CELENT

OPTIMIZING THE IN-PERSON CUSTOMER EXPERIENCE

EIGHT SOLUTIONS EVERY BANK SHOULD CONSIDER

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This report was commissioned by Kiran Analytics, A Verint Company. The analysis and conclusions are Celent's alone, and Verint had no editorial control over report contents.

OLIVER WYMAN

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ENGAGEMENT: THE FORGOTTEN HALF OF CX

Customer experience (CX) is receiving well-deserved attention these days, but CX can be understood too narrowly. Often, CX is viewed through a digital lens. Doing so may be appropriate for transactions which have already massively migrated to digital (and continue to do so). But customer engagement remains solidly in-person. Optimizing those experiences should therefore be a high priority. This report quantifies the importance of in-person customer experience and looks at a variety of solutions available to optimize it.

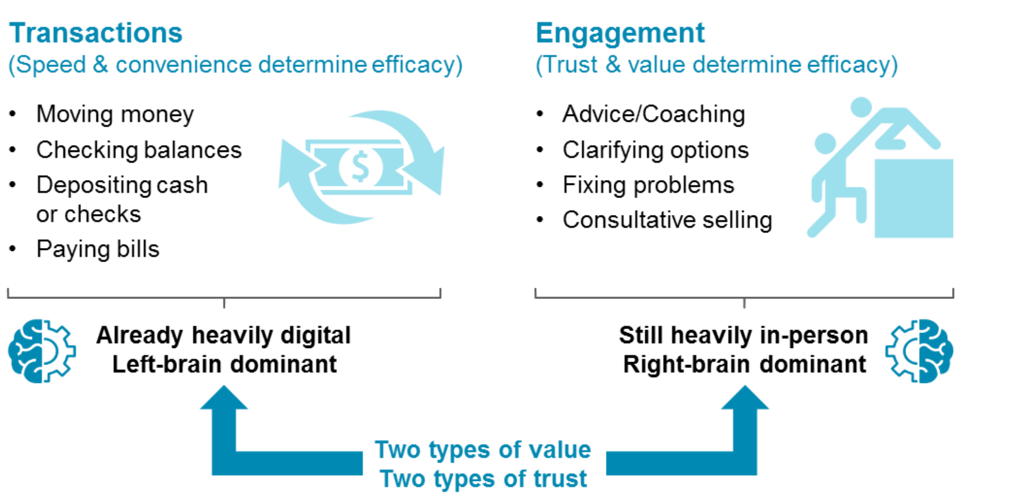
Transactions Vs. Engagement

Historically, retail banking was exclusively delivered by the branch experience. Community financial institutions, both banks and credit unions, were pillars in their chosen local markets. Tellers and bankers knew their customers and interacted with them frequently and did so mostly in person. They had a relationship. Trust was manifest.

Beginning in the 1960s, banks grew through consolidation. Most technology investments targeted transactional efficiency gains but did not equip banks to scale the kind of personalized service that was once commonplace. Digital channels further enhanced banks' ability to facilitate convenient, low-friction transactions, but rarely offer personalized, proactive customer engagement. Transactional efficacy is primarily influenced by convenience and speed attributes. For engagement, convenience is important, but secondary. In a branch, for example, being greeted promptly is of some value, but not nearly as valuable as the banker's ability to resolve the issue at hand.

Why the distinction between transactions and engagement? Customer engagement is important, because it is that engagement, not transactions, that largely drive customer acquisition, expansion, and retention. Optimizing the customer experience at the point of engagement is key to growing profitable customer relationships — growing the business as a result. See Figure 1.

Figure 1: Transactions and Engagement Are Two Different Things



Source: Celent

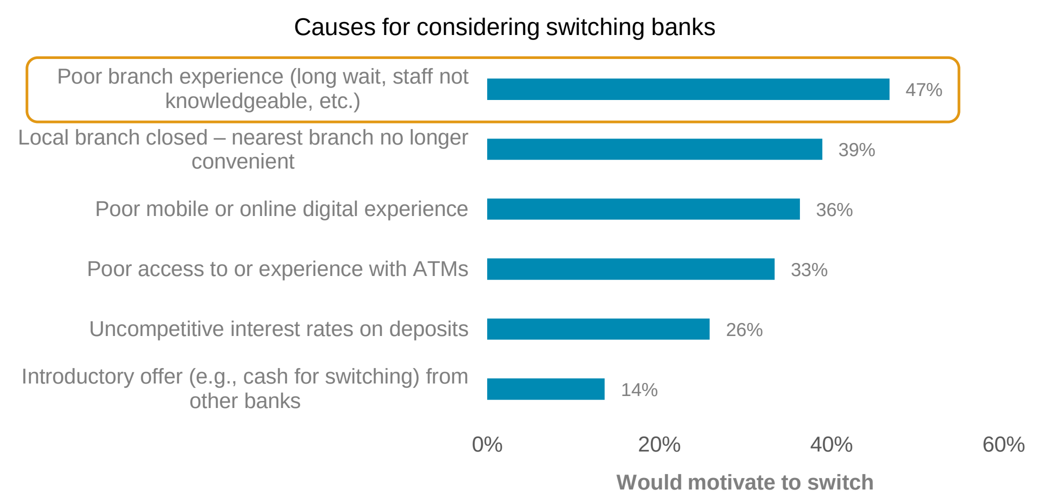
In some cases, banks "force" customers to come into the branch. This can result from poor or nonexistent digital capabilities, for example. But the notion that customers only visit a bank branch because they must is simply a myth.

IN-PERSON STILL DRIVES CUSTOMER ENGAGEMENT

Branches aren't dead, just different. Celent contends that branches are and will remain at the heart of retail banks' distribution strategy, albeit with a waning influence alongside continued growth in digital channel utilization.

To examine this, Celent conducted two surveys of banked US adults in 2018 to understand when and how consumers prefer face-to-face engagement and what it means for banks. The short answer: many consumers don't visit branches very often, but when they do, their experience is critically important.[1] So much so, that when asked which experiences would motivate them to consider switching banks, a poor branch experience was cited as the most frequent motivator (47 percent) second only to "too many fees" (75 percent). This was true across age groups, with 43 percent of millennials and 54 percent of boomers expressing this sentiment.

Figure 2: The Branch Customer Experience Is Critically Important



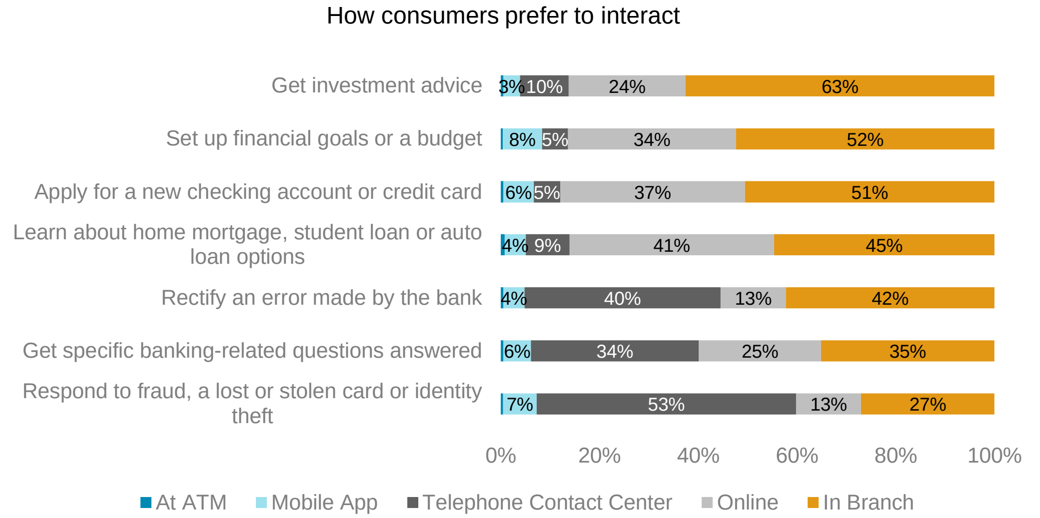
Celent survey of US Adults, February 2018, n=2,211 Q. Which of the following — if experienced consistently — would motivate you to consider switching primary banks?

It is not only branch-centric customers that think this way. Mobile banking users are understandably sensitive to the digital experience, with 50 percent of them citing a poor digital experience as a reason to switch banks (compared to just 22 percent of non-mobile banking users). But, the branch experience is only slightly edged out by mobile channel attributes (50 percent to 45 percent) by this same group.

How could this be? Even though consumers increasingly perform transactions digitally, they still prefer to engage with their bank in the branch. The surveys asked consumers how they would like to do various things, such as report suspected fraud, open an account, or get advice. The picture is clear: in-person channels remain essential for customer engagement. For substantive conversations, such as investment advice or financial planning, consumers prefer the branch. For more discrete tasks such as correcting a bank error, getting specific questions answered, or reporting a lost or stolen card, many consumers prefer to ring the contact center. SeeFigure 1Figure 2.

[1]The topic is presented in detail in two Celent reports, *Delivering Excellent Customer Service: When and How Consumers Prefer In-Person Engagement and What it Means for Banks*, May 2018 and *Delivering Excellent Customer Service, Part 2: Why Digital Engagement Will No Longer Be Optional,* June 2018.

Figure 3: Consumers Clearly Prefer the Branch for Certain Activities

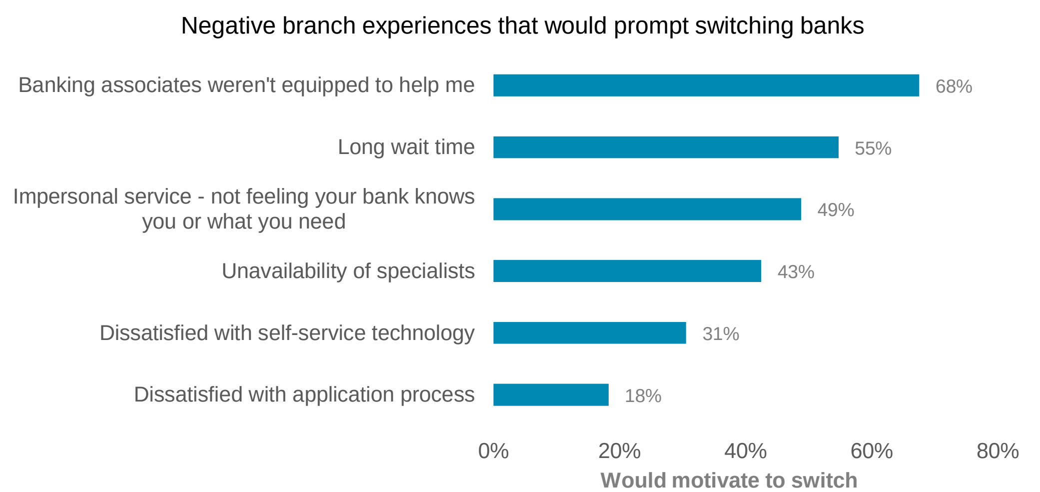


Source: Celent survey of US Adults, February 2018, n=2.350. Q. How would you like to do each of the following? Indicate your preference in each case, even if your primary bank doesn't offer that option.

Consumers prefer the mobile banking channel primarily for transactional activity. Even among young adults, mobile is rarely preferred for engagement. Personal touch, the kind of engagement that cements long-term customer relationships, remains important — even for digitally driven millennials.

So then, what would constitute a poor branch experience referenced in Figure 2? While convenience aspects of the visit are clearly important, simply getting their needs met is the litmus test for most consumers. Therefore, front line employee competency with requisite capacity planning should be banks' focus (Figure 4).

Figure 4: Customers Want Personal Service with Minimal Wait



Source: Celent survey of US Adults, February 2018, n= 2,360. Q: Would a negative branch experience with any of the following make you likely or more likely to consider switching primary banks? If so, which ones?

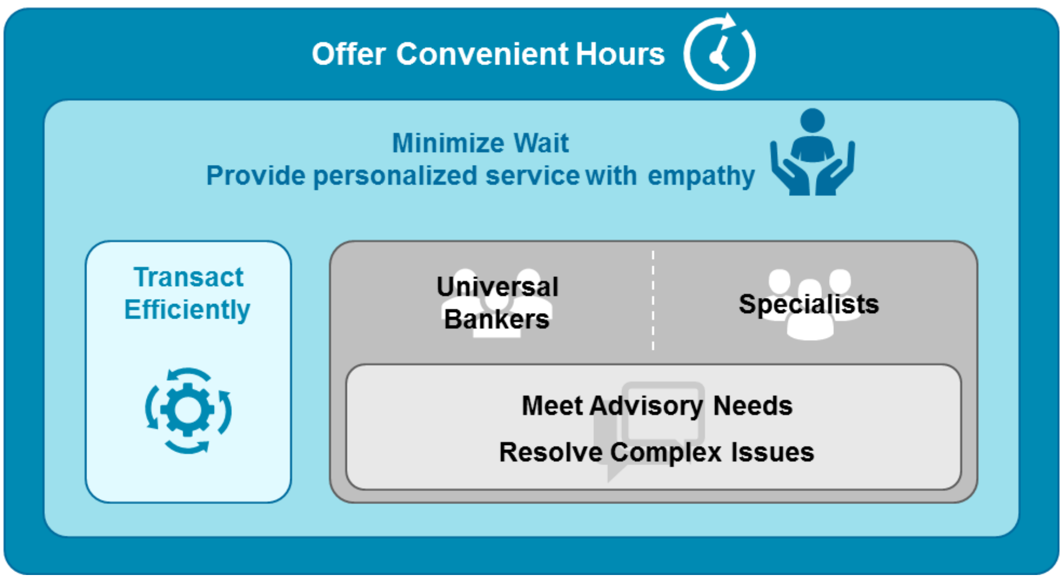
While digital remains vitally important, banks neglect in-person channels at their peril. The good news is that there are solutions available to banks specifically designed to optimize the in-person customer experience.

OPTIMIZING THE IN-PERSON CX

In self-service channels, technology defines the customer experience. In the branch and contact center, customer experience is in the hands of frontline staff, but it can be heavily influenced by technology. In addition to talent acquisition, training, and compensation, equipping them to win with technology should be a high priority. In part, this requires putting relevant customer information at their fingertips along with context-sensitive next-best-action prompts. It also requires equipping leaders with metrics that help them determine how well they are executing across all aspects of the customer choreography.

While branches aren't the transaction centers they used to be, facilitating convenient and efficient transactions remains a priority among a declining number of customers entering the branch. For that reason, banks must execute well, across all customer journeys: transactions, complex issue resolution, and advisory needs. Figure 5 depicts a framework for delivering these imperatives, recognizing that CX and operational cost drivers are often conflicting objectives.

Figure 5: A Framework for Optimizing the In-Person CX While Balancing Operational Cost



Source: Celent

First, let's unpack the framework, then consider solutions designed to address each part of the customer journey.

Offer Convenient Hours

Setting the opening hours is crucial to the success of any retailer. Convenient operating hours come at a cost. Managing the cost vs. CX trade-off is every bank's ambition. Traditional approaches to setting open hours are simplistic, often merely matching competitors' hours in each market. Effectively balancing operating expenses against lost sales and service opportunity is complex. Factors such as customer demographics, proximity of nearby branches and ATMs, and the services offered in those branches all need to be considered.

Reduce Wait Times

Reducing customer wait times is a self-evident CX objective. It too comes at a cost. Banks have historically minimized wait times by balancing capacity with demand to achieve target service levels. Managing this at the teller line is comparatively easy, in part, because of the voluminous teller system log data available for analysis. Sales and service metrics are often less well understood — and therefore, less well managed.

Deliver Personalized Service

Being known is a basic human need. It involves both information and empathy but is only valued when demonstrated in relevant and helpful ways. Done well and consistently, personalized service delivery builds trust in the banking relationship. Community financial institutions have led in this historically, particularly in rural markets. In many cases, community bankers really do know their customers. To deliver personalized services at scale, banks must leverage technology. Bankers need to have timely and relevant customer information at the ready. At minimum, they need to know interaction and transaction history, product ownership, and “red flags” that may indicate dissatisfaction, open service requests, or sales opportunities. This “360-degree customer view” still eludes most US banks even though over 80 percent regard this capability “important” or “very important.” Celent’s December 2018 survey suggests just 15 percent of US banks fully support omnichannel retail delivery.

Maximize Availability of Specialists

This is one of the more vexing challenges in retail banking, because many operating models cannot affordably sustain specialists in each branch. Many banks thus utilize shared resources across multiple branches. Doing so risks customer dissatisfaction when necessary staff is absent. By tying appointment-setting tools into branch workforce optimization solutions, customers can ensure the specialist they need to speak with is available in the branch when they choose to meet or through video conferencing if the bank has that capability. Neither solution is a panacea. Many consumers prefer to simply drop by a branch rather than commit to keeping a specific appointment, and not all customers find video banking experiences satisfying. This complicates the workforce optimization challenge for banks.

Equip Staff to Meet Advisory Needs

Once in the branch with minimal perceived wait and face-to-face with a banker, customers want their needs met. Doing so requires well-trained, knowledgeable, and courteous staff. This is not new, but rising customer expectations demand vigilance on the part of banks seeking to optimize the customer experience. Here again, technology can play a key role. Many banks embrace next-best-action analytics for this purpose. Many implementations focus narrowly on selling (e.g., “next-best offer”), however, rather than seeking win-win solutions that can demonstrably improve customers’ financial lives.

Transact Efficiently

Meeting customers’ transaction needs in the branch and contact center remains important, but it is no longer primary because of the transaction migration that has occurred — and continues to occur. Digital activation initiatives can hasten customer digital utilization and further reduce transaction activity in the in-person channels. Banks have invested heavily in teller transaction automation over the years, with teller cash recycling and teller image capture now commonplace. Current efforts seek to meet the twin objectives of efficiently transacting and optimally meeting advisory needs. One approach uses assisted self-service to meet the declining transactional demand. Doing so frees up universal bankers for relationship building, advisory, and sales activities.

SOLUTIONS FOR OPTIMIZING THE IN-PERSON CX

Banks have many options to consider for optimizing the in-person customer experience, from people and process to technology and facility solutions. Celent identifies four established and four emerging solutions that can demonstrably improve banks' ability to execute the CX objectives identified in Figure 5. Table 1 lists these solutions alongside the specific objectives each can favorably impact.

Table 1: Mapping Available Solutions to Specific CX Objectives

		Offer convenient hours	Reduce wait times	Deliver personalize service	Maximize availability of specialists	Equip staff to meet advisory needs	Transact efficiently
Established solutions	Workforce management		✓		✓		✓
	Tablets			✓		✓	✓
	Assisted self-service	✓	✓	✓	✓		✓
	Digital appointment booking		✓	✓	✓	✓	
Emerging solutions	Digital learning and development platforms					✓	✓
	Open hours optimization	✓					✓
	Wait time analytics		✓				✓
	Face-to-face recording			✓		✓	

Source: Celent

Established Solutions

Each of the following solutions is utilized by a growing percentage of North American banks and credit unions, as noted in a December 2018 Celent survey. Despite their efficacy, a minority of institutions use them. Surveyed utilization is shown in parentheses.

Workforce Management (36%)

Workforce management (WFM) is a subset of a broader range of solutions commonly referred to as human resource optimization (HRO), which spans a wide range of functionality from recruiting, performance, compensation, eLearning, scheduling, payroll, and benefits. HRO solutions are used across most every industry market segment in some form, particularly among larger organizations. Most small to midsize banks have some form of HRO system(s) but lack the tools to operate the branch channel at maximum efficiency and effectiveness. In financial services, WFM provides forecasting and planning tools, and automates scheduling of personnel for branch and/or call center operations. Once requiring comparatively expensive and protracted implementation of licensed software and services, leading WFM vendors now offer cloud-based solutions, significantly reducing upfront costs and accelerating deployment timeframes.

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. WFM solutions can thus help reduce overstaffing from having bankers waiting for work and can reduce understaffing with the resulting long wait times.

WFM solutions function by processing data from existing teller or core, platform, and HR systems and using it for forecasting demand and planning using what-if scenarios. Think of WFM as a closed-loop system for optimizing employee capacity, helping branch and contact center management to:

- Create highly accurate transaction forecast and staffing plans that determine the precise number of staff required in each branch throughout the day and by day of week based on each branch type and market demographic, as well as a detailed understanding of the retail operating model in use.
- Develop schedules to ensure staffing is matched to demand so staffing costs are contained, and customers experience consistent wait times in accordance with the bank's service-level targets.
- Provide performance management scorecards and reports to evaluate the effectiveness of teller automation equipment used, branch scheduling and staffing practices, and individual employee performance throughout the entire network.

Historically, many banks invested in WFM primarily to optimize teller staffing, since teller transactions accounted for the bulk of footfall. As data becomes available for the sales and service interactions, WFM is being applied to optimize the lobby experience as well. Doing so can result in improved operational efficiency and sales results.

Tablets: Divorce from the Desktop (12%)

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. Consistently across markets, Celent observes positive change results associated with placing staff in the lobby to quickly and proactively engage customers. Offices have their use, but staff needs to be on their feet, prepared to engage — tablet in hand. Banks are not the only ones coming to this conclusion. Apple, Chick-fil-A, Hyatt, and Nordstrom, among others, are improving the customer experience through the use of tablets. One key factor limiting greater use of tablets is a lack of software support for those devices. Many banks still run thick client desktop teller and platform sales applications or lack adequate wireless network bandwidth or security. Celent expects rapidly growing use of tablets in the branch over the next several years as banks overcome these obstacles.

Assisted Self-Service (25%)

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. The concept of assisted self-service is powerful, because it allows front line staff to directly assist (or take over when necessary) when customers are uncomfortable or unable to complete transactions without assistance. Typically, this is accomplished through core system integration (versus reliance on ATM switch for core system interface) allowing the devices to facilitate a wider range of transactions than ATMs have historically supported. Additionally, tablet-wielding staff can be alerted remotely when customers request assistance or when business rules require staff approval or overrides. A simple example of this is a cash withdrawal more than the institution's daily ATM limit.

Assisted self-service devices are used with direct staff assistance for in-lobby placement or remote staff assistance when placed externally. Video teller machines have been used in a small number of institutions for in-lobby applications but are finding wider use to improve drive-thru and/or vestibule assisted self-service using video. These applications eliminate slow and cumbersome pneumatic tubes in drive-thru lanes and can more efficiently support extended hours applications than traditional tellers.

Digital Appointment Booking (18%)

Considering the widespread use of the Internet for product and service research, many retailers and service providers offer customers the ability to book appointments at a time and place of their choosing. It's time for banks to get on board! The benefits of doing so are manifest. Among them:

- **Convenience**: Customers avoid unnecessary waiting for service by scheduling an appointment on their terms and at their convenience digitally. A worst-case scenario is the customer who, after a lengthy wait, discovers the banker with the requisite skills and licensing to meet their needs is not on site.
- **Capacity planning**: Sales and service interactions have historically been more difficult to forecast than teller transactions. Digital appointment booking provides a much-needed view into future demand for sales and service resources and improves an institution's ability to plan accordingly.
- **Sales impact**: Booking an appointment is a concrete call to action in a marketing campaign or as part of a digital onboarding process. Since branch staff have visibility to booked appointments ahead of time, staff is prepared for the appointment and enjoy superior results.

When appointment booking is offered, wise banks ensure it is integrated into marketing efforts and is abundantly visible on the bank's website and mobile app. Front line staff must also be trained to educate walk-up customers of the benefits of appointments and show them how easily it can be done.

Emerging Solutions

The following four solutions are less well established yet deserve consideration. Celent estimates that less than 5 percent of North American financial institutions use them.

Digital Learning and Development Platforms

Growing customer digital utilization is a branch channel priority in a growing number of banks — for good reason. Properly equipping staff is an obvious imperative, yet many banks do not have a disciplined or measurable approach to doing so. Digital learning and development platforms meet this need. Moreover, digitally savvy employees can better utilize technology to resolve complex issues and offer financial advice. These platforms are a win-win. More banks should use them.

Every institution has some staff training regimen. Many rely on a combination of traditional training methodology and online learning courses. Arguably effective, traditional approaches can be expensive, unable to keep pace with today's rate of change, and not experiential. Modern learning platforms are highly interactive and utilize microlearning and gamification methodology to improve staff engagement and knowledge retention. Process transparency helps foster cordial competition and provides management with success metrics and coaching support.

Open Hours Optimization

Clearly, it is important that banks are open when it's convenient for customers. But longer hours come at a cost. Balancing convenience and cost effectively requires tailoring open hours throughout the network based on individual branch demographics. Relatively few firms provide consulting services offered alongside WFO designed specifically to optimize open hours for retail financial institutions. At least one vendor utilizes a comprehensive and customizable branch clustering methodology to determine branch open hours that are aligned with the market opportunities to optimize customer service, revenue, and operating expense. In Celent's view, open hours optimization should accompany every WFO implementation.

Wait Time Analytics

Managing customer wait time is an easy concept, but reliably measuring wait time is difficult. Wait Time Analytics (WTA) provides a more accurate measurement of wait times in branches than random sampling schemes and is a more cost-effective measure than alternatives such as video analytics. An accurate and ongoing picture of wait time in each branch equips banks to set, evaluate, and adjust target service levels which then inform staffing and scheduling decisions.

WTA uses advanced analytics and queuing methodology to accurately determine whether on-the-ground service levels for each branch in the entire network exceeded the target service level, met the target, or did not achieve the target on an intraday basis. WTA utilizes tracked transaction data from the electronic teller and platform systems, actual number of frontline staff servicing customers, and time standards.

Face-to-face Recording and Automation

Banks must ensure branch staff are equipped to respond to customer needs while fulfilling applicable compliance requirements. With in-branch, face-to-face recording banks can capture customer interactions to identify knowledge and skill gaps of branch employees while ensuring compliance. Poor service experiences can be reviewed by managers to inform coaching, digital learning, or training for the employee. Like other channels that are monitored for quality and service, insights from the in-branch audio recordings can be integrated into the bank's voice of the customer (VOC) program, providing valuable data on customer needs, preferences, and sentiment, as well as feedback to the employees as a key metric on their performance management scorecard. Depending on the solution used, much of this can be automated using embedded natural language processing and machine learning tools.

Analytics: Key to Balancing CX and Cost

With cost pressures unlikely to abate, banks must balance customer experience ambitions with operational cost considerations. Doing so with precision requires much data and its rigorous analysis. Enter analytics. In this context, "analytics" is not a specific product, but an underlying capability designed to provide actionable insights. Analytics is a catalyst for amplifying the benefits of all the solutions outlined above.

Most banks can cite teller transaction metrics with great precision but have a comparatively imprecise understanding of complex issue resolution or advisory metrics. While understandable historically, today's focus on CX demands analytics-driven process optimization across all aspects of the customer journey.

In the final analysis, it is the quality of customer interactions that will drive your business. Most institutions have trimmed their branch networks to free up resources to invest in digital. Such balancing of strategic assets has obvious merit and needs to continue. But, with CX among most banks' top retail priorities, it's high time for more institutions to invest in proven mechanisms to optimize the in-person customer experience. Serious consideration of the eight solutions covered here would be a great place to begin.

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

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, particularly those that directly impact customer experience. 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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