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eastern lotus bank, xiamen: service operations management

Professors Chong Wu and Hubert Pun, and Xiuyu Zhu wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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The 2019 Spring Festival was approaching, but Wang Wei, the general manager of the Xiamen branch of Eastern Lotus Bank (ELB), was not happy. In a heavy mood, she walked into her office on Lujiang Road, Xiamen, and skimmed through the resignation report of Emily Chen, a staff member from the post-90s generation.[[1]](#footnote-1) Wang recalled several “accidents” at the business outlets over the past month that had caught her unprepared and had annoyed her. In autumn 2018, Wang was promoted from the position of deputy general manager of marketing to be the general manager of ELB Xiamen. She was ambitious and eager to employ her rich marketing experience to expand the corporate and individual business of the Xiamen branch. However, as the 2019 Spring Festival approached, many problems in the business outlets broke out. Management of service outlets was not Wang’s strength, and the head office attached great importance to the three large customer complaint cases that had already occurred. The headquarters planned to send a supervision team to the Xiamen branch next week to investigate and process the complaints. However, Wang was even more surprised by Chen’s sudden resignation from her teller position. In her resignation report, Chen had expressed her opinions and dissatisfaction explicitly.

Business outlets were vital links between customers and the bank, and tellers played a key bridging role in serving customers. Wang wondered why neither the customers nor the employees were satisfied. She now faced one primary question: Was it possible to find the root cause of the problems and propose a targeted improvement plan before the arrival of the head office supervision team next week?

xiamen bank industry

At the end of September 2018, there were 40 Chinese and foreign banks and financial institutions in Xiamen. These included four large state-owned banks, ten joint-stock banks, five city commercial banks, thirteen foreign financial banks, three policy banks, three rural financial banks, and two non-banking financial institutions.

According to statistics from the Xiamen Central Sub-branch of the People’s Bank of China, there were 619 banking outlets in Xiamen at the end of 2015, 605 in 2016, and 597 in 2017. There were 3,564 bank tellers in the city at the end of 2016, and 3,441 at the end of 2017. The numbers of both outlets and tellers had been dropping. As of October 2017, the number of currency counters (high counters) in Xiamen’s banking industry was 1,432—down 17 per cent from 1,732 at the end of 2015. The number of self-service automated teller machines (ATMs) had decreased by about 700 units—down 25 per cent from the end of 2015. However, the number of self-service deposit and withdrawal machines, or cash recycling systems (CRSs), had increased by approximately 200 units—up 8 per cent from the end of 2015. At the end of July 2018, the number of banking outlets in the city was 620. The number of bank tellers was 3,068—down 10.8 per cent compared with 2017. As for self-service machines, there were 1,372 ATMs, 4.18 per cent or approximately 60 units fewer compared with 2017; the number of CRSs had increased to 2,532.

The Eastern Lotus Bank, Xiamen branch

In 2007, ELB became one of the first wholly owned subsidiaries of a foreign-funded corporate bank to be approved by the China Banking Regulatory Commission to be incorporated in China. With headquarters in Shanghai, it had one of the largest branch networks of any foreign bank within China. Until the end of 2018, it had about 35 branches, which amounted to 128 bank outlets in mainland China. In 2015, the ELB was the first foreign bank to provide payment functions via WeChat; it also offered comprehensive electronic business channels such as online banking, mobile banking, and WeChat services. ELB provided personal and business financial products and services, including trade finance, deposits, foreign currency savings, remittances, mortgage loans, individual loans, credit cards, electronic banking services, retail investment, and wealth management.

Founded in 1993, ELB was a foreign bank with more than 20 years of history. The Xiamen branch currently had five sub-branches with about 300 employees and an office area of 5,800 square metres. Its business covered various financial services, such as assets, liabilities, intermediary business, and international business. In 2019, it had individual departments for financial markets, enterprise and syndication loans, trade finance, trade services, loans management, operations, and compliance. ELB’s Xiamen branch was recognized as a five-star business outlet for civilized and regulated services in the Xiamen banking industry and as a four-star bank outlet in China overall.

Facility layout of Eastern Lotus Bank, Xiamen branch

The business outlets of the Xiamen branch were functional and included cash zones, wealth management zones, very important person (VIP) customer service areas, customer waiting areas, and self-service banking areas (see Exhibit 1). The business outlets included five counters: two individual and cash business counters, two corporate counters, and one foreign-exchange business counter. The self-service banking area had one CRS, one ATM, and one self-service inquiry machine. The branch was open for business from 9:00 a.m. to 5:00 p.m. on weekdays and closed on weekends.

Tellers 1 and 2 (see Exhibit 1) were mainly responsible for corporate business services, such as witnessing company account-opening business, updating company information and cancelling company accounts, receiving orders for companies’ domestic and foreign currency transfer and settlement business, and handling electronic receipts. Tellers 3 and 4 were mainly responsible for cash business and individual business, including opening and cancelling individual accounts; updating information on transfers, settlements, and sales of exchanges and certificates; reporting losses; unregistering; and issuing deposit certificates. Teller 5 was mainly responsible for accepting foreign-exchange transfer business and for following up by processing, reviewing, and printing online business banking documents.

Customer service process and queuing system

When customers arrived at the business outlet, they usually identified their business needs, and the customer service manager then guided them accordingly. The customer service manager first determined whether the business could be completed via an electronic self-service channel. If this was not possible, customers would be assisted to get a queuing number, and the customer service manager would inform the customers if they needed to fill in any relevant business documents. For example, someone who needed to open an account would need to fill out an individual comprehensive business application. Regular customers would go directly to the queuing machine to take a number.

When they were called, the customers could go to the corresponding counters to handle their business, which followed the process outlined in the ELB business outlet customer service flow chart (see Exhibit 2). Before handling the business, the teller needed to check whether the documents filled in by the customers were complete and accurate, to confirm the type of business required, and to prompt customers to show relevant documents. Customers needed to cooperate and enter their personal identification numbers (PINs). The customers then had to sign business vouchers. After the business was completed, the teller was required to ask the customer if there was any other business that needed to be handled and to remind the customer to take any personal belongings. The business was then over, and the teller would say “thank you.”

During peak hours, when tellers were busy processing business for existing customers, the customers who arrived later had to wait in line according to a queuing system (see Exhibit 3), using the service numbers provided by the queuing machine.

As ELB’s banking business continued to expand, the bank formed a rich product line to meet the diverse needs of its customers. At this time, the business at the counters could be divided according to customer types—service for corporate customers and service for individual customers—and according to the nature of the business—account business and transaction business. Account-related business often required more time for communication, filling in documents, reviewing and entering data, and receiving approval, due to the need to identify customers and establish and maintain customer relationships. There were many varieties of transaction business. Generally speaking, yuan renminbi (RMB) business was relatively simple compared to foreign-exchange business, while cash business was strictly supervised. Different services required different standard service times (see Exhibit 4).

One working day at Emily Chen’s COunter

Just after the 2019 New Year, Emily Chen, who had been working at ELB for nearly two years, took the morning bus as usual to the Lujiang Road office area, which was full of high-rise buildings, and put on her uniform to prepare for the day’s counter service.

At 9:00 a.m., just when the bank opened, a regular customer, Grandma Li, came to Chen’s counter to handle some transfer business. Chen knew that Li had made a fixed-time deposit of ¥60,000[[2]](#footnote-2) one year ago. Now that the fixed-time deposit was expiring, Li wanted to transfer the money to another bank to purchase financial products. When Chen told Li that a counter transfer would incur service fees, Li said that she could not accept the fees and required a direct withdrawal of cash. Recognizing the risk of an elderly customer carrying large amounts of cash, Chen suggested that Li open an online banking or mobile banking account so she could make free self-service transfers through electronic channels. But Li frowned and said with a smile, “I’m not as smart and flexible as you young people. I can’t master online banking and I don’t dare to use mobile banking. It’s fast and good to just give me cash.”

Looking at Li’s smiling face, Chen withdrew the deposit for Li and counted out the ¥60,000 in cash. The entire process took about 15 minutes; in contrast, an online transfer would take only about one minute.

After sending Li away, Chen chatted with another teller, Tony Lee, who was not busy at the next counter, about what had happened. They agreed that about 90 per cent of customers nowadays accepted online or mobile banking, but a small number of customers were still afraid of self-service operations. They didn’t want to be bothered, or they worried that their own operation errors might result in financial losses, and they were unwilling to spend the time and energy to try. Therefore, these customers still tended to go to the bank outlets to handle business like money transfers and cash withdrawals—transactions that self-service channels were totally able to replace. However, Chen also noted that some customers accepted electronic channels once they were told that electronic channels offered lower fees compared with counter transfers (see Exhibits 5 and 6).

Lee, who was in charge of the corporate counter, was uneasy after a 10:00 a.m. visit from an accountant, Terry Zhao, from a client company. Zhao came to the bank with relevant information on the company’s account changes and a remittance application for an unsuccessful remittance from last week. The moment he arrived at the counter, he began to complain that the bank’s procedures were too cumbersome and too rigid. One week ago, Zhao had sent his company’s cashier to the bank with a remittance application with the seal stamped in advance. When the cashier had requested a remittance, Lee had explained that, because the account had not been used for a long time, the account status was inactive and it needed to be activated in order for the company to continue the business. At the same time, any changes to relevant account information during the inactive period needed to be updated.

This morning, Lee patiently learned about the business Zhao needed to handle and then began to check the relevant information from Zhao’s company account and to review the relevant information Zhao had provided. After verification, Lee found that much of the information was incomplete, so with Lee’s guidance, Zhao added the information immediately. However, because the original application had been filled out incorrectly, there was a problem: the company’s seal had to be stamped in the field that had been modified according to the bank’s requirements. As the client company’s seal could not be taken out, accountant Zhao had to confirm the relevant procedures with Lee and take the form back to the company for further processing. Before Zhao left, Lee reminded him that he would need to come in to the bank right away to update any company account information that changed during this period, to avoid affecting the normal use of the account. He imagined that Zhao left full of disappointment—even with rage—and that he perhaps simply would not listen.

Just after 11:00 a.m., two individual customers came to the business hall requesting to open accounts and apply for margin deposits for tourist visas. Two individual counter tellers received them separately. At this point, Professor Sun also came to the business hall. He found that there was no one waiting in the hall and only two customers were handling business separately at two different counters. Sun picked up an individual business queuing number and sat patiently in the lobby, waiting.

Sun had come to the business outlet that day to update the validity time of his ID card. Last night, he wanted to transfer a sum of money. When he was operating on the online banking, a note came out, indicating that his account had been restricted from use, and he was bound to go to the business outlet to apply for ID renewal. Professor Sun remembered that he received a text message reminder about six months ago, and the customer service manager also called to inform him that the ID card had expired. It was necessary to update the documents at the business outlet as soon as possible so as not to affect the normal use of the account. However, since Professor Sun was always busy and the account could still be used normally, he had neglected the need for an update for a long time.

After 20 minutes the two individuals who had been transacting business when Sun arrived were still in front of the counter. The lobby staff were busy receiving new customers who were consulting about financial products. Sun became more and more anxious, and he got up and asked the staff how long he would need to wait. The staff member informed Sun that the two transactions were estimated to finish in about 10 minutes. Sun had to go back to his seat and continue to wait anxiously.

In an anxious and dissatisfied mood, Sun waited for another 15 minutes and was finally called. When he arrived at the counter, he immediately complained: “You don’t seem to have many customers. Why did I wait for so long? It’s too inefficient, and customers’ time is seriously wasted. I have to complain.”

Chen immediately explained:

I am so sorry to have kept you waiting! In fact, it’s not the worst condition. At present, only two customers have come to apply for margin deposits for tourist visas. This business includes many operation types. The long process takes a lot of time, from opening an account to depositing a fixed-time deposit and issuing a certificate of guarantee. This is the peak period for travel deposit business. Five customers came yesterday morning.

While ordinary individual customers could open accounts in about 25 minutes (see Exhibit 7), in many cases, the process took longer. For example, if the customer’s name was a highly repetitive, two-character name such as Zhang Wei, Wang Fang, or Li Na, the probability of matching the anti-money laundering blacklist was higher, so the teller would need to further investigate and check in the system.

Sun shrugged his shoulders, showing incomprehension, submitted his identity documents as required, and filled out an application form to update the documents. The document renewal process was completed in about three minutes, and the account restriction was cancelled.

Sun thought it would not be easy to come again, and he had waited for a long time, so to avoid coming back again, he asked to update his mobile phone number. A mobile phone number change involved changes in customer contact information, payment notifications, and mobile banking, so Sun added the relevant information on the application forms as required. Although Sun managed to complete the mobile phone change procedure in about 10 minutes, he was dissatisfied with the long wait, which he did not understand.

At 1:00 p.m., Chen received Boss Jin, who asked to purchase US$7,000 with yuan renminbi from his personal account and to withdraw ¥20,000 in cash. Jin was a frequent visitor to the bank, and the old tellers knew him. When he came in, he usually stayed for a long time, taking business calls and talking with his own customers while handling business at the bank outlet.

When he arrived at the business outlet that day, he quickly took a set of application forms for overseas remittances from the foreign-exchange business counter and found a position in the business hall to fill them out carefully. After completing the forms, he handed them over to the staff member at the foreign-exchange business counter and consulted the foreign exchange rate. He felt that the price was not bad and asked for receipts for his company’s settlement. At the same time, he checked the foreign-exchange balance on his personal account and asked for receipts for his personal counter settlement. Then, as usual, he went aside and filled in the vouchers by himself.

Jin successfully filled out and submitted the documents for the company’s settlement. However, as individual settlements were required to be handled at the counter and other individual customers were handling business there, the business teller reminded him to go to the queuing machine to pick up a service number for individual business. Jin took the number and sat in the waiting chair and made a phone call. About 10 minutes later, it was his turn.

The time Jin spent queuing, moving among the different counters, and filling in forms manually, not only consumed his own time and energy, but it also occupied the valuable resources of the counter and affected the overall operational efficiency of the business outlet. Tellers Chen and Lee had recommended many times before that Jin use online and mobile banking, and Jin had always promised to take the time to go through the procedure, but he was still handling business at the counter.

The letter of resignation

There were two main types of ELB service staff: customer service managers and counter staff. The customer service managers were mainly evaluated according to their performance, and the counter personnel were mainly assessed based on compliance from an operational perspective, which emphasized procedure, accuracy, compliance, and fast business operations. The current average service time of staff at ELB Xiamen had reached six years, and the minimum banking service time had reached two years.

Xiamen branch employees were divided into three main administrative levels: level A (assistant managers and above), level B (officers and senior officers), and level C (clerks and senior clerks). The corresponding business authorities were the approval post, the check post, and the operation post. Among them, the counter personnel were served by level-C staff from the operation department. There were five level-C tellers, four level-B officers, and four level-A managers. Over time, the number of level-A and level-B employees had gradually increased, while the number of level-C personnel had continuously decreased, which caused a widening gap between the numbers of managers and service personnel (see Exhibit 8).

Chen, the post-90s staff member whose resignation had surprised and puzzled Wang, was a level-C employee. In the past year, she had worked as an individual business teller—that is, as Teller 3 or 4 (see Exhibit 1). In her resignation report, Chen clearly stated the main reason for her departure: the work intensity was too high and the burden was too heavy in some time periods; at the same time, especially compared with the work of foreign-exchange tellers, the burden on individual business tellers was much heavier, and this made Chen feel that she was not being treated fairly.

Epilogue

Through the floor-to-ceiling windows of the office, Wang could clearly see Gulangyu Island. As a world cultural heritage site, Gulangyu attracted travellers from all over the world every day; the flow of people came and went without ceasing. Wang thought about the situation at ELB’s Xiamen branch: “Customers are the starting point and the foothold of the design of our service operation system. However, the problems brought by customer participation in the service process restrict the service operation performance of our service business outlets.” As a bridge and link for customer service, the operational efficiency and customer satisfaction of business outlets were used for measuring management capabilities and performance of senior bank managers. In order to properly resolve the current dissatisfaction among employees and customers, Wang acquired customer service data from the past month (see Exhibit 9). She hoped she could clarify the seriousness of the current problem and find a way to solve it.

Exhibit 1: Layout of operation facilities at Eastern Lotus Bank, XIAMEN



Source: Company files.

Exhibit 2: Eastern Lotus Bank, XIAMEN BRANCH—Customer service flow chart



Source: Company files.

Exhibit 3: Eastern Lotus Bank, XIAMEN BRANCH—Customer queuing system



Source: Company files.

EXHIBIT 4: Services at Eastern Lotus Bank

|  |  |  |  |
| --- | --- | --- | --- |
| **Business Type** | **Kind of Business** | **Business Dealing Time (Minutes)** | **Self-Service?** |
| Cash Handling | Small Amount RMB Cash Withdrawal | 2–5 | Yes |
| Large Amount RMB Cash Withdrawal | > 10 | No |
| Foreign Currency Cash Deposit | 2–10 | No |
| Foreign Currency Cash Withdrawal | 2–5 | No |
| Payment and Settlement Business | Inter-bank RMB Remittance | 5 | Yes |
| Inter-bank FCY Remittance | 5 | Yes |
| Purchase or Sale of Foreign Exchange | 5 | Yes |
| Account Business | Individual Account Opening | 25–40 | Partly |
| Individual Account Maintenance | 2–10 | No |
| Individual Account Closure | 5–15 | No |
| Corporation Account Opening | 10–40 | No |
| Corporation Account Maintenance | 2–20 | No |
| Corporation Account Closure | 10–30 | No |
| Card Business | Loss Report of Card | 5 | No |
| Change Card | 5 | No |
| Intermediary/Agent Service | Margin Deposit for Study Abroad and Tourism Visa | 5–10 | Yes |
| Fund Monitor | 15 | No |

Note: RMB = Chinese yuan renminbi; FCY = foreign currency

Source: Company files.

EXHIBIT 5: Counter process for individual foreign-exchange purchase

|  |  |
| --- | --- |
| Business Process | Time Required (Minutes) |
| Receive customer's counter purchase consultation. | 2 |
| Wait for the customer to fill in the foreign-exchange purchase application. | 5 |
| Review the application. | 1 |
| Verify ID card online. | 1 |
| Enquire about the quota and input to a service platform of SAFE. | 2 |
| Input the information into the bank operation system. | 1 |
| Customer: input password; Supervisor: authorize. | 1 |
| Print the voucher and obtain customer’s signature. | 1 |
| Give customer the receipt and finish the transaction. | 1 |
| **Total** | **15** |

Note: SAFE = State Administration of Foreign Exchange

Source: Company files.

EXHIBIT 6: Self-service process for individual foreign-exchange purchase

|  |  |
| --- | --- |
| Business Process | Time Required (Minutes) |
| Log in to mobile banking site and navigate to the foreign-exchange page. | 1 |
| Read the notes for purchase of foreign exchange (regulated). | 1 |
| Input the currency and the amount. | 2 |
| Confirm the purchase and exit. | 1 |
| **Total** | **5** |

Source: Company files.

EXHIBIT 7: time Required to open an ordinary individual account

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| No. | Business Process | Customer | Teller | Supervisor | Time Required  (Minutes) |
| 1 | Customer arrives and proposes account opening. | X | X |  | 2 |
| 2 | Teller instructs customer to fill in forms. | X | X |  | 10 |
| 3 | Verify ID card online. |  | X |  | 1 |
| 4 | Verify customer’s phone number. | X | X |  | 1 |
| 5 | Create customer information. |  | X | X | 3 |
| 6 | Open account (including inputting customer's password). | X | X | X | 2 |
| 7 | Open online banking account. | X | X | X | 2 |
| 8 | Open mobile banking account. | X | X | X | 2 |
| 9 | Fulfill the customer information. |  | X | X | 2 |
| 10 | Put the files in order. | X | X |  | 1 |
|  | **Total** |  |  |  | **26** |

Source: Company files.

Exhibit 8: comparison of Administrative ranking and posts at Eastern Lotus Bank, XIAMEN Branch

|  |  |  |
| --- | --- | --- |
| Grade | Post | Administrative Rank |
| Level A | Approval | Senior Assistant Manager |
| Assistant Manager |
| Level B | Check | Senior Officer |
| Officer |
| Level C | Operation | Senior Clerk |
| Clerk |

Source: Company files.

Exhibit 9: Customer arrival, service Processing, and waiting times

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| No. | Arrival Time | Inter-Arrival Time (minutes) | Customer Type | Processing Time (minutes) | Waiting Time  (minutes) | Counter |
| 1 | 9:00:00 |  | A | 15 | 0 | 1 |
| 2 | 9:01:00 | 1 | B | 18 | 0 | 4 |
| 3 | 9:22:00 | 21 | B | 2 | 0 | 3 |
| 4 | 9:25:00 | 3 | B | 30 | 0 | 4 |
| 5 | 9:28:00 | 3 | B | 20 | 0 | 3 |
| 6 | 9:32:00 | 4 | B | 25 | 16 | 3 |
| 7 | 9:34:00 | 2 | A | 30 | 0 | 2 |
| 8 | 9:36:00 | 2 | A | 20 | 0 | 1 |
| 9 | 9:45:00 | 9 | B | 10 | 10 | 4 |
| 10 | 9:52:00 | 7 | B | 8 | 13 | 4 |
| 11 | 9:55:00 | 3 | A | 10 | 1 | 1 |
| 12 | 9:57:00 | 2 | B | 10 | 16 | 3 |
| 13 | 9:58:00 | 1 | A | 5 | 6 | 2 |
| 14 | 9:58:00 | 0 | B | 25 | 15 | 4 |
| 15 | 10:05:00 | 7 | A | 10 | 1 | 1 |
| 16 | 10:05:00 | 0 | A | 3 | 4 | 2 |
| 17 | 10:07:00 | 2 | A | 21 | 5 | 2 |
| 18 | 10:08:00 | 1 | A | 15 | 8 | 1 |
| 19 | 10:13:00 | 5 | A | 15 | 18 | 1 |
| 20 | 10:14:00 | 1 | A | 10 | 19 | 2 |
| 21 | 10:15:00 | 1 | A | 25 | 28 | 2 |
| 22 | 10:18:00 | 3 | B | 10 | 5 | 3 |
| 23 | 10:25:00 | 7 | A | 20 | 21 | 1 |
| 24 | 10:35:00 | 10 | B | 40 | 0 | 3 |
| 25 | 10:38:00 | 3 | B | 10 | 0 | 4 |
| 26 | 10:38:00 | 0 | A | 4 | 30 | 2 |
| … | … | … | … | … | … | … |
| 83 | 16:56:00 | 11 | B | 10 | 2 | 3 |

Note: The full data is detailed in the Student Data Sheet Excel document; customer type A = corporate customers; customer type B = individual customers; due to the small number of customers received at the foreign-exchange counter, their data is not shown.

Source: Company files.

1. The post-90s generation referred to those born in China between 1990 and 1999 and the second generation to grow up without siblings. [↑](#footnote-ref-1)
2. ¥ = RMB = Chinese yuan renminbi; ¥6.7441 = US$1.00 as of February 4, 2019; all currency amounts are in ¥ unless otherwise specified. [↑](#footnote-ref-2)