custom RFI to selected vendors to assist you in making rapid and accurate vendor choices.

Business practice evaluations. We spend time evaluating your business processes. Based on our knowledge of the market, we identify potential process or technology constraints and provide clear insights that will help you implement industry best practices.

IT and business strategy creation. We collect perspectives from your executive team, your front line business and IT staff, and your customers. We then analyze your current position, institutional capabilities, and technology against your goals. If necessary, we help you reformulate your technology and business plans to address short-term and long-term needs.

SUPPORT FOR VENDORS

We provide services that help you refine your product and service offerings.
Examples include:

Product and service strategy evaluation. We help you assess your market position in terms of functionality, technology, and services. Our strategy workshops will help you target the right customers and map your offerings to their needs.

Market messaging and collateral review. Based on our extensive experience with your potential clients, we assess your marketing and sales materials — including your website and any collateral.

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Celent, a division of Oliver Wyman, Inc.

For more information please contact info@celent.com or:

Bob Meara bmeara@celent.com

AMERICAS

USA

99 High Street, 32nd Floor
Boston, MA 02110-2320

Tel.: +1.617.262.3120
Fax: +1.617.262.3121

USA

1166 Avenue of the Americas
New York, NY 10036

Tel.: +1.212.541.8100
Fax: +1.212.541.8957

USA

Four Embarcadero Center, Suite 1100
San Francisco, CA 94111

Tel.: +1.415.743.7900
Fax: +1.415.743.7950

Brazil

Rua Arquiteto Olavo Redig
de Campos, 105
Edifício EZ Tower – Torre B –
26° Andar
São Paulo SP 04711-904

Tel.: +55 11 3878 2000

EUROPE

France

1 Rue Euler
Paris
75008

Tel.: +33.1.45.02.30.00
Fax: +33.1.45.02.30.01

United Kingdom

55 Baker Street
London W1U 8EW

Tel.: +44.20.7333.8333
Fax: +44.20.7333.8334

Italy

Galleria San Babila 4B
Milan 20122

Tel.: +39.02.305.771
Fax: +39.02.303.040.44

Switzerland

Tessinerplatz 5
Zurich 8027

Tel.: +41.44.5533.333

ASIA

Japan

The Imperial Hotel Tower, 13th Floor
1-1-1 Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011

Tel: +81.3.3500.3023
Fax: +81.3.3500.3059

Hong Kong

Unit 04, 9th Floor
Central Plaza
19 Harbour Road, Wanchai

Tel.: +852 2301 7500