Situation – Control Retail Banking Costs and Improve Efficiency

The bank suffered from its own success. Years of improving marketing and product development swelled volumes in the branches and contact centers. But operations execs had failed to improve productivity faster than revenue growth. Now, the board demanded cost cutting measures to increase profitability. Customer service lagged. Sales execs had also failed to improve operational efficiency. But for now, the fact that each producer sold less was forgiven by overall revenue gains. Competitors noticed. They launched copycat products. And these competitors’ lean process improvement capabilities gave them an operational efficiency advantage. The bank’s hard-won competitive advantage was at risk from its mediocre operations.

Client Description, Project Scope, Objectives

Executives tried to implement lean banking improvements. But their internal operations consulting teams struggled. Cost cutting measures were easy. But increasing knowledge worker productivity was tough. They failed to find ways to improve banking services while achieving cost reduction. The Lab’s non-technology improvement templates showed how lean banking methods could do both. Within 6 months, The Lab had standardized the bank into a “knowledge work factory.” Bank-wide operating costs fell 20 percent. Revenue productivity was up 15 percent. And customer service improved on all metrics.

This super-regional bank maintains a Top 3 competitor status in its eastern U.S. markets. With more than 1,000 branches and 15,000 employees, the bank battles for market share with the world’s largest money-center banks.

The implementation effort began with an 8-week, bank-wide Phase I analysis. This generated a self-funding, Phase II implementation work plan. Implementation was complete within 7 months.

Lean Banking Improvement – Implementation Examples

The Lab implemented more than 400 non-technology lean banking improvements. Examples:

**Improved Inbound Quality** — More than 45 percent of inbound loan and account applications arrived in the back office with significant data errors and omissions. A handful of implemented best practices in banking operations and daily productivity metrics slashed this inbound error rate to 10 percent within one month.

**Reduced Duplicated Activities** — The retail branches often performed tasks that were duplicated in back office business processes. The front office created errors that the back office corrected. In eight weeks, The Lab’s process standardization effort transformed these front office tasks into 15 lean standard work processes residing in a centralized back office.

**Reduced Customer Over-service** — The bank execs passionately believed that customers appreciated zero wait time in the branches. The Lab demonstrated that customers were indifferent to wait times as long as 90 seconds. Reducing this over-service always delivers a major cost reduction in banking—roughly 20 percent of branch organization capacity.