Branch Performance Blueprint

Information Management

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Introduction

Acquiring deposits, lending money effectively, retaining customers, planning for profitability and operating efficiently…these branch performance activities are at the heart of a retail bank's success. Branch deposits are the preferred resource for funding the majority of a bank's money-making lending activities. When a bank does not generate deposits, it must support lending activities with more expensive capital, which can significantly depress profitability.

Unsophisticated profitability planning is another aspect of branch management that can adversely affect profits. Problems with profitability planning are often associated with outdated or inappropriate technology.

Ineffective branch performance management impacts strategic branch and bank objectives for growth and customer loyalty. Having branches that are not aligned with the bank's overall objectives leads to reduced revenues and deposits, lower profits and poor customer satisfaction stemming from an inconsistent experience.

The *IBM Cognos Branch Performance Blueprint* offers solutions to these branch performance issues. Based on banking industry best practices, the *IBM Cognos Branch Performance Blueprint* was developed to help retail bankers complete customer segment and product-level revenue and expense planning for their branches.

Going far beyond annual budgeting, the *Blueprint* combines branch performance management with analysis and planning tools and provides branch management at all levels with a multi-dimensional view of all aspects of branch performance. Using reports and dashboards that are easily accessed, managers can track and analyze:

- Key revenue, cost and profitability measures by branch and product type

- Product profile by customer, customer segmentation and even household

- Local market information

The third aspect is key. It is no longer acceptable to evaluate and project branch performance and branch profit potential just based on the internal data the bank has about its existing retail banking customers.

Branch performance management that includes local market analysis

External data such as local market information is required to understand the profit and growth potential of any branch. Examples of this critical external data include:

- The local market competitive landscape

- Population density

- Median age

- Median income level

- Unemployment statistics

- Number of households

These are just a few examples of the external local market information that should be monitored continually because the dynamics of any local market do not remain static and absolutely affect the profit potential of any branch.
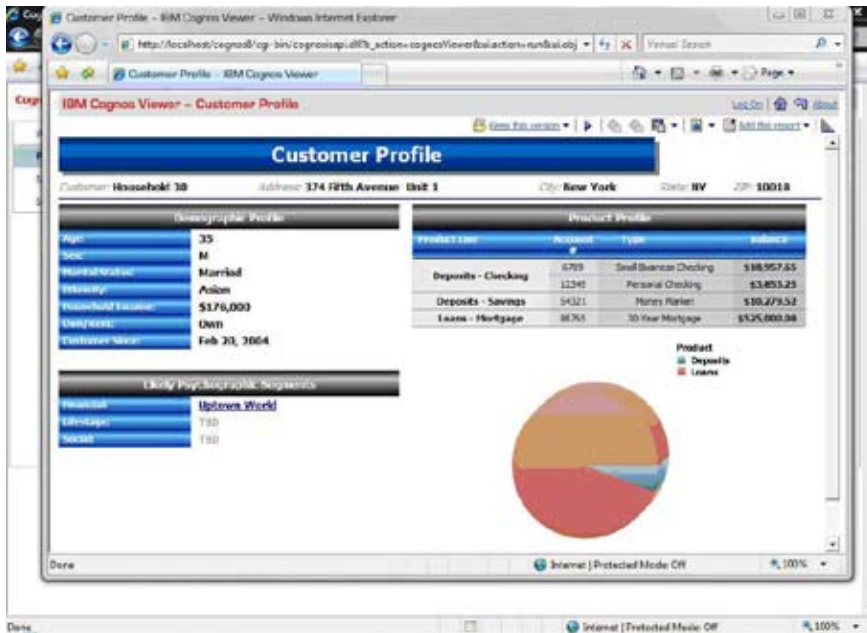
Combining this additional external information with the bank's existing information will provide the bank's retail management team with a comprehensive view of the performance of all branches. This view enhances decision-making and the strategic management of the entire branch network.

Many retail bank executives have used such external data to support their branch expansion projects in the past in an ad hoc way; however, many have not used this same information to monitor the performance and profit potential of their existing branches.

Branch managers need a tool that enables them to evaluate performance based on information they acquire within the walls of their banks and the external factors that might affect the profit and growth potential for any bank location. The *IBM Cognos Branch Performance Blueprint* is that tool.

Using IBM Cognos Branch Performance Blueprint to evaluate performance based on internal data and external factors

The *IBM Cognos Branch Performance Blueprint* provides the capability for branch managers to view and evaluate performance management by combining their banks' internal data information and external market factors.

The *Blueprint* addresses the following key performance metrics:

- Profitability by branch, customer and product (ranking best and worst performers)

- Sales monitoring by product, customer and sales representative

- Operational efficiency by branch, staff position, transaction and activity cost information

- Customer satisfaction and loyalty

- Profitability comparison of actual versus plan and forecast

- Comparative reporting by branch type

- Local market share analysis for deposits and loans

- Competitive landscape

- Population density

- Median age

- Median income level

- Unemployment statistics

- Number of households

- Market share by product

The *Blueprint* also offers:

- Performance views of multiple dimensions and at various levels (entire network, region, district levels)

- Detailed analysis that includes drilling down to detailed information for any dimension

- Reporting integrated with planning/forecasting to support more timely changes to strategic direction

- Real-time monitoring of branch activity (operational and sales)
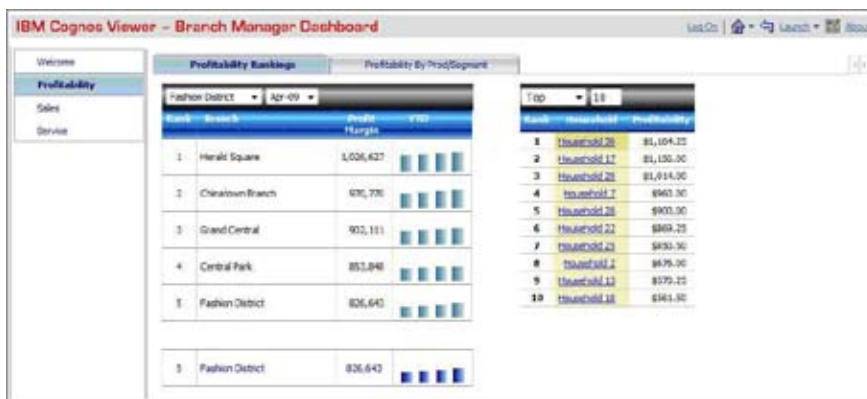
Improving profitability planning processes for more effective branches with the IBM Cognos Branch Performance Blueprint

Profitability planning in many retail banks lacks sophistication. In some banks, a particular branch plan is merely the prior year's plan plus an often arbitrary, across-the-board growth percentage. At other banks, a branch might create a plan that is wholly inconsistent with the plans of other branches. Neither approach helps drive strategic planning from bank executives down to the branches.

In retail banking, two very common strategic objectives are to increase fee income and to stem attrition of high-value customers and their associated credit balances. Does imposing a flat growth rate (5%, for example) on a branch help achieve either objective? Or if one branch plans to these objectives, but three others do not, will the bank meet its goals? In both cases, the answer is, "No."

With the *IBM Cognos Branch Performance Blueprint,* banks can do both top-down and bottom-up branch planning to ensure alignment with strategic objectives. Individual branches can manage profitability planning, analysis and reporting by product and customer segment with an extremely high level of precision. Activity-based drivers and rates, fed from the Acorn Systems Activity-Based Costing and Management (ABC/M) engine, are used for profitability planning and reporting, resulting in accuracy, consistency and confidence. Other ABC engines can also be a source for the *Blueprint* solution.

Using IBM Cognos 8 Planning to address branch bank planning technology issues
One explanation for the lack of sophistication in branch bank planning is that
commonly applied technologies are often inappropriate for the task:

• **Spreadsheets** create islands of financial and planning data, where each branch
  works independently, resulting in inconsistent plans and substantial risk of error.

• **Branch-teller and platform systems** were not designed primarily for planning,
  but rather for transactions, account display and opening new accounts.

• **ERP or general ledger solutions** were not designed for branch network-wide
  planning and budgeting. Furthermore, the business logic underlying these
  systems does not directly reflect the activity-based drivers and rates that affect
  indirect costs.

• **Branch-level reporting** is often inadequate and understanding the performance
  of different products or customer segments—or product/customer segment
  combinations—is typically difficult to impossible. For data collection and
  roll-up, solutions can be painfully cumbersome. When you need to do complex
  modeling—constructing what-if scenarios, for example—most ERP, planning and
  budgeting and (especially) spreadsheet-based systems can grind to a halt.

IBM Cognos® 8 Planning is an effective Web-based, high participation solution for
modeling, planning, budgeting and forecasting in banks or other financial services
organizations. With this solution, management can define required process,
models and content and then distribute pre-populated, Web-based templates
to contributors throughout the organization. The result is consistent operating
performance with highly collaborative, real-time planning.

When IBM Cognos 8 Planning is integrated with IBM Cognos 8 BI capabilities, users
can easily publish reports and conduct analysis based on critical information such
as product sales, interest income, branch staffing, advertising spend and customer
loyalty.

Using the Web, IBM Cognos 8 Planning collects the right information from the right
people as often as needed. Up-to-date intelligence is available on demand, allowing
more time for analysis and better-informed, more effective decision-making.

IBM Cognos Branch Performance Blueprint: Enhancing branch performance

Blueprints are pre-configured solution building blocks that companies can use to jump-start their planning implementations. The *Blueprints* have been developed by the Cognos Innovation Center for Performance Management in collaboration with leading customers and domain thought leaders.

Based on banking industry best practices, the *IBM Cognos Branch Performance Blueprint* was developed to help retail bankers complete customer segment and product-level revenue and expense planning for their branches. Going far beyond annual budgeting, the *Blueprint* provides simplified, streamlined planning, forecasting, analysis and reporting:

- Driver-based, rolling branch planning at the product and customer segment level enables banks to manage key revenue and expense lines in great detail.

- Initiative planning functionality provides the means for branches to assess and plan for the impact of initiatives such as branch remodels, new product introductions or marketing campaigns.

- Integrated workflow automatically manages and consolidates branch plans and provides a visual scorecard for managers so that they can assess planning process status easily. Workflow capabilities facilitate enterprise-wide collaboration and accountability so that banks can plan at any level, such as region, district or branch.

- Staff planning by position enables each branch to plan headcount expenses with a high degree of precision.

- *Break-back* functionality automatically prorates revenue, margins or costs to meet goals and makes it easy to update plans or identify impacts on key metrics.

- *What-if* modeling enables branch managers to assess the financial impact of multiple scenarios to improve business decision-making.

- Customization enables you to add other key performance indicators that highlight and monitor performance, such as monitoring ATM availability.

Cognos integrates the planning process between primary areas—finance, the branch network, marketing—to ensure that all departments are working towards common strategic goals and targets. Rapid consolidation of branch-level plans also streamlines planning cycles and facilitates the move to rolling forecasts, which better suit the dynamic nature of retail banking. With timely re-forecasting, banks can rapidly adjust to external factors like business disruption, consumer demand, competition or economic change.

Drive better branch performance management with customer-segment and product-level planning, analysis and reporting

The IBM Cognos 8 Performance Management platform uses a sophisticated, bi-directional calculation engine to manipulate and analyze data. It uses the Web to ease the pain of and accelerate data collection and performance measurement. This makes it easier for branches to do what's most important—plan for a better branch customer experience and enhance profitability.

The IBM Cognos 8 Performance Management platform provides access to powerful reporting and administration tools that finance personnel, all levels of retail bank management and those in operations can use to support the branch network.

About the IBM Cognos Innovation Center For Performance Management

The IBM Cognos Innovation Center for Performance Management is dedicated to the understanding, adoption, and implementation of next-generation practices in planning, analytics, performance management, and business intelligence competency. It is a consortium of industry leaders, practitioners, thought leaders, forward-looking executives, and technology experts experienced in, and committed to, the advancement and successful application of technology-enabled performance management best practices. The Innovation Center seeks to assist organizations in optimizing the alignment of their plans, processes, and resources with corporate goals and strategies.

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

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