

# The role of workforce optimization in bank branch transformation

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## Executive summary

Banks are aware of the urgent need to redefine the role of the branch as part of their overall value proposition in response to the fundamental shift in consumer expectation and near-universal adoption of digital channels. It is the process of re-purposing the branch to meet this new role, principally through the use of technology, that Ovum refers to as 'branch transformation.'

This paper highlights where banks are with respect to their branch transformation strategies and how this differs across geographic markets. It also examines which technologies are essential to the execution of these strategies, both now and over the mid-term future.

'Workforce optimization' (WFO) is a term that is perhaps not as widely understood globally as it needs to be among retail bank executives and strategists. However, Ovum believes that the technology components making up workforce optimization have a critical and growing role to play in the next phase of the evolving bank branch transformation process.

To understand this complex situation, Ovum has undertaken an independent and in-depth study conducted on behalf of Verint Systems and involving 300 banks globally.

The main findings of the study are:

- Banks around the world are urgently redefining the role and value of the bank branch and transforming how branches are used to support their customers.
- While the imperative to transform is universal, there is no 'one size fits all' approach across different geographies and that meets each particular bank's individual strategy. Branch transformation strategies need to reflect the structure, maturity and cultural norms of a particular market while also aligning with a bank's specific business goals.

Most banks have begun to implement branch transformation initiatives and in some markets this has been underway for a number of years. However, ensuring the branch remains a relevant and effective element of a bank's services mix means that branch transformation will be an on-going and evolving process. As branch transformation evolves beyond transaction automation and self-service towards leveraging the distinctive capabilities of the branch, WFO technology will play an increasingly important role.

## Branch transformation has focused on process automation and self-service

All banks are now clear about the need to transform the role and functioning of their branch networks in the face of seismic shifts brought about by technology and changing consumer demands in recent years.

The impact of digital channels on the way in which bank transactions are conducted is hard to understate – in the US, Chase Bank has seen the volume of online transactions grow by 28% CAGR between 2010 and 2013, while over the same period, the number of branch transactions has declined by 4% CAGR. In some emerging retail bank markets where a generally younger and 'digital native' customer base forms the majority of account holders, these trends are even more marked with Citibank reporting that 95% of transactions in their Asia region now occur outside of the branch.

However, banks face a difficult dilemma that they cannot abandon the branch network and they must find ways to accommodate the very real customer requirement for face-to-face interaction with branch staff across a variety of needs, ranging from simple servicing through to complex financial advice and planning.

Initial attempts to resolve these issues, particularly in the mature North American and European markets, have focused on using IT to streamline transactions that formed a major part of a branch's traditional role. Typical of these initiatives had been the use of in-branch kiosks offering ATM functionality combined with greater self-service capabilities.

While these initiatives do have a positive bearing on branch costs, the impact is ultimately limited as, in most cases, getting to a branch will always be less convenient for customers than performing the same transaction online or on a mobile device at a time and place of their choosing. In addition, as an increasing number of banks pursue this approach it also tends to lead to an undifferentiated, 'me, too' branch experience for customers.

Despite the millions of dollars that have been invested in this process, Ovum believes that many banks are failing to fully utilize the branch network as an asset by taking too narrow a view of the key levers available to them. Branch transformation requires a more comprehensive approach that leverages the unique asset that branches offer – namely face-to-face human interaction. Capitalizing on this unique aspect of the branch is becoming more urgent as retail banking products become increasingly commoditized and essentially indistinguishable, the customer's experience with the branch staff may actually be the only opportunity for the bank to differentiate itself.

However, branch real estate and staff are expensive assets and if banks are to fully capitalize on their branch network, they must optimize the way branch staff are employed. Put simply, it means that branch staff need to spend the maximum amount of time focused on the critical interactions that provide customer value (and are usually of the highest value to the bank), while streamlining and automating the rest. It also requires that staff have the tools to facilitate these potentially high value transactions, ideally in a 'once and done' way. This requires, for example, that banks are able to ensure staff with the correct skills sets, such as specialist knowledge of a complex financial product, are available at a location and time that meets a customer's expectation while simultaneously making best use of that specialist from the banks' perspective.

Ovum believes that it is the adoption of this more comprehensive branch transformation approach combining automation and self-service with highly productive and enabled branch staff that will deliver a differentiated branch experience for the customer, driving customer satisfaction and retention.

## Many banks are at the start of the branch transformation process

The data for this report was derived from a study carried out by Ovum with 300 key decision makers responsible for their bank's branch transformation strategy. Respondent's role typically included head of retail operations, head of branch operations, head of channels, and head of consumer or retail banking. The respondents were located in North America, Eastern Europe, Central and Latin America, North East and South East Asia and the Middle East with the interviews being conducted in December 2014.

The study revealed that while banks almost universally accept the urgent need to transform the role of the branch, they are at very different stages in that process with wide underlying regional variation reflecting the maturity of the markets and cultural differences. As part of the study, respondents were asked about their organization’s key strategic priorities for the branch network with the responses captured in the following heat map which illustrates some of these regional variations. The darker colors within the heat map highlight the most important strategic priorities cited by the respondents – actual score data for all the heat maps in this report are included in the appendix.

**Figure 1: Please rank your organization’s strategic priorities for the branch network**



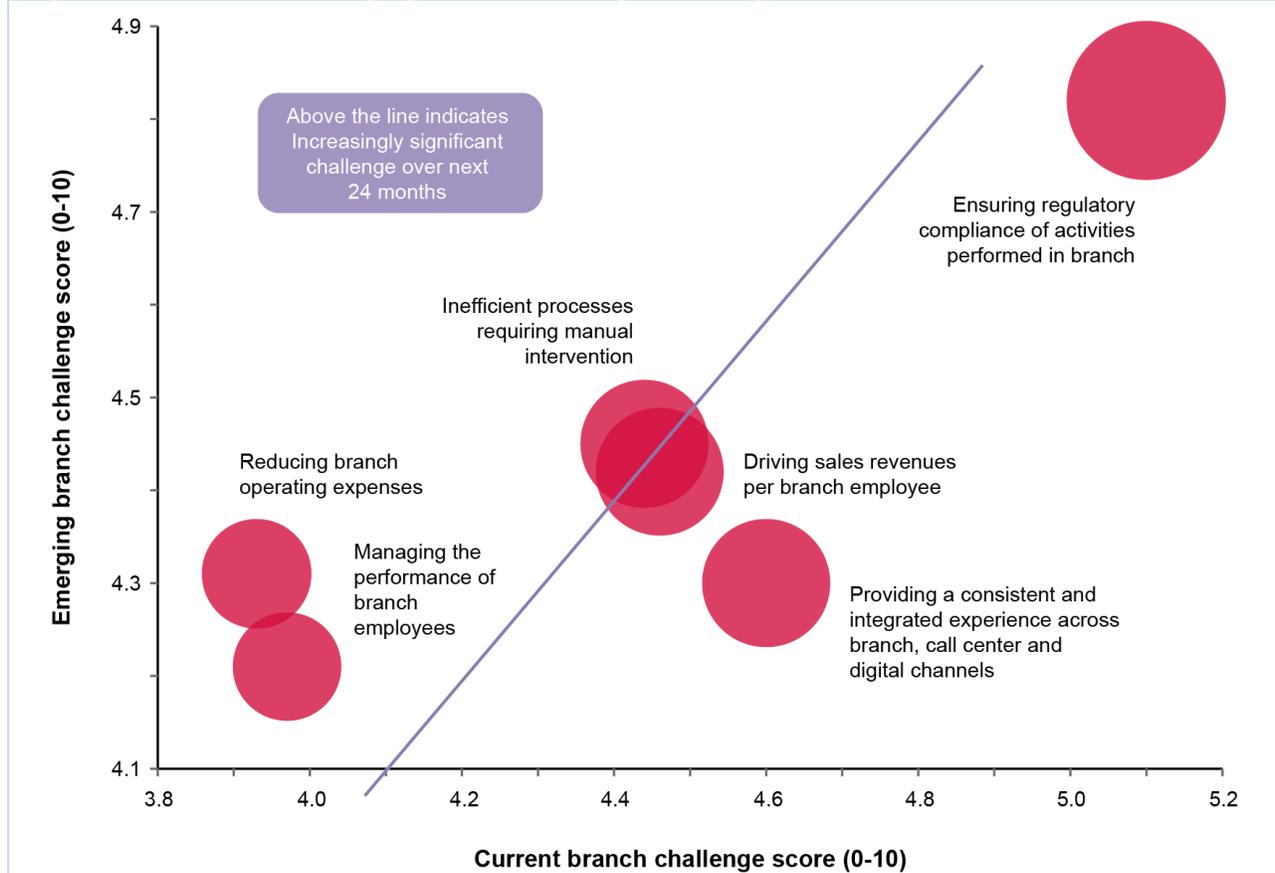
Source: Ovum

The heat map shows that for banks in the Middle East and Asia, reducing branch costs is a key priority, while in Central and Latin America, Eastern Europe and North East Asia, there is greater emphasis on driving the sales per branch. Somewhat surprisingly, in those regions focusing on increasing sales per branch there is little focus on supporting this through initiatives to improve customer service or satisfaction.

The maturity of branch transformation among North American banks is manifested in a more balanced approach with improving productivity and driving an enhanced customer experience as the most important priority while reducing branch costs, though still important, ranks as the lowest. Many North American banks have already taken significant steps in transforming their branch networks through initiatives such as equipping staff with mobile devices, video teller systems, and self-service technology, as well as redesigning the layout and environment of the branch. Most have also made the sometimes painful organizational changes in cutting staff and branch numbers, while migrating remaining branch staff from a transaction-focus toward more sales- and service-oriented roles.

To understand how banks perceive the next stage of branch transformation, respondents were asked to rank what they saw as the most significant branch challenge they currently face, and how this is likely to change in the forthcoming 24 months. The findings are illustrated in Figure 2.

**Figure 2: Current and emerging branch challenges – all regions**



Source: Ovum

## Defining branch workforce optimization

Branch Workforce Optimization (WFO) encompasses a range of software products that enable banks to forecast, plan and schedule how their branch employees are utilized to drive higher productivity. WFO also supports the wider drive towards staff effectiveness through additional components and tools offering e-learning, coaching, performance and quality management, audio recording of staff/customer interactions, and desktop and process analytics.

WFO allows branch staff, the primary differentiating element of the branch experience, to remain focused on key customer interactions and are supported in executing these in terms of training, knowledge, and process.

The above chart shows the relative importance of current and emerging branch challenges along the x-axis and y-axis respectively, with the size of the circle indicating the overall importance of a particular challenge. Circles that appear above the diagonal line indicate that banks see that particular challenge becoming increasingly significant moving forward.

Figure 2 shows that ensuring activities carried out in a branch, particularly those in which bank staff interact with customer, remain compliant with regulations is the most significant current challenge and will remain so for at least the mid-term future.

The difficulty of maintaining regulatory compliance is compounded both by the increasingly detailed level of disclosure demanded by regulators and the rate at which new regulation, such as the Dodd-Frank Act and the 'Unfair, Deceptive or Abusive

Acts and Practices' (UDAP) regulation, is evolving and being introduced.

Delivering a consistent and integrated experience across multiple channels (including the branch) is another significant challenge for banks. The need for true omni-channel service delivery is well recognized by banks, and while many have made considerable investment in implementing digital channels in recent years, the majority are unable, as yet, to offer a seamlessly integrated experience that encompasses online and the branch. While banks generally still have work to do in this area, the relative decline in importance of this challenge (as shown by the circle being below the line) suggests that banks are increasingly confident of achieving this goal.

Figure 2 also illustrates the banks' perceptions of developing challenges that will become increasingly important over the next 24 months and includes driving greater efficiency from branch processes and managing the performance of branch employees. In addressing both these challenges in particular, Ovum believes that the use of workforce optimization technology within the branch will have an increasingly important role to play.

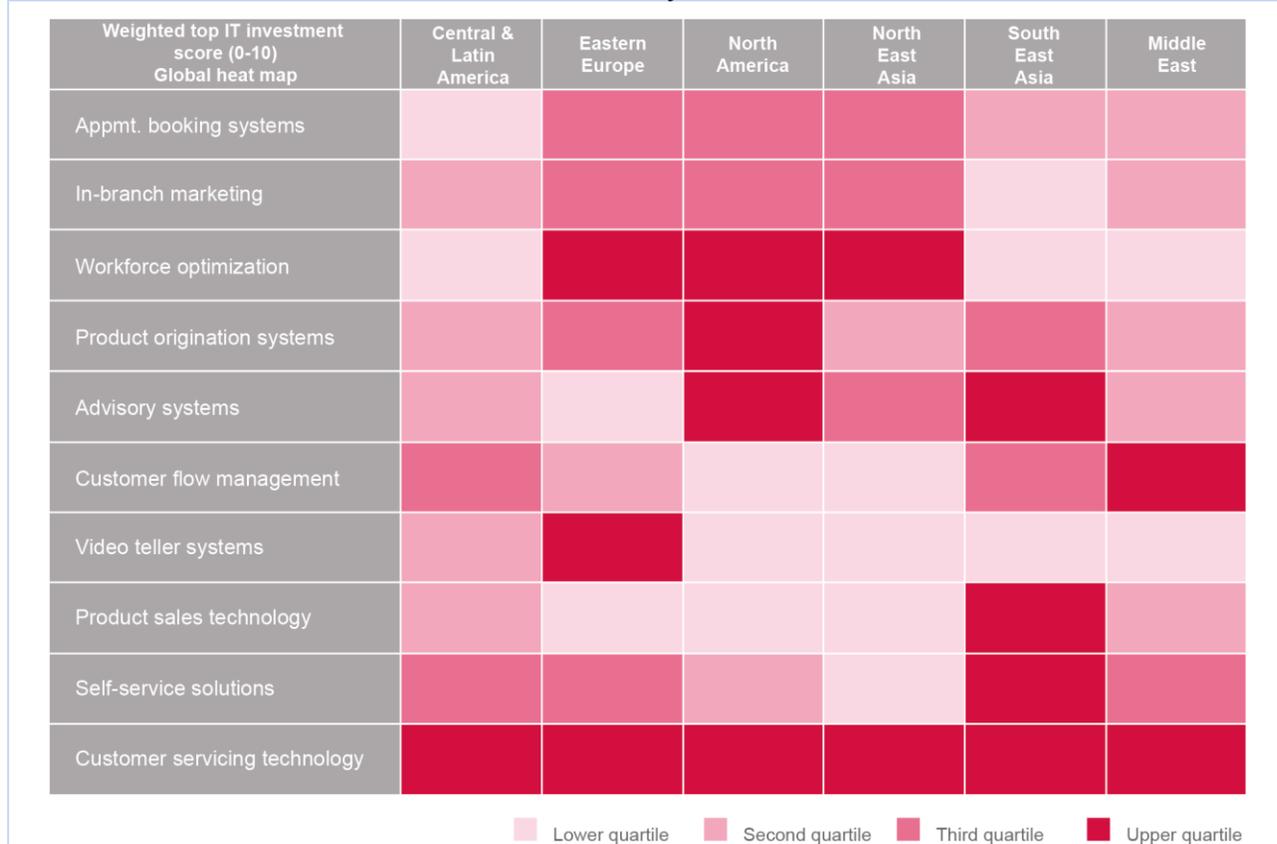
## The growing role of workforce optimization marks a shift to the next phase of branch transformation

To understand the relative importance of WFO as a technology with the potential to support branch transformation, the survey respondents asked about the top technology investment priorities for the branch network over the next two years. Again, the darker colors within the heat map highlight the increasing importance of an area of technology investment as perceived by the respondents.

The heat map in Figure 3 reveals that customer servicing technology, such as in-branch self-service kiosks, remains a universal investment area across all the regions surveyed. This finding underlines that many banks across the globe are still in the relatively early phase of the branch transformation process with a continuing focus on technology primarily focused on reducing branch and transaction costs (although these technologies also have some positive impact on customer satisfaction).

However, in some markets, notably the more mature markets of North America, Eastern Europe and North East Asia, the use of WFO is growing as a significant area of branch technology investment. This marks a progressive shift in terms of some banks' approach to branch transformation, moving beyond an initial cost reduction/self-service focus towards more fully leveraging the major inherent asset of the branch - its staff.

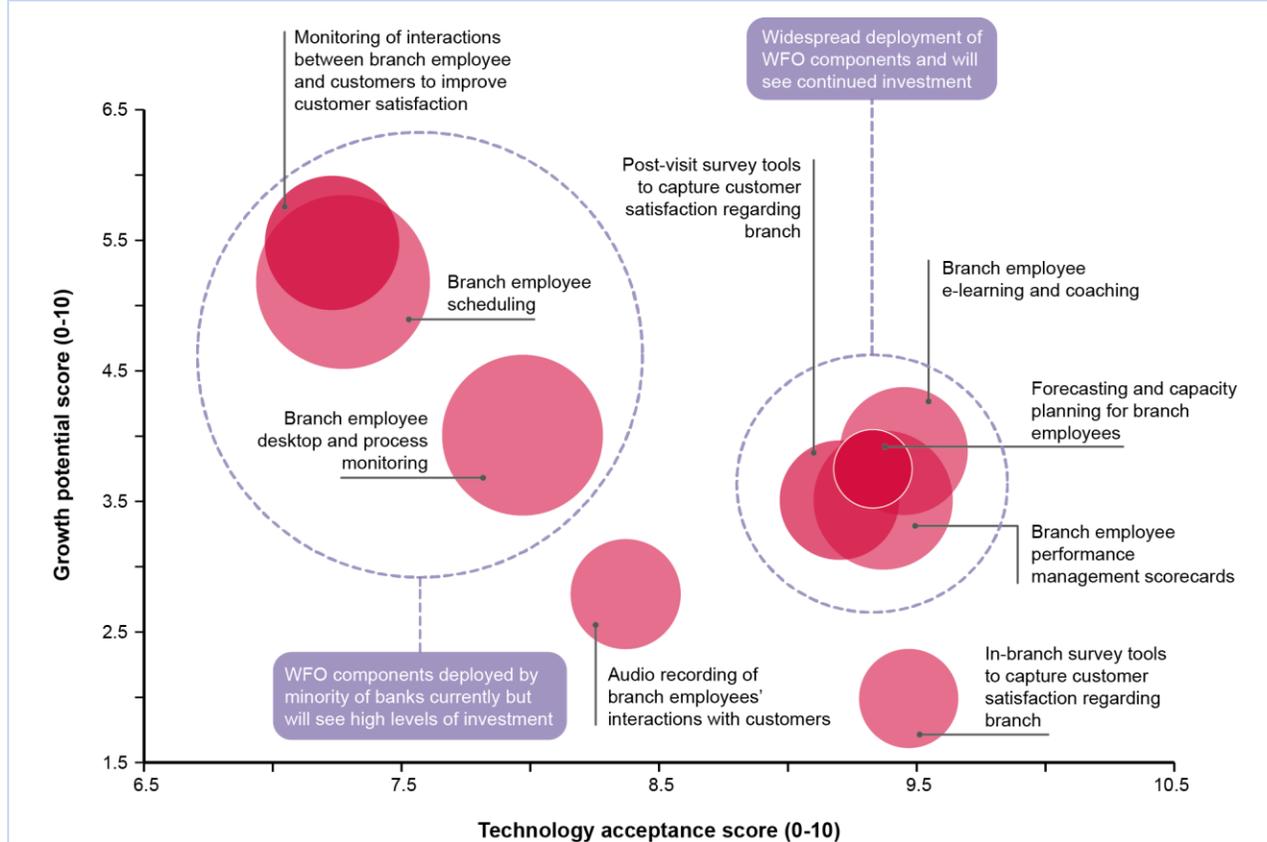
**Figure 3: Please rank the top three technology investment areas for your branch network in the next two years**



Source: Ovum

Figure 4 illustrates which particular elements of WFO will play an increasingly important role in bank branch transformation. The score along the x-axis indicates to what degree banks have already invested in a particular WFO component while the y-axis indicates the degree of new investment planned within the next 18 months. The size of the circle indicates what proportion of this planned spend is the first time a bank has invested in the particular WFO component.

**Figure 4: Please indicate your plans for WFO technology deployment within branches over the next 18 months**



Source: Ovum

The high levels of acceptance of some technology areas illustrates that many banks have already begun to invest in some WFO components as part of their branch transformation strategy, and will continue to do so for the next 18 months at least. These initial areas of investment, particularly e-learning, coaching and employee performance scorecards, are strongly aligned with supporting staff in the migration from the traditional transaction oriented activities to increasingly sales and service-focused roles. In addition, the ability to accurately forecast staff numbers across the branch network is increasingly important against a backdrop of reduced overall headcount.

Figure 4 also shows the evolution of branch transformation in terms emerging WFO functionality being adopted by some banks. Key WFO components that are likely to see significant investment in the near future include monitoring of staff and customers interactions, particularly to understand how these drive customer satisfaction and how improvements can be made. More sophisticated employee scheduling will also see increased investment as banks move beyond simple capacity forecasting to ensuring that staff with appropriate skills profiles are available at times and locations that meet customers' needs while also optimizing their productivity. Desktop and process monitoring components will also see significant growth both to identify in-branch process bottlenecks and to ensure staff are spending the most time focused on critical activities. In addition, all these emerging WFO components have a significant role in addressing the key challenge of maintaining regulatory compliance by enforcing processes that adhere to the needs of regulators and by providing audit trails of branch staff's activities.

## Banks must adopt an integrated WFO strategy as a critical element of wider branch transformation

Bank branch transformation strategy requires a step change in terms of productivity while simultaneously increasing customer satisfaction and driving sales per customer. Addressing these aspects of branch transformation must be undertaken as part of a comprehensive approach to avoid the potential for misaligned or conflicting objectives. For example, an isolated focus on process productivity or regulatory compliance may discourage branch staff behavior that actually promotes sales generation and drives customer satisfaction.

In Ovum's view, banks must take a broader perspective when developing their ongoing branch transformation strategy and look beyond cost reduction and automation – although these remain essential requirements.

Implicit in this broader approach is optimization of the branch workforce and the need to ensure that staff remain focused on the most critical customer interactions and are as productive as possible in undertaking them. A critical enabler is the use of WFO technology, and as our study reveals, banks are growing their investment in these areas.

However, as banks expand the use of WFO technology within the branch, they need to ensure that these elements are brought together in an integrated way maintaining a clear view of the overall goals and the role of WFO technology in the wider transformation and organizational strategy

Banks need to ensure that their WFO strategies encompass and integrate a number of technology elements which will typically include:

- The use of e-learning and coaching tools to ensure that staff are supported in acquiring the understanding and learning necessary to be fully productive in an environment in which customer needs, products sets, processes and regulation are constantly changing. This coupled with performance management scorecards ensures staff behavior and actions are aligned with the bank's satisfaction and sales per customer goals
- The use of workforce management tools that allows a bank to assess staff capabilities across a branch network and analyze skills and capacity needed to meet current and future branch objectives. This analysis, combined with e-learning and coaching tools, allows banks to refine staff skills to better align with the increasingly sales and service culture now required. Workforce management tools also allow for effective staff scheduling ensuring that appropriately skilled staff are utilized in the most productive way while meeting customer expectations
- Implementation of process analytics both to drive productivity(for example, by identifying process bottlenecks, increasing automation and ensuring regulatory compliance) and customer satisfaction and sales effectiveness (for example, by ensuring staff spend most time on critical customer interactions, are supported in those interactions and identifying any learning/coaching needs).
- Driving regulatory compliance, quality of interaction and sales effectiveness through the use of branch recording technology. Recording of audio or screen capture of customer interactions initiated either automatically through workflow or by branch staff provides an

audit trail for regulatory compliance and an accurate view of staff effectiveness at critical customer interaction points.

- Gaining an accurate understanding of customer satisfaction with the branch experience through WFO survey tools. These tools vary from post-transaction surveys through to comprehensive views that combine branch, enterprise-wide feedback, social media, and text and voice analytics. A detailed, accurate and timely picture of true levels of customer satisfaction are a critical tool to drive greater 'share of wallet,' identifying emerging product and service needs, and to monitor market perception and competitive threats.

Beyond developing a coherent WFO strategy that supports branch transformation, bank executives and strategists must also ensure that WFO platforms are integrated across the organization including call centers, back office and regional hubs, and align with delivery of a true omni-channel customer experience.

## Appendix

**Table 1: Weighted strategic priority scores (0-10)**

	Central & Latin America	Eastern Europe	North America	North East Asia	South East Asia	Middle East
Reduce branch operational costs	6.08	5.84	5.76	6.96	6.48	6.64
Improve productivity & efficiency of branches	6.22	6.78	6.84	5.86	6.30	5.78
Improving the customer service, experience & satisfaction	6.02	5.66	6.38	5.46	6.34	6.50

**Table 2: Weighted top IT investment scores (0-10)**

	Central & Latin America	Eastern Europe	North America	North East Asia	South East Asia	Middle East
Appmt. booking systems	1.46	2.20	2.18	2.22	2.12	1.94
In-branch marketing	2.12	2.16	2.42	2.46	1.36	2.10
Workforce optimization	1.70	2.58	2.48	2.82	1.42	1.92
Product origination systems	2.14	2.34	2.66	2.02	2.22	2.06
Advisory systems	2.14	1.62	2.96	2.24	2.66	1.96
Customer flow management	2.22	2.00	1.84	1.70	2.16	3.10
Video teller systems	2.00	2.56	0.98	1.82	1.82	1.64
Product sales technology	2.12	1.40	1.80	1.72	3.00	2.10
Self-service solutions	2.40	2.28	1.94	1.92	2.48	2.22
Customer servicing technology	3.70	2.86	2.74	3.08	2.76	2.96

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## Ovum Consulting

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