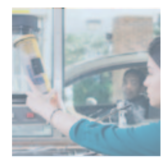
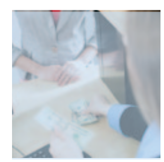


White Paper

Frontline Sales and Service

Execution Is Everything



Financial institutions today are wrestling with a dilemma. Revenue is plummeting as a result of the struggling economy, margin rate compression, and lost transaction fees. Operating expense, especially for branches, is soaring. Meanwhile, customers have more banking choices than ever — and are taking advantage of them. In the crosshairs of this dilemma, banks are seeking new ways to grow revenue and control cost. But how to do more with less? As the banking industry is discovering, the answer can hinge on the experience of customers with frontline employees.

Executive Summary

Amid fiscal and competitive pressures, the most valuable asset for any bank or financial institution is its people. To make the most of this asset, banks must turn to technology. Indeed, they've already done so to address other challenges. Originally, financial institutions used technology to streamline transactions and core operations. Customer relationship management was another frontier; technology helped financial institutions better understand the needs, preferences, and personalities of their customer base. Today, the next frontier for banking technology is the workforce. Workforce management (WFM) solutions are now at work, helping banks deploy the right people — that is, employees with the right skill set or experience — at the right time, in the right place. This paper outlines the rationale and some of the success criteria for WFM solutions.

The Business Challenge: Doing More with Less

Financial institutions today find themselves in a "perfect storm": shrinking revenue, high operating expense, complex labor compliance rules, and increasing competition.

The fiscal pressures for banks are of historic proportions. Revenue is falling dramatically as a result of the struggling economy, margin rate compression, and the decline in transaction income. (For example, the Durbin Amendment to the Dodd-Frank Act of 2010 reduced the fees banks can charge on debit transactions from 44 cents to 21 cents per swipe, representing billions of dollars in lost revenue.) As banks struggle with their revenue stream, they also are taking a hard look at what they spend. Increasingly, they are attempting to reduce personnel costs, which usually represent 45 to 65 percent of all noninterest operating expense.[1]

In addition to these pressures, banks are threatened by a skeptical and skittish customer base. Volatility in the financial services industry, so well publicized in recent years, has left customers disaffected and quick to shop for a new bank. From merged institutions to de novo entries, customers now have more choices than ever. The competition for share of wallet has never been greater. As a result, banks must do more to attract new customers and sustain their loyalty.

Banks are attempting to reduce personnel costs, which usually represent **45 to 65% of all noninterest operating expense.**

[1] Orest Gavrylak, "Compensation and Benefits Dominate Bank Operating Expenses," *DBRS North American FI Weekly* 2, issue 24 (2007).

This challenge was underscored in a 2011 Ernst & Young survey. After polling 20,000 participants around the world, the survey found that customer confidence in the banking industry continues to be affected by the credit crisis, with 44 percent of participants saying their confidence had decreased in the past year.[2] In the same survey, participants indicated a strong desire for more personalized customer relationships and said that a better customer experience was a way to restore their confidence.[3]

"There is a strong need for workforce optimization in the financial services industry. The addition of this technology to a core financial services technology system and CRM solutions adds a welcome capability to a client base challenged with branch efficiency and effectiveness."

Bob Meara,
Senior Analyst, Banking Group
Celent

Changing Customer Behavior and Expectations

When these disengaged customers do engage their bank, they do so in many ways. Customers now bank via the Web, mobile solutions, social media, 24-hour call centers, and the ubiquitous ATMs. The proliferation of these delivery channels has changed the behavior of customers; today, they are less likely to visit branches for routine transactions.[4]

Naturally, then, customers stepping foot in a branch have high expectations. Often customers reserve these visits for complex, high-dollar matters — such as mortgage applications or investments — that require attentive, consultative service. Regardless of the reason, however, customers continue to visit branches and demand a high level of service when they do.

Bottom Line: Banks Cannot Ignore the Frontline

Clearly, high-performing, service-oriented frontline employees are critical to success in retail banking. Banks that ignore this need do so at their own peril. The danger is compounded by the multiplier effect of a negative customer experience. A recent *Inc.* article reported that a customer will tell an average of nine people about a positive experience but will share a negative experience with an average of 16 others.[5] In an age of social media and consumer review websites such as Yelp.com, word of mouth is more powerful than ever. The customer is king, and banks need a workforce of good "ambassadors" for the kingdom.

Realizing this need, banks continue to invest in the frontline — despite the grave economic pressures they face. Even as they struggle to reduce costs, many banks actually have staffed up and extended their operating hours to better serve customers. In fact, the number of branch tellers has increased 13 percent over the past decade, according to the U.S. Department of Labor.

It hasn't always been so. In tough times, some banks have focused on cost-cutting by closing branches, reducing staff, or providing fewer service offerings. But often these cuts have resulted in longer wait times for customers, workers who lack the skills to address their concerns, and missed opportunities to offer new products that meet customers' needs. So customer service has been jeopardized at the very time it's needed most.

[2] Ernst & Young, *A New Era of Customer Expectation, Global Consumer Banking Survey 2011*, no. 1 (Ernst & Young, 2011), 13.

[3] Ernst & Young, *A New Era of Customer Expectation*, 25-26.

[4] Microsoft, "Earning Customer Trust in a Cynical Age" (Microsoft, August 2009).

[5] Andrew Shafer, "Data Bank: What Your Customers Do When They're Mad," *Inc.* (2011), http://www.inc.com/magazine/201111/data-bank-what-your-customers-do-when-theyre-mad.html.

Banks also attempt to control personnel costs by improving their systems for hiring, scheduling, and tracking employees. While the goal is laudable, many banks do not have the necessary tools to achieve it. Relying on manual, first-generation systems for managing personnel, banks find some costs mitigated, but the risks of inappropriate staffing remain high.

The Costs of Failure

An understaffed branch is filled with long lines and overworked, unhappy employees — an environment that fosters customer dissatisfaction. Understaffing because of poor scheduling also can force branches to pay overtime to keep their teller stations open. Similarly, an overstaffed branch is paying unnecessary wages. And overstaffing also fosters dissatisfaction. With little work to do, employees grow bored and less attentive; customers can become frustrated when they are poorly served despite the "extra" staff.

In addition to unnecessary expense and the threats to customer experience, under- and overstaffing carry a hidden risk: employee turnover. Overworked or underutilized employees are traditionally more likely to leave your financial institution for better work-life balance or schedule preferences. When a frontline employee resigns, the branch is left with the costs of hiring and training a new one — costs that typically add up to two or three times the employee's annual compensation.

In the banking industry, the annual revenue gains from a modest difference in customer experience can total more than **$206 million per year.**[6]

A New Approach: Integrated Workforce Management Solutions

With the need to control personnel expense and also enhance customer service, financial institutions may seem caught between a rock and a hard place. But next-generation technology can help them move the rock.

Just as it has enhanced banking's transactions and knowledge of customers, technology is enhancing banking's frontline workforce, matching the right people with the right job, at the right time, in the right place. The result of these WFM solutions: Costs are better-controlled, labor compliance risks are minimized, productivity is increased — and the customer experience is improved.

Workforce management solutions allow banks to forecast and schedule staff dynamically, based on traffic volumes and resource availability across a multi-site, multichannel environment. As a result, employees are freed to optimize their workloads, better manage their own time, and focus on their customers.

[6] Bruce D. Temkin, Moira Dorsey, William Chu, and Angela Beckers, *Customer Experience Boosts Revenue* (Forrester Research, 2009), 6.

WFM solutions begin with tools that allow banks to schedule staff around demand. But while there are plenty of software applications that perform functions such as this, fully integrated WFM solutions bring the power of automation and data sharing to an entire spectrum of needs: hiring quality employees, deploying employees effectively, and retaining them.

- **Hiring quality employees.** Cost-efficiency and excellent customer service begin with hiring quality people. But with more and more job seekers in the marketplace, seeking more and more jobs at cyberspeed, banks can find it difficult to identify the right talent. A good WFM solution provides automated tools that source and screen candidates efficiently and then helps banks make hiring decisions based on objective, predefined criteria.

- **Deploying employees effectively.** WFM solutions allow banks to accurately forecast staffing needs and then schedule employees according to demand, reducing the costs and customer experience dangers of under- and overstaffing. Banks also can use these solutions to better deploy staff within and among branches — the right people, at the right time, in the right place — so there are frontline employees with the appropriate skill sets to handle the expectations of customers. In addition, WFM solutions free human resources professionals and managers from time-consuming, manual, administrative work, giving them more time for coaching employees, upselling with customers, and growing the business.

- **Retaining employees.** By reducing under- and overstaffing, WFM solutions increase employee satisfaction. Employees who are neither overworked nor underchallenged are more likely to stay at their jobs, reducing turnover. These solutions also help banks offer staff greater working flexibility. Schedules can be easily tailored around employee preferences, a major reason for job satisfaction, especially for part-time staff. Banks can arrange for staff to "float" among multiple branches in a region, again accommodating employee preferences — while optimizing efficiency. And WFM solutions often include self-service tools that give employees easy access to human resources information, such as paid-time-off (PTO) balances. By empowering staff this way, banks are more likely to retain them over the long term.

"The key is the ability to analyze and predict how to allocate the right resources in the branch, at the right times, and doing the right things. And the technology that solves for all of these variables is workforce management."

Jerry Silva, Principal
PG Silva Consulting

WHAT TO LOOK FOR IN A WFM SOLUTION

- ☐ **FLEXIBILITY** — a solution that can be customized around the specific needs of your bank and helps you differentiate it from competitors
- ☐ **INTEGRATION TOOLS** — a solution that can work seamlessly with your existing technology and allows for data sharing
- ☐ **HIRING TOOLS** — a solution that helps you source, screen, and select employees efficiently
- ☐ **SELF-SERVICE TOOLS** — a solution that allows employees to access information, increasing job satisfaction

Conclusion

Financial institutions face unprecedented challenges. Pressured by declining revenues, they need to control their largest noninterest operating expense — personnel. At the same time, the frontline employees who staff bank branches are their most valuable asset, critical to providing the superior service that customers demand more and more. Caught in the crosshairs of this dilemma, banks are being asked to do more with less.

Just as technology has revolutionized other aspects of banking, it can help solve this dilemma by optimizing the workforce. Banks can use a variety of applications to improve scheduling, but integrated workforce management solutions do even more. These solutions draw on automation and data sharing to address a spectrum of needs: hiring quality employees, deploying employees effectively, and retaining them. By using these solutions to staff their branches appropriately, banks have the right people, at the right time, in the right place. The ultimate results: Costs are better-controlled, labor compliance risks are minimized, productivity is increased — and the customer experience is improved.

How Kronos Can Help

Kronos helps organizations across a variety of industries manage their most valuable, and expensive, strategic asset — their workforce. How? By giving them the tools they need to help them control labor costs. Minimize compliance risk. And improve workforce productivity. The easy-to-own workforce management solutions from Kronos make complete automation and high-quality information a reality.

Our time and attendance, scheduling, absence management, HR and payroll, hiring, and labor analytics solutions give Kronos customers the edge they need to compete in the global marketplace. With thousands of installations in organizations of all sizes — including over half the Fortune 1000® — we're proving workforce management doesn't have to be so hard.

To learn how Kronos can help you leverage workforce management to deliver outstanding customer satisfaction, call us today at +1 800 225 1561 or visit kronos.com/banking.

THE IMPACT OF WORKFORCE MANAGEMENT SOLUTIONS

- As a result of implementing workforce management solutions, customers of Kronos Incorporated have reduced the expense of employee turnover by 7 to 12 percent.
- In just one year after implementing a workforce management solution, a large bank saved $1 million by reducing unplanned absenteeism, payroll errors, and overtime pay.
- A financial institution is using Kronos workforce management solutions to optimize staffing in 15-minute periods. With the ability to forecast demand and adjust staffing at such a detailed level, the bank can respond to changing transaction volumes and customer needs, minimize wait times, and ensure that staff are taking required breaks during their shifts.

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