Performance & Pay Part 5: Trends in customer contact positions

Fifth in five-part
series from Crowe Horwath

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For more about the research project that articles in this series came from, and about the authors, please see the end of this article.

Mobile and online banking, as well as broad ATM access, are dramatically changing the ways in which customers and financial institutions interact. These sweeping changes inevitably are reflected in the pay and incentives being offered to employees who work directly with customers, as shown in the 2012 Crowe Horwath LLP
Financial Institutions Compensation and Benefits Survey.

This article focuses on survey responses related to
customer-facing positions in branches and call centers including:

- • Universal banker (hybrid position blending traditional teller duties with customer service and new account responsibilities)

- • Head teller (lead teller, generally more than three years' experience)

- • Senior teller (experienced teller handling more complex transactions)

- • Experienced teller (more than one year's experience)

- • Entry-level teller (less than one year's experience)

- • Call center customer service representative (CSR)

A comparison of survey responses at the end of 2012 with responses in 2008 demonstrates the effects of two significant recent trends:

- The 2008-2009 credit crisis and subsequent recession

- • Continuing advances in banking technology.

• Both factors have been reshaping the fundamental relationship between banks and their customers.

Changes in branch staffing strategies

As noted in the review of branch sales positions, the Crowe survey reflects ongoing changes in the nature of transactions that typically are carried out at the branch level as well as subsequent changes in the staffing strategies that financial institutions employ to handle these transactions.

Don’t miss next week’s series capper!

This is the final report of survey data, but there’s one more installment. That’s next week’s “capper”--the authors’ recommendations for 2013 compensation decision making. Don’t miss it!

One dominant feature of these strategies in recent years has been cost control. Staff numbers have been reduced in many positions, resulting in a 14% overall drop in staffing in branch and call center CSR positions. Head teller and entry-level teller positions were particularly affected by this trend, dropping by more than one-third from 2008 to 2012.

For a larger version of the table, click on the image or click here.

One noteworthy counter to the trend is found in the position of universal banker, a job that combines traditional teller duties with sales and CSR functions. The number of universal banker positions jumped sharply, increasing by 149% on a per-institution basis.

Some of this increase could be due to the relative newness of the position. Nevertheless, the dramatic increase does indicate this position is growing in popularity. In addition to offering greater scheduling flexibility and the potential to reduce total branch head count, the growth in universal banker positions also reflects the industry's evolving customer service strategies.

Cost control drives compensation practices

The importance of cost control at the branch level also becomes evident in compensation trends. Base pay increases were held to a very modest pace from 2008 to 2012, with the greatest gains occurring in call center CSR positions.

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Incentives became slightly more generous during the past four years, but fewer people in these positions actually earned incentives in 2012. The number of incumbents earning incentives increased in only two of the positions being reviewed--senior teller and experienced teller. All other positions saw fewer employees earning incentives in 2012.

In short, there are
fewer people occupying these positions today, and of those that do, fewer are earning incentives.

For a larger version
of the table, click on the image or click here.

On the other hand, those who do earn incentives generally
are receiving larger dollar amounts, although the universal banker position again runs strongly counter to the trend. As with the rapid growth of the position itself, a good portion of this variance could be attributed to the relative newness of the position, as incentive schedules presumably are still evolving.

For a larger version
of the table, click on the image or click here.

Of greater interest is the fact that incentives amount to only 4.7% of average base pay for customer-facing employees, a ratio that is unchanged from 2008.

For a larger version of the table, click on the image or click here.

In addition, increases in total cash compensation, which includes base pay, incentives, and other benefits, averaged only 2 percent annually for customer-facing positions from 2008 to 2012.

According to research reported in a widely referenced article by the WorldatWork human resources association, the smallest meaningful pay increase--the amount needed to have a motivational effect--is 7%. Both the annual increases in total cash compensation and the average incentive percentage relative to base pay were far below this minimum, which suggests they had little or no impact on improving and sustaining high performance.

Developing effective incentives

Developing meaningful incentives for customer-facing employees is a widely recognized industry challenge. Tellers typically have limited direct involvement in sales, and accurate tracking of their referrals can be difficult.

On the other hand, incentives tied to non-sales-related indicators such as customer satisfaction scores often are shared by an entire branch or team collectively, which minimizes their effectiveness in motivating individual behavior.

A good place to begin a review of incentives is by clarifying the institution's understanding of two fundamental questions:

1. Why are we offering incentives in the first place?

In addition to making sure the institution's labor costs are being spent most effectively, the more fundamental purpose is to encourage specific employee behaviors.

To achieve this, it is important to differentiate between individual performance incentives and general profit sharing-type rewards, which are allocated among all employees.

2. How can we use incentives more effectively?

The most effective approaches use a balanced scorecard methodology, encompassing a variety of key performance metrics that are financial, quantitative, and qualitative in nature.

As discussed in the review of branch sales positions, the most effective approaches make a direct connection between daily activities and payouts, and they employ a combination of base pay, incentives, and nonfinancial recognition. Performance metrics should be published regularly, and payouts should differentiate between average and above-average performance by a meaningful amount.

As financial institutions refine their branch and customer service operating models in response to changing customer preferences and ongoing cost pressures, regular review and upgrading of compensation and incentives will continue to be essential.

Series highlights comp trends and strategies

Crowe Horwath LLP is proud to offer the results of its 2012 Financial Institutions Compensation Survey.

With responses from 405 financial institutions on 201 job positions, the 2012 survey offers details on the compensation and HR approaches for the entire banking enterprise. The analysis in this article and others in the series draws on results from past surveys as well to identify key industry trends in the following areas:

- Compensation, incentive pay, and benefit packages
- Salary increases and comparative analysis
- Employee turnover rates and hiring forecasts
- Cost-cutting strategies
- Board and director compensation packages
- Equity-based compensation

You can purchase a copy of the 2012 Crowe® Financial Institutions Compensation Survey. For more information read our executive summary.

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