

Managing Queues in Bank Branches: BBVA Case (A)

On Monday, February 13, 2012, Iker Chinchetru took up his new job at the headquarters of the BBVA bank in Madrid. He had been appointed director of the branch channel, within the area of multichannel strategy. The department's mission was to provide methodological support to the bank when it came to introducing operational improvements in branches. This support was aimed at the so-called "heads of transformation" in the global business units¹, who were responsible for ensuring that, when changes were made in the business, the bank would meet its targets regarding capacity and efficiency.

In this sense, Iker's job was clear: he had to help to improve the operations of the bank's branches in different parts of the world. He was faced with the challenge of managing the tension between two priority objectives that were often conflicting: on the one hand, customers did not want to have to wait – and they had made this known in the bank's quality surveys; on the other hand, the bank did not want to increase service costs in its branches. What is more, it wanted to reduce costs as much as possible, especially given the context of the increasing digitization of financial services.

Analyzing the information available in the bank, Iker found that the quality of service and customers' perceptions of it were key to maintaining the trust of a clientele that was ever more demanding and facing different situations in each country. Specifically, the bank was concerned about the waiting times in branches. While the bank achieved acceptable levels in most of the quality attributes that had been analyzed, the results of surveys on perceived quality with regard to "waiting times in branches" were not very positive. Exhibit 1 shows the results of quality surveys conducted by the bank among its customers. In Latin American countries, there had been reports of queues that sometimes exceeded the space available in the branches at times of peak demand.

¹At BBVA, the global business units were large geographical areas (e.g., Mexico) and transverse businesses (e.g., corporate and investment banking).

This case was prepared by Juan Enrique Flores, Research Assistant, Iker Chinchetru (BBVA Program) and Professor Philip G. Moscoso as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. December 2014.

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To fulfill his task, Iker fortunately had a lot of baseline information available in almost all the countries where BBVA had a presence such as, for example, the information provided by the “Gestor de Colas” [“Queue Manager”], or GECO. The GECO was a queue management system in branches that gave out numbers to customers, assigned turns and directed traffic to the different cashiers. It included a screen so customers could interact with it and be guided according their needs. Moreover, it had another screen that indicated customers’ turns, and which also showed marketing campaigns. One possibility offered by the GECO was, for example, prioritizing certain customers over others. However, this was something that had to be considered very carefully because of all the implications derived.

Also, in some countries, the bank had set service-level agreements (SLAs) for the branches in terms of the maximum waiting of customers. These levels were useful to Iker as a benchmark for evaluating the quality of service they were offering.

After having been chosen for the position, Iker wanted to show he could live up to the challenge by providing solutions, as soon as possible, to a problem that affected both the bank’s profit and loss statements as well as its customer satisfaction surveys.

BBVA

In 2012, BBVA was one of the largest banks in the world with more than 150 years of history. It operated in 30 countries and had around 7,500 branches throughout the world as well as nearly 21,000 ATMs. Mainly focused on retail banking (consumers), it served more than 50 million customers worldwide. At that time, it had almost a million shareholders, was listed on the Madrid Stock Exchange and was part of Spain’s main benchmark index, the IBEX 35, and of the Dow Jones EURO STOXX 50. It had a market capitalization of more than €50 billion and total assets of €600 billion. Its workforce consisted of more than 100,000 employees. Its main activity was concentrated in Spain, Mexico, South America (Argentina, Peru, Chile, Colombia and Venezuela, among others) and the United States and it also had significant stakes in Chinese and Turkish banks (see Exhibit 2 for more information about the BBVA group).

Description of Branch Services

The bank mainly offered two types of services in its branches: (1) cashier services, where customers could deposit or withdraw money, as well as request other operations related to normal account functions (for example, cashing checks, managing receipts, paying taxes, etc.) and (2) advisory services, where customers could receive advice and arrange contracts for savings and loans products. Through the advisory service the bank attempted to expand the bank’s customer base and customers’ individual product portfolios. The branches managed two main levers for income generation: the commissions they charged for some of the services they provided and the margin they obtained from the financial products purchased by customers (deposits, credit, etc.).

While the content of the services had changed little in its essence over the last years, the customers’ attitudes and the way in which the services were offered had undergone very

significant changes. Consequently, banks had tried to adapt to this new situation in terms of both demand and service management.

With regard to the services offered, the competitiveness of the market and the pressure to attract and retain customers had brought about a significant increase in commission-free services for preferred customers. Moreover, the perception that customers had of the majority of the most routine services (for example, cash management, account statement information, etc.) was more and more similar to a commodity. This entailed a loss of added value for the bank with respect to this type of services offered in the branches and forced them to improve their cost management and make a more intense commercial effort. In that sense, response speed and counseling had become key factors in branch services. Likewise, the managers' incentives were oriented fundamentally toward commercial outcomes and quality of service.

As for demand management, the bank tried to take advantage, as far as possible, of the possibilities that new technologies offered and it invested significant sums of money in digitizing its services. In many countries where the BBVA group was present, much of the population already demanded these digitized services, which created a win-win situation for the bank and its customers, since the convenience provided to customers by the automated and digitized services aligned perfectly with the lower cost of these services compared to branches. Notwithstanding, there was also the opposite case. In many countries, elderly people, for example, were a segment of society with a low level of Internet use but with significant wealth. These and other customer categories, as well as the vast majority of customers in less digitized countries, demanded that a "traditional" branch service be maintained. In addition, the people who regularly used the bank's online services went far less often to the branches but, when they did, every visit was of great value to the bank because it was a matter of strategic operations, such as taking out a loan, investment products, insurances or other financial transactions of value to the bank. These operations were the ones that contributed a greater turnover and margin to the institutions, but, in turn, customers had a clear preference for interacting with people in carrying out this type of operations.

Therefore, branches continued to be an important part of business for banks. BBVA was aware of this and of the need to have a plan to optimize the service they offered in the branches. Among the objectives were: to analyze the suitability of the branches (regarding location and services); to migrate routine operations to remote channels (such as, for example, ATMs or Web or mobile applications); and to manage, with a good level of quality, the demand that they continued to have in the branches, focusing service in the branches towards the business goals. In this sense, Iker realized that the mandate he had received had a very important strategic component for the bank, since improving waiting times was a critical factor in customer assessment of the service delivered in branches, and this assessment, in turn, was vital to future economic results.

The Challenge of Queue Management: Operations in Branches

Despite the new approach that had been taken in the branches, the process that banks followed when dealing with their clients in person had changed little in previous years. Conceptually, the system of customer service could be summed up in a simple process of two