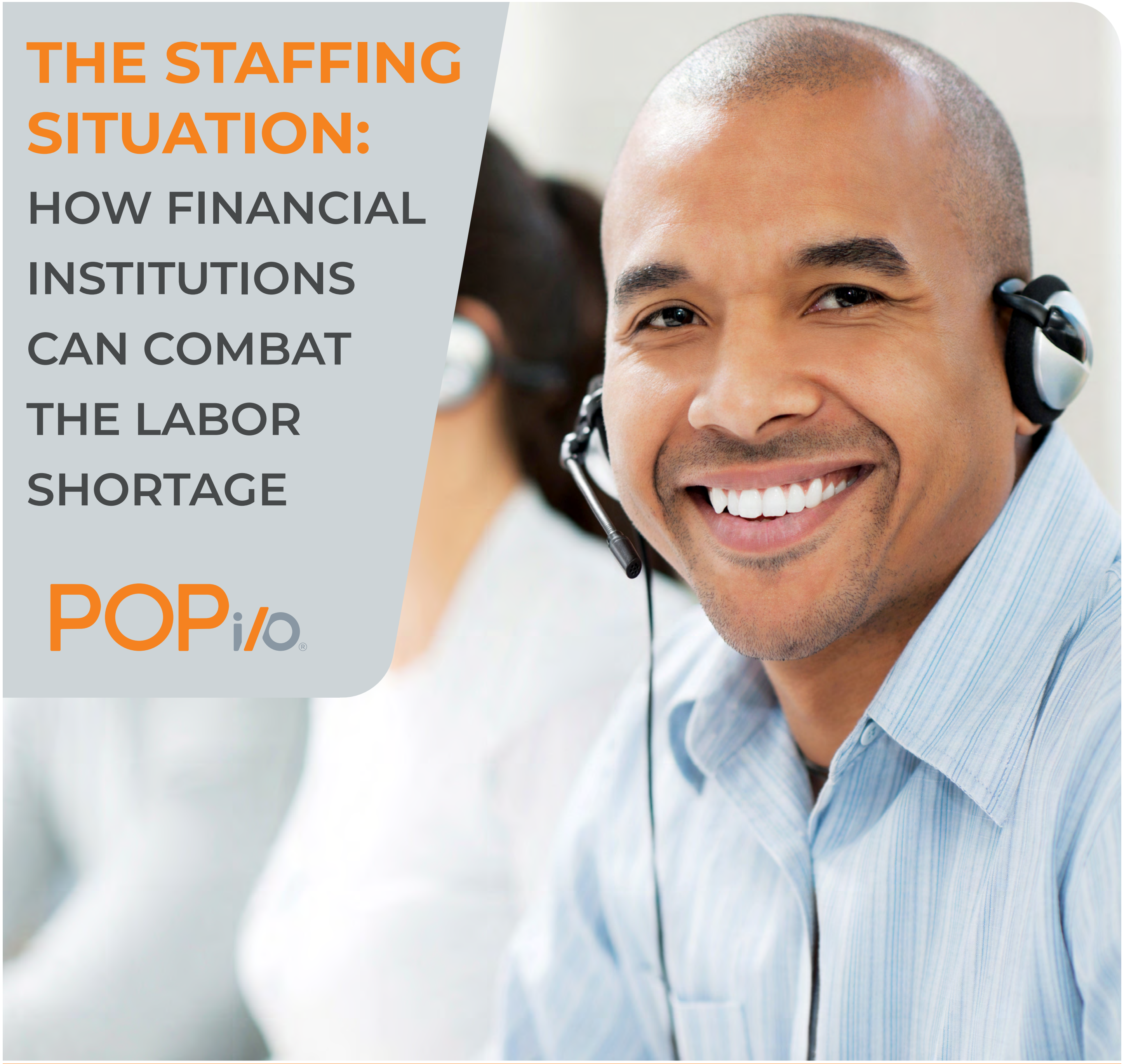
THE STAFFING SITUATION:

HOW FINANCIAL INSTITUTIONS CAN COMBAT THE LABOR SHORTAGE

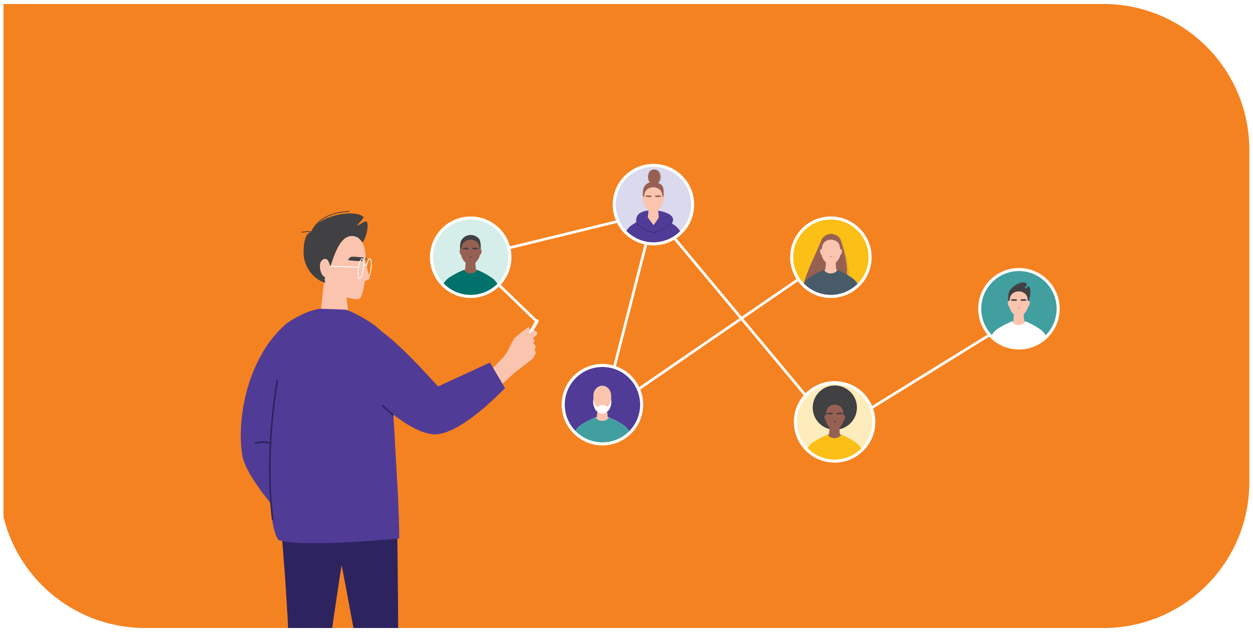


Branches

Staff

Call Centers

THE STAFFING SITUATION

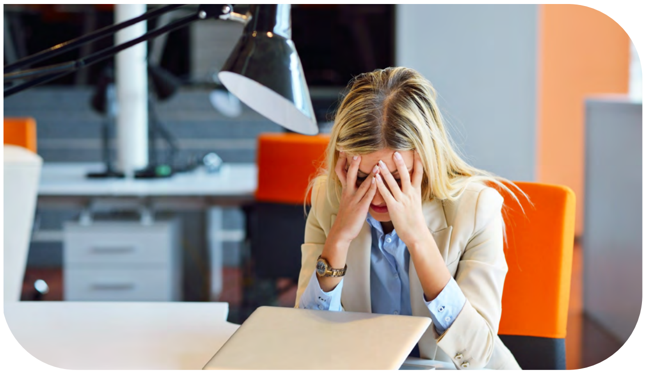


The COVID-19 pandemic has brought a slew of unforeseen consequences along with the profoundly tragic toll it's taken on the lives of people across the planet. One of the most critical of these secondary effects is the problems it's created in the workforce and staffing arenas.

Across the country, and in nearly every industry, an immense labor shortage is wreaking havoc on the American economy. The repercussions of this shortage are many. For one, the customer experience has suffered, as the shortage of workers has led to longer wait times, temporary branch closures, and other inconveniences. Along with frustrating their customers, banks and credit unions that are inhibited by insufficient staffing are also missing out on essential revenue. Without employees to service their customers, they diminish future opportunities, putting them at risk of layoffs and permanent closures.

But what can be done to remedy this persistent problem? Through the course of this white paper, we'll discuss the causes and contributing factors to the labor shortage, the ways it is affecting the financial services industry, and the strategies that banks and credit unions can enact to combat the labor shortage. By looking deeper into ongoing trends and the projected future of the bank branch, we are able to outline a reliable, long-term solution that not only combats the current labor shortage, but some of the other consequences the pandemic has had as well.

JUST HOW BAD IS IT?



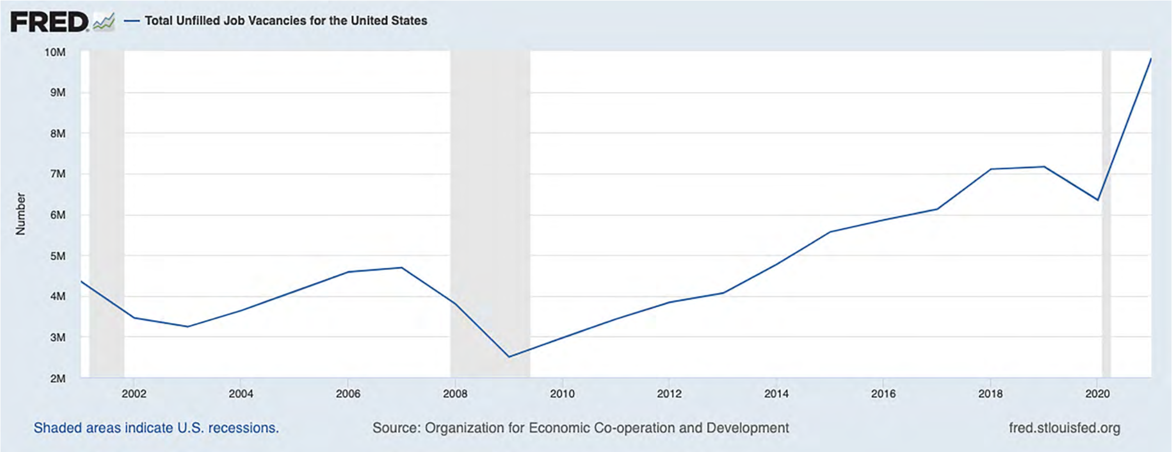
Last month the popular health and medicine publication, STAT, ran the headline, "COVID-19 is no longer the biggest issue facing hospitals. Staffing is." The article went on to explain how bad the staffing problem really is, noting that there are thousands of unfilled positions in the healthcare industry. Worse yet, the problem is only expected to get worse.

"New York and California, for example, are each projected to fall short by 500,000 health care workers as early as 2026," the article states. "In response, organizations like Northwell Health in New York have been hiring 250 full-time employees per week just to keep pace with its current needs."

To many of us, these numbers are staggering. *How did the pandemic cause a situation where staffing is an even bigger problem than the virus?* We wonder.

And if it were only a one-off thing, perhaps it would be easier to explain. But it's not. The problem is everywhere. And the financial services industry is no exception. Surveys show that 80% of community banks and credit unions say their biggest concerns at the moment are staffing related rather than COVID-19 related.

Undoubtedly, this is affecting the customer experience. Consumers that have developed personal relationships with tellers and branch staff are often surprised to find that their favorite FI representative isn't there to serve them anymore. Even more, though, the staffing crisis brought a surge of frustration to the customer experience. According to The Financial Brand, the percentage of households who say their primary banking institution is not responsive enough has gone up by 212% in the last two years.

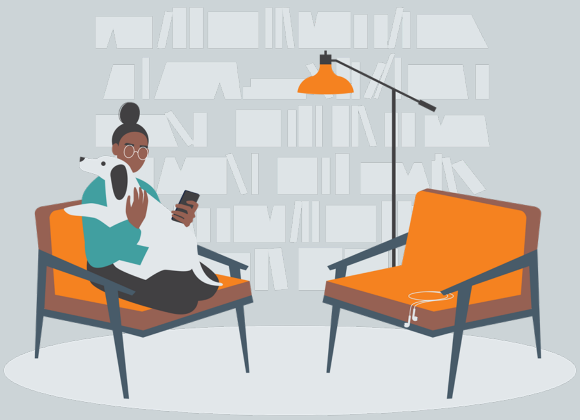


Total unfilled jobs in the US. Source: Organization for Economic Cooperation and Development

Adding to this is the 333% jump in consumers saying their banking institution "does not understand their needs." Customers find help inaccessible, are unable to get through to an FI representative when they need to, or find the digital services too difficult to navigate.

These concerns are corroborated by American Banker. In their article, "Customer Satisfaction Falls at Big Banks Amid Staffing Challenges", the New York-based publication pointed out that the trend of growing dissatisfaction is highest among customers under 40, and customers who rely heavily on visiting branches to do their banking. In other words, tech savvy customers are frustrated with faulty digital experiences, and customers who are often served in branches have grown dissatisfied with the lack of digital alternatives to in-branch banking.

"We are seeing across the industry pressure on the call center," says Paul McAdam, senior director of J.D. Power's banking services division.



"Websites and mobile apps don't allow customers to do everything they need to do. They still need to pick up the phone, and wait times with problem resolution have an impact."

- Paul McAdams, Senior Director,

J.D. Power Banking Services

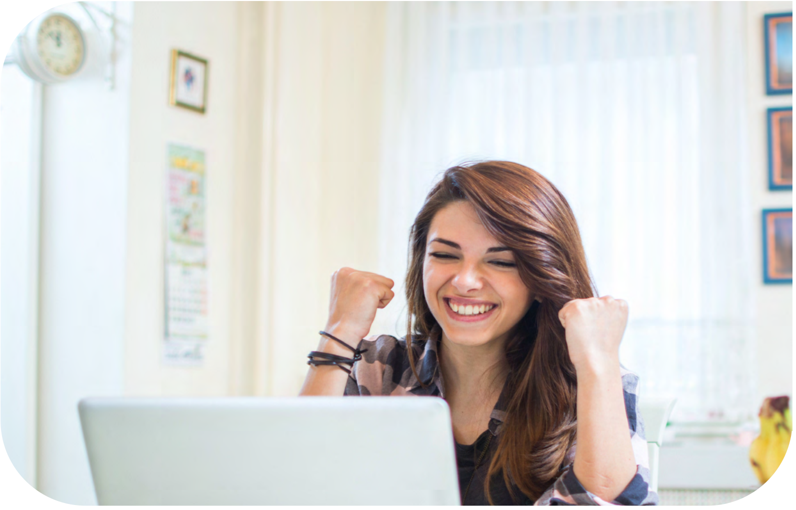
The frustrations that customers are facing in the pandemic age are contributing to the surge in "customer churn" in the financial services industry. According to The Financial Brand, before the pandemic started, 11-12% of Americans reported being with their financial institution less than two years, and a further 12% intended to switch institutions in the near future. With the impact COVID-19 has had on the market, more recent numbers show that 22% of Americans are intent to switch their primary financial institution.

And the reason for this sudden uptick? There were several contributing factors, mostly stemming from pandemic-related issues. Consumers also left their FIs for ones that charged fewer fees or offered better interest rates. But a major reason for the spike in customer churn was the recent increase in consumer expectations for digital services.

Because the pandemic accelerated digital adoption, today's customer is less willing to tolerate a frustrating or inefficient digital experience. Consumers have been primed for digital-first service methods that save time and don't require in-person meetings. But many banks and credit unions have failed to heed the call.

DON'T BE A CASUALTY OF THE STAFFING CRISIS

While the decline in customer satisfaction could prove a major detriment to FIs, it's not the only consequence of the labor shortage. From San Francisco to Pittsburgh, the staffing problem is causing bank and credit union branches to close branches, thus forcing financial institutions to turn away business.



According to Banking Exchange, bank branch closures increased by 38% in 2021. Among the banks with the most closures was Olympia, Washington-based Heritage Bank, which closed enough branches to result in an 18% decrease in its service footprint. Not all of these closures were due to staffing constraints though. Many were the result of mergers, consolidation efforts, and other COVID-related issues.

Nevertheless, if the shuttering of an institution's branches isn't accompanied by an increase in digital engagement, the FI is likely to suffer. Even in 2022, branches remain the dominant channel for consumers to open new accounts. Whether the FI leads with a digital-first strategy or not, this is still bound to have an impact, given the fact that account openings are one of the most important, revenue-generating services an FI performs.

Furthermore, the shuttering of branches can eliminate opportunities for business relationships within the community. "When local branches close, those relationships are lost, resulting in the loss of credit that local businesses need to thrive," said Jason Richardson, Director of Research and Evaluation at the National Community Reinvestment Coalition. Among other things, branch closures can also erode a brand's reputation and eat away at customer loyalty.

But if the digital-only approach isn't comprehensive enough to handle all the tasks an FI consumer want's to complete, and the in-branch approach isn't reliable in an age of pandemics and staggering digital trends, ***then what is the answer?***

Jim Marous, CEO of the Digital Banking Report suggests the way forward is what he calls “the hybrid distribution approach.” By this he means, “Delivering products and services using both digital and physical channels.” To Marous, this approach is preferable to the customer, as it gives them the unique ability to choose how they want to engage with their financial institution.

He says that by implementing the hybrid distribution approach, it allows “human and digital options to work seamlessly without the need for a branch visit.” AI assistants and automated tools can be used to accomplish basic, routine services, but when a higher level of assistance is needed, the customer can meet with an expert over collaborative video, where various features and integrations can be used to accomplish more in-depth, personalized tasks, like opening new accounts and processing loan applications.

SO, THE HYBRID DISTRIBUTION APPROACH PROVIDES BENEFITS IN CUSTOMER SATISFACTION, BUT HOW DOES THAT HELP WITH STAFFING?

For one, it lightens the load on overworked call centers, freeing customer service agents from repetitive, high-volume tasks.

Additionally, the hybrid distribution approach can help reclaim losses in an FI’s service footprint, which is often incurred from the shuttering of branches. By implementing the right Digital Customer Engagement (DCE) platform, an institution has the power to not only connect customers with experts through various digital channels, but also has the ability to connect their branches together into a network. This allows all of an institution’s branches to work at full capacity, regardless of current staffing constraints.

For example, a loan officer could fulfill an appointment with a customer in the downtown branch, even if that loan officer is working from another branch, a centralized location, or even from home. This approach to staffing gives FIs a much more flexible relationship with their customers. By using collaborative video, screen share, document exchange, e-sign, and other digital tools, in-person appointments could cease to be a requirement in the world of financial services. Some customers will of course always prefer the in-person experience, but the idea behind the hybrid distribution approach is that the most appropriate level of service is available to the customer in their time of need.

MOVING FORWARD

Needless to say, equipping your financial institution with the DCE technology needed to leverage the hybrid distribution approach requires an investment of time and money. And if the current staffing crisis is only short-term, some FIs may wonder why they would need to implement a permanent DCE solution in order to fix a temporary problem. But the truth is Digital Customer Engagement meets a much greater need than just staffing.

DCE solutions can enhance brand loyalty by creating more efficient and satisfying digital experiences. This reduces the high rates of customer churn anticipated over the next few years. And furthermore, sources are predicting that the hybrid distribution approach will play a key role in the branch of the future, meaning an investment in DCE is an investment in the future of your FI.

If you're looking for a reliable solution to the staffing crisis that ***won't*** result in the shrinking of your service footprint, schedule a demo of POPi/o's unique Digital Customer Engagement platform now.

HUMAN ASSISTANCE IN ANY CHANNEL TO CREATE TRUSTED RELATIONSHIPS

Create a path that allows the customer to drive the interaction. Simple? Start in AI and escalate to an Expert. Complex? Talk to an expert right away or schedule a meeting for a more convenient time.

REDUCE ONLINE ABANDONMENT TO CREATE PROFITABLE DIGITAL INTERACTIONS

Stop abandonment in digital channels and leverage your experts to answer self-service questions and complex product/service inquiries at their moment of need. Bring your most valuable transactions to your digital channels.

MAKE EVERY BRANCH FULL-SERVICE WITH ACCESS TO REMOTE PRODUCT EXPERTS

Bring your experts to every branch regardless of their location.

OPTIMIZE STAFFING IN DIGITAL AND PHYSICAL CHANNELS FOR INCREASED UTILIZATION

Enable branch staff, work from home staff, and centralized staff to easily engage in a conversation from your website, mobile apps, and in-branch.