2019 UKG Teller Line Study

A study of teller transactions at banks and credit unions, examining how certain trends are influencing branch evolution throughout the financial industry

TABLE OF CONTENT

Introduction

The 2019 UKG Teller Line Study, which highlights proprietary data on more than 9 million teller transactions at banks and credit unions across North America, provides a snapshot of transaction volume and teller processing labor costs that financial institutions can use to maximize workforce optimization and reduce operating costs. By analyzing transaction volumes, pay rates, labor costs per transaction, and part-time employee utilization, we can see how branches are evolving and identify issues that executives and frontline management are facing, including the following:

- Assessing the impact of mobile and online banking
- Taking a closer look at the sales-centric branch
- Reviewing the trends on transaction analysis

Available only from UKG (Ultimate Kronos Group), the 2019 UKG Teller Line Study offers valuable insight into how banks and credit unions can respond to declining branch transaction rates, rising teller labor costs, and reduced workforce productivity, with human capital management scheduling and optimization solutions that allow them to get the most out of their branches.

As branch-based transactions continue to decline, institutions are looking to staff branches to meet demand more effectively, with an emphasis on delivering complex sales and service functions to account holders visiting branch locations. Improving workforce optimization to drive labor cost savings while maintaining service levels is critical as the ratio of customers to branches continues to decline.

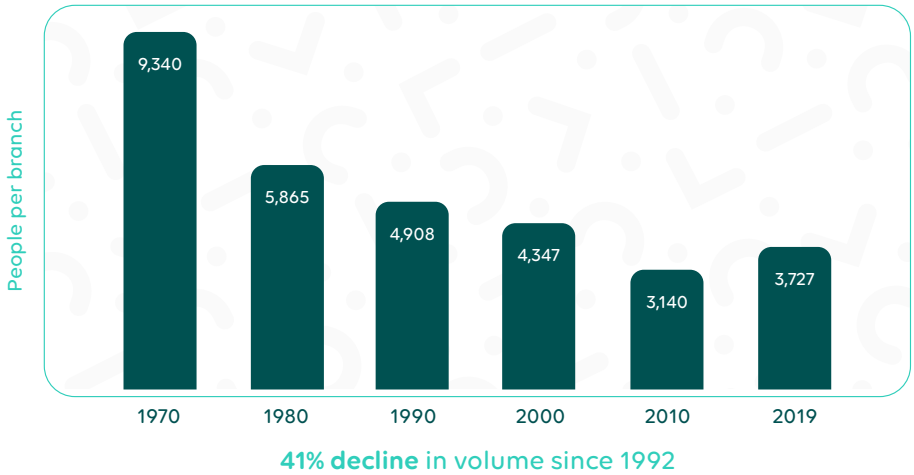
Branch Banking Trends

Over the past 25 years, the banking industry has witnessed a costly combination of steady labor cost increases and continued branch traffic declines. Average monthly volume for teller transactions is down 41% since 1992, while teller labor costs for the same period have risen a staggering 163%, forcing financial institutions to respond. (See Figures 2 and 4.)

According to the FDIC, insured financial institutions operated 88,053 branches in 2018, down 11.6% from the all-time high of 99,550 locations in 2009.[1] The decline marks the ninth consecutive year that the number of offices has declined.

The ratio of population to branches fell from 9,340 in 1970 to 3,727 in 2018, a stunning 60% decrease. During this period, the U.S. population grew by over 50%, while the number of offices more than doubled.[2,3] Coupling the decline in the ratio of population to branches and the recent decline in bank branches suggests that the market is starting to correct itself from being "overbranched."

Figure 1: Ratio of population to branches



Online and Mobile Banking Are Impacting Branch Closings

Following the rapid increase in the number of bank branches throughout the 1990s and the 2000s, subsequent branch closings and consolidations, coupled with slowing brick-and-mortar development, illustrate that the financial industry recognizes a correction is needed. As more customers migrate to online and mobile banking, they are visiting branch locations less frequently, forcing a change in the traditional branch staffing model.

Despite declining branch numbers and the increased adoption of mobile banking, it's unlikely that the branch office will go away altogether. A more likely scenario includes a banking landscape that combines the ease of mobile and online banking for simple transactions with physical branch locations where account holders can receive service and support for more complex transactions.

Even as financial institutions invest in their mobile and online channels, they need to recognize the vital role the branch channel continues to play in the account holder service experience. According to the J.D. Power 2018 U.S. Retail Banking Advice Study℠, the retail bank is still a valuable first line of financial advice on topics ranging from savings tips to retirement strategies. Too often, however, banks are missing this opportunity to connect with their customers. In fact, only 28% of customers recall receiving financial advice from their bank.[4]

Some banks are even betting that new branches are the way forward, particularly when it comes to attracting deposits.[5]

Bank of America is expanding into new markets, with plans to open 500 modern branches designed for the future of banking.[6]

Similarly, JPMorgan is adding 400 branches to expand into new markets where it sees an opportunity to capture more than $1 trillion in deposits.[7] J.D. Power also notes that large retail banks have steadily improved customer satisfaction in recent years due to technology investments aimed at improving banking convenience and providing more consistent products and services.[8] These findings suggest that financial institutions should continue to invest in technology solutions that make each retail branch experience as satisfying as possible for the account holder.

Evolving to a More Sales-Centric Branch

Unlike with other vanishing retail specialty stores — like those for books and music— most consumers, at some point, depend on the face-to-face expertise of financial service professionals. Naturally, with the significant impact banking products can have on an individual's finances, they often desire the extra attention to help establish trust and make sure they are getting the most out of each interaction. Ultimately, the trust and relationships developed in person have been and always will be paramount in the financial services industry.

Even as automation is changing the way people bank, there will still be a need for brick-and-mortar branch locations staffed with employees who can help consumers with complex transactions such as opening accounts and applying for loans and mortgages. The challenge for banks is evolving to meet these changing customer expectations.

Higher-quality interactions can lead to additional product sales and cross-selling, which is exactly the type of exchange financial institutions are seeking between account holders and branch employees. Higher-value interactions deliver a better return, especially when compared with the interactions that typically occur at traditional branches, where thousands of simple deposits and withdrawals are processed per day, costing over a dollar per transaction in labor costs alone (see Figure 4).

By taking a systematic approach that leverages the right blend of technologies, training, and architectural designs, banks and credit unions can make significant strides toward creating profitable, sales-centric branches that succeed today and remain viable in the future.

The 2019 UKG Teller Line Study Metrics

The UKG Teller Line Study is based on more than 9 million teller transactions from banks and credit unions across North America during March 2019.

The study shows a 28-year trend in increasing labor costs and declining transaction volumes.

Figure 2: Average branch monthly volume — teller transactions
(credit unions and community banks)

41% decline in volume since 1992

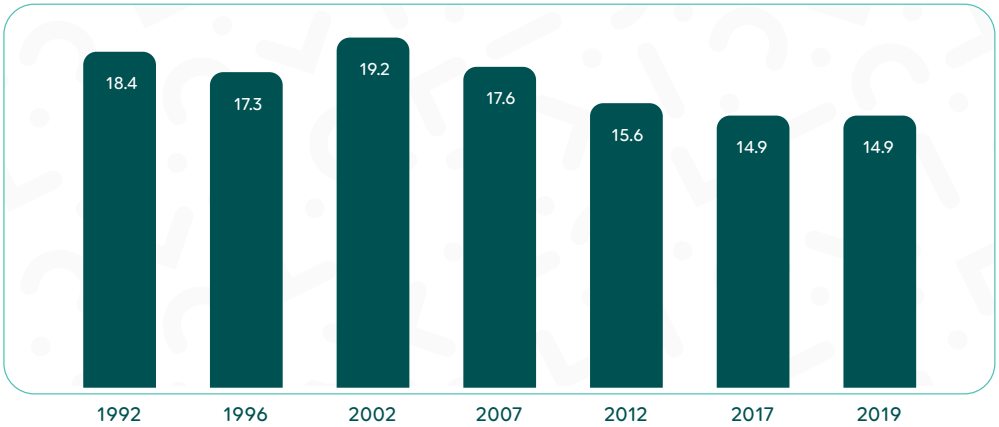
Figure 3: Salary and benefit hourly pay rate (credit unions and community banks)

112% increase in salary and benefits since 1992

Figure 4: Teller processing labor cost per transaction (credit unions and community banks)

163% increase in labor cost per transaction since 1992

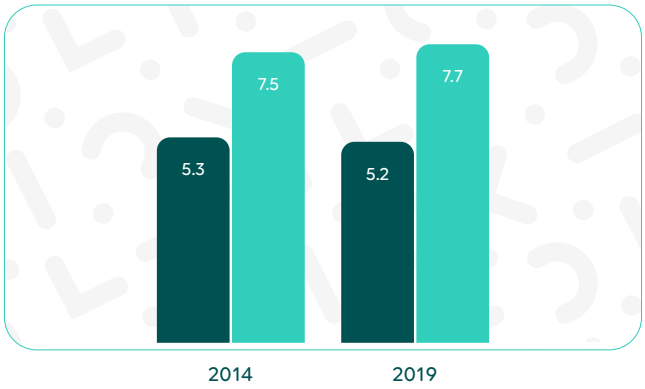
Figure 5: Productivity — average transactions processed per teller hour worked
(credit unions and community banks)



19% decline in productivity since 1992

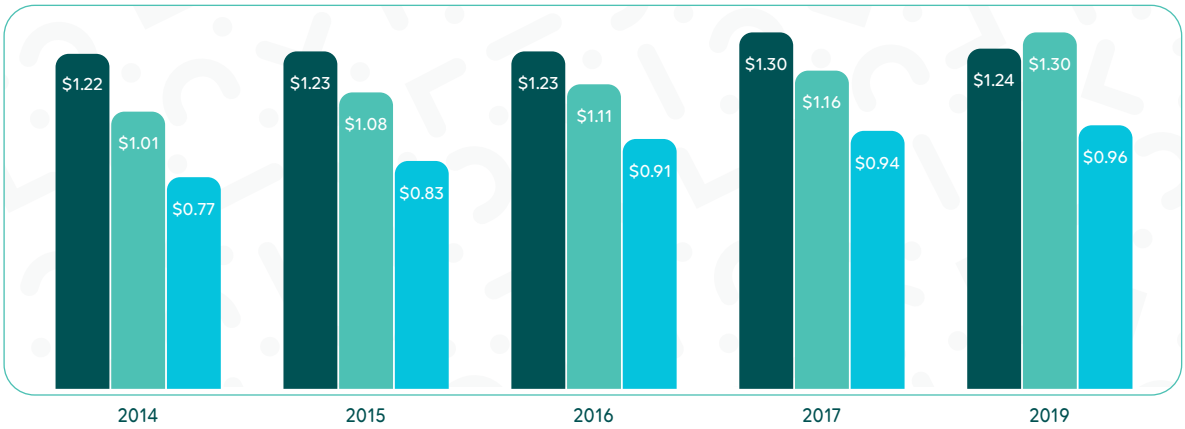
The following charts compare teller transactions at credit unions, community banks, and the top 10 UKG clients.

Figure 6: Average branch monthly volume (in thousands) — teller transactions (credit unions and community banks)



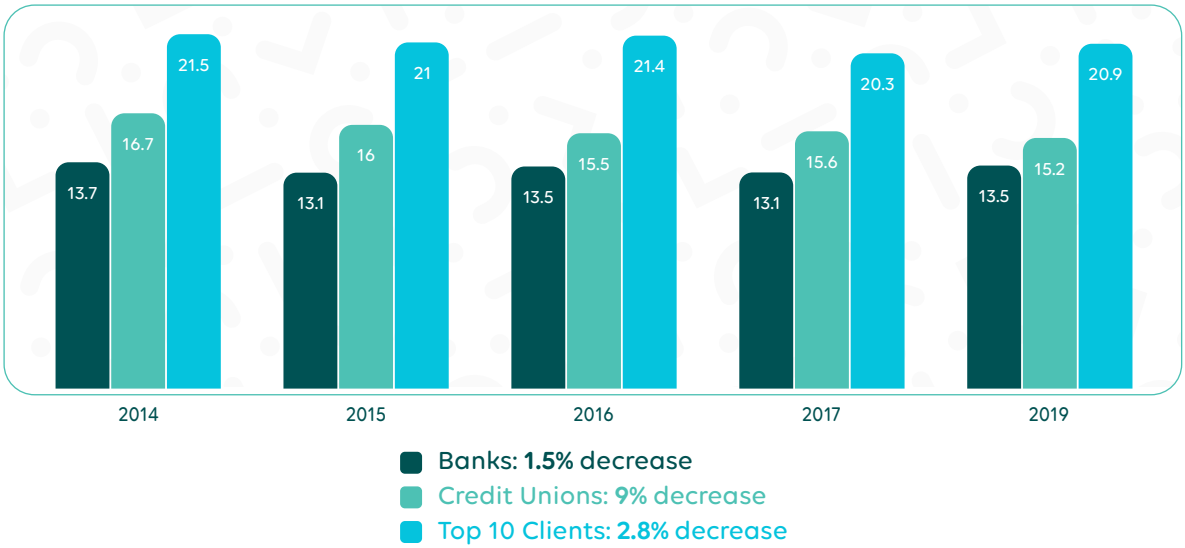
Banks: **1.9%** five-year volume decrease
Credit Unions: **2.7%** five-year volume increase

Figure 7: Teller processing labor cost per transaction (credit unions and community banks)



Banks: **1.6%** five-year labor cost per teller transaction increase
Credit Unions: **28.7%** five-year labor cost per teller transaction increase
Top 10 Clients: **24.7%** five-year labor cost per teller transaction increase

Figure 8: Teller productivity – average transactions processed per teller hour worked



Analysis

The slight decline in average branch transaction volumes from 2014 to 2019 in both banks and credit unions may be surprising to some who were expecting a much bigger drop. There are a number of factors that can account for the 2019 figures, including branch consolidation and a leveling off of the influence of technology such as mobile and online banking. Specifically, a significant percentage of older consumers are not adopting mobile, with Deloitte reporting that only 18% of adults age 60 and over take advantage of online banking services.[9] Serving these consumers will continue to require in-person interactions at a branch location.

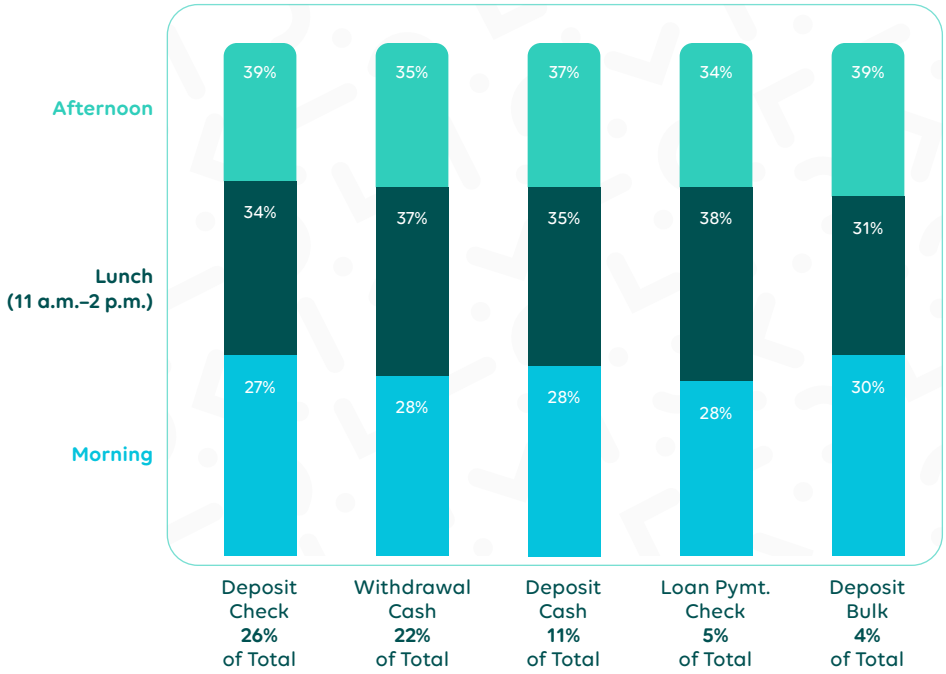
Transaction Types

The data in the Teller Line Study comes from financial institutions across North America and shows the five most common transactions, categorized by when they occur during the workday. In general, the data tells us that regardless of type, transactions are spread proportionally throughout the morning, lunch, and afternoon periods. The lion's share of transaction types falls in the deposit and withdrawal categories. We also note that outside the top 10 transaction types, all other categories did not even register a full percentage point in relation to the total transactions.

Analysis

We expected to see a disproportionate number of transactions during lunch periods. Perhaps as other channels have absorbed transactions from the branch, the period most impacted has been lunch. We suspect busy professionals who formerly used their lunch breaks to visit the branch were strongly incentivized to adopt more efficient technologies so they could focus on other tasks during their workday lunch periods.

Figure 9: Five most common branch transaction types



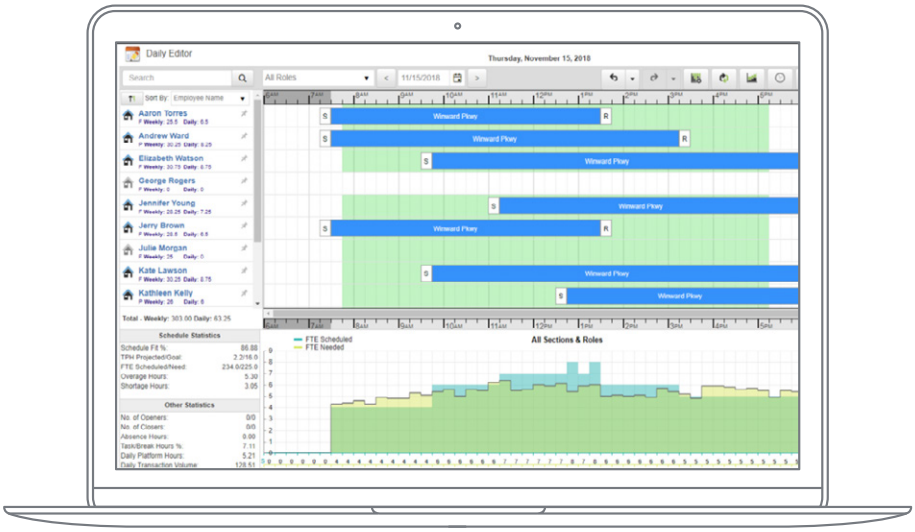
Teller Line Study Management Tips

Management Tip #1

Schedule staff to demand

With UKG Workforce Scheduler (formerly Workforce Scheduler™), you can prepare schedules that optimally align staff (including universal staff) with actual account-holder traffic and activity patterns, based on your institution's core transaction and platform system data, such as that collected by the UKG Banking Connection (formerly known as Kronos Customer Connection) — Sales and Service module This staffing approach ensures the ideal number of staff for both peak and idle periods. The ability to specifically identify and quantify idle time is the first step toward scheduling additional sales-related activities, such as training and supervisor coaching sessions or outbound sales/relationship calls to account holders, which can lead to improved branch sales.

Figure 10: UKG Workforce Scheduler



Management Tip #2

Analyze core system transaction volume

Teller performance data stored by a financial institution's core processor and the HR department (especially transaction time, transaction type, and associated employee) can be used to collect and prepare frontline staff performance analytical reports. Figure 11 represents a branch's FTE (full-time employee) forecast based on volume per hour and day of week.

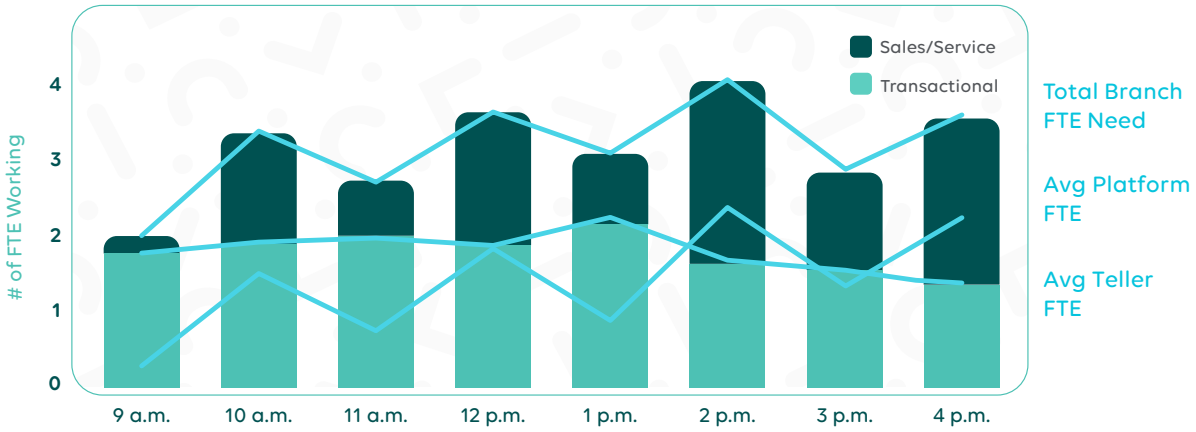
Figure 11: Staff need based on forecasted volume

Date	8 a.m.	9 a.m.	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.	5 p.m.	Total FTE Hours
Mon 07/02	2.6	4.5	4.2	4.3	4.3	3.6	3.7	4.6	3.3	2.1	37.2
Tue 07/03	2.0	4.0	4.0	3.6	3.8	3.4	3.6	3.5	4.0	2.0	33.9
Thu 07/05	2.0	3.7	3.7	4.1	4.3	3.2	3.9	4.1	4.8	3.2	37.0
Fri 07/06	3.2	5.9	5.9	5.1	5.1	5.5	4.8	6.0	6.4	3.3	51.2
Sat 07/07	1.6	4.8	5.8	5.7	5.6	—	—	—	—	—	23.5
Weekly Total:	**11.4**	**22.9**	**23.4**	**22.8**	**23.1**	**15.7**	**16.0**	**18.2**	**18.5**	**10.6**	**182.8**

FTE: Full-time equivalent (teller); TPH: Transactions per processing hour

Many institutions use charts like the one shown in Figure 11 to help determine how many FTEs they need at their branch per hour. The numbers above are derived from forecasted transaction volumes from an institution's core system. For example, if a schedule has four tellers scheduled to work at 8:00 a.m. on Monday, July 2, a time when staff need is forecasted to be 2.6 FTEs, they should instead consider having one of these tellers come in at 9:00 a.m. This type of information can be extremely beneficial when forecasting, training, and measuring universal associates. Figure 12 highlights examples of universal associates reports, which are available from UKG.

Figure 12: Forecasted FTE need by time of day

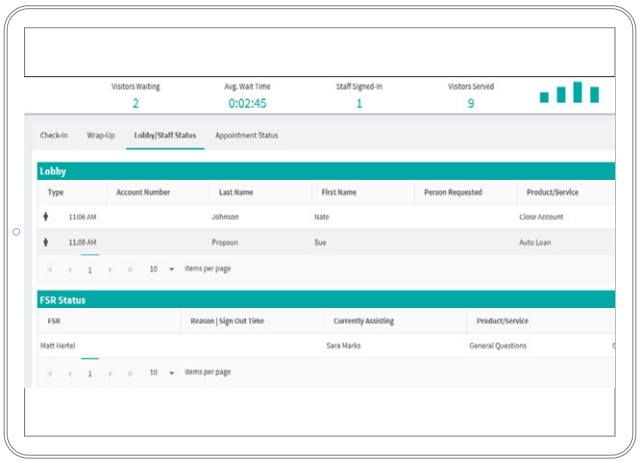


Management Tip #3

Track branch employee sales and service processes

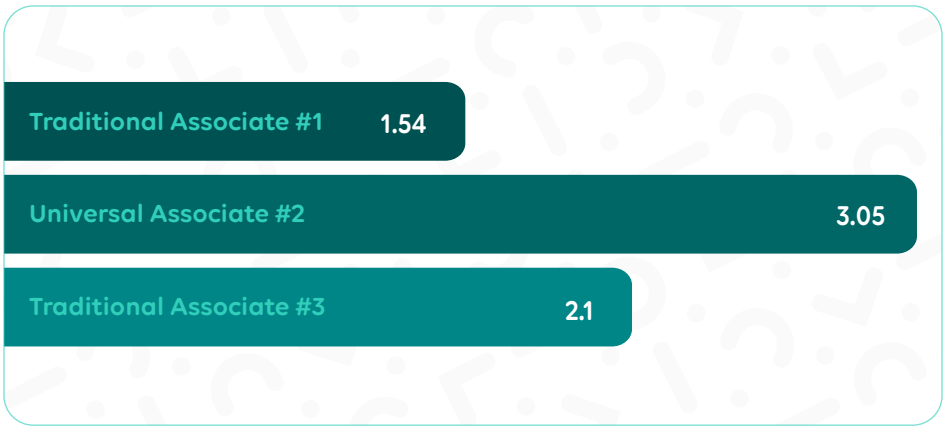
Financial institutions can track, measure, and manage a cross-sell ratio in the branch platform environment with an on-demand sales reporting solution such as UKG Banking Connection. When an account holder arrives in the lobby, the products and services they intend to transact are recorded in the reporting tool (see Figure 13). As additional products are sold, this information is also captured.

Figure 13: UKG Banking Connections



The system then prepares a cross-sell ratio. Figure 14 shows that universal associate #2, on average, sold approximately three times as many products as the account holders originally intended to purchase when they arrived at the branch. Management can use this valuable information to determine the effectiveness of its universal associates program and to help increase wallet share.

Figure 14: Cross-sell ratio average for month (includes universal associates)



Management Tip #4

Leverage smartphones to enhance the branch experience

From reserving movie theater seats to ordering pizza, consumers are accustomed to getting what they want on their smartphones, and fulfilling their banking needs should be no different. Financial institutions have made considerable progress in accommodating what account holders are asking for, but other industries are setting the bar higher, seemingly every day. For example, many businesses, such as salons and service-oriented retail stores, now offer consumers the ability to set appointments through smartphone applications. If your account holders are not asking for this timesaving and convenient capability now, they certainly will be soon. Sophisticated appointment applications like UKG Appointments (formerly Kronos Appointment Concierge™) should take into account each employee's availability and skill set — making sure to schedule each consumer's appointment with the right person at the right time.

Learn more about scheduling appointments in the branch by downloading the UKG 2019 Appointment Study.

Management Tip #5

Engage employees — and increase customer satisfaction

Five of the top seven attributes consumers consider when selecting a primary bank relate to bank branch personnel, while only about one-third of consumers consider technological improvements such as mobile banking or video access to a banker as top reasons to select a financial institution.[10] Amid increasing competition within the industry, it is important to deliver the best possible customer service to attract and keep customers — and that starts with a satisfied and engaged workforce.

A solution designed specifically for the banking industry, like UKG Ready™ (formerly Kronos Workforce Ready®), can help inspire employees to meet and exceed the expectations of today's account holders. By leveraging a human capital management solution that embraces the entire workforce with end-to-end employee lifecycle management, financial institutions can more effectively respond to the changing role of the branch and its employees.

Conclusion

Historically, financial institutions have not had to worry about staffing their branches in response to a declining volume of transactions, because branch activities were always growing — in part due to a growing population and a rising economy. Instead, they were looking for where to add branches as new housing developments popped up on every corner. Management was convinced there wasn't a lot of money to be saved in closely managing teller staffing.

Today's environment has changed significantly from those boom days, and the trends in this study suggest the market is now overbranched — a situation that too many institutions have largely ignored. Savvy institutions need to look inward and ask: Could it be time to close some of our low-volume branches and/or adopt branch efficiency technologies?

It's more important than ever for bank and credit union management to pay closer attention to operating expenses. The labor cost savings associated with deploying a focused, dedicated branch workforce optimization program have become too great to ignore. Using a human capital management solution to maximize staffing investments leads to improving sales and service levels. A more sophisticated scheduling approach makes it easier to identify frontline staff idle time as well as time employees spend waiting for consumers and transactions. In this way, branches can get more accomplished during these systematically identified lull periods by proactively scheduling outbound selling campaigns.

A reduction in operating expenses by consolidating low-volume branches, coupled with a comprehensive human capital management strategy, can better position your institution to face the increasing challenges the 21st century has to offer.

About UKG

At UKG (Ultimate Kronos Group), our purpose is people™. Built from a merger that created one of the largest cloud companies in the world, UKG believes organizations succeed when they focus on their people. As a leading global provider of HCM, payroll, HR service delivery, and workforce management solutions, UKG delivers award-winning Pro, Dimensions, and Ready solutions to help tens of thousands of organizations across geographies and in every industry drive better business outcomes, improve HR effectiveness, streamline the payroll process, and help make work a better, more connected experience for everyone. UKG has more than 12,000 employees around the globe and is known for an inclusive workplace culture. The company has earned numerous awards for culture, products, and services, including consecutive years on Fortune's *100 Best Companies to Work For* list. To learn more, visit ukg.com.

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