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Evaluating the Flexibility of Bank Supply Strategies to Meet Variations in Service Demand.

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Abstract: *The study focused on evaluating the flexibility of bank supply strategies to meet variations in service demand. The study is focussed on analysing strategies of dealing with supply and demand mismatches in the banking sector taking Commercial Bank of Zimbabwe (CBZ) as a case study company. A cross sectional survey with 144 respondents established using quota sampling was applied. Stretching banking hours during peak periods, encouraging use of electronic banking services by customers and provision of additional counters and tellers were rated as key strategies for rescuing the long queue problem. The study also established that CBZ can flex its capacity by effectively managing the human resource function.*
Keywords: *Demand and supply mismatch, Commercial bank, Strategies.*

I. Introduction

Failure to match demand and supply in services businesses might be the major cause of poor service delivery and poor service profit chain (Klassen and Rohleder, 2002). Many people are still visiting banking halls in search of banking services such as depositing monies, accessing salaries and receiving monies from relatives from abroad. CBZ bank is overwhelmed as it also provides agency services of monetary services such as Mukuru.com , Money Gram and Western Union. In addition, many companies appear to use CBZ as their main banking partner resulting in many employees accessing their salaries at this bank. All this has created pressure that has seen a rise in customer complaints stemming from supply and demand mismatch in CBZ's operations. Such customer complaints include slow feedback on loans applications, delayed school fees payments, long queues and unresolved queries. Parents who deposit school fees are suffering since their schools opted for CBZ as a last resort.

This study focuses on evaluating the flexibility of bank supply strategies to meet variations in service demand.

II. Literature Review

Services Supply and Supply-Demand Mismatch

Services cannot be stored or inventoried because customers must come in service setting to be part of the experience, means that capacity utilisation depends on when they arrive. For most services, customers tend to come unevenly and unpredictably (Johnson and Clark, 2001). The result is low capacity utilisation, thus creating problems of matching capacity to demand. In other instances a full staff compliment must be in situ even if there is no demand for the services. Capacity therefore represents the bulk of the cost of a service.

Supply Strategies to Meet Variations in Service Demand.

Supply strategies used to potentially solve service perishability (or lack of efficiency) include part-time employee utilisation, increased employee participation and capacity sharing. Part-time employee utilisation involves using additional staff to assist in times of peak demand periods. This is particularly common during particular times of year, for example many department stores and bars may take on additional staff during busier periods such as Christmas and summer. Advantages of employing part-time staff at these peak periods as stated by Hoffman and Bateson (2010) including lower labour cost and a flexible workforce that can be employed when the need arises. However part-time staff may lack the necessary skills to satisfy customers during moments of truth. A strategy that is becoming increasingly popular in managing demand is increased customer participation (Wilson et al., 2012). The logic behind this idea is to replace the work done by employees of the business with work done by the customer. This strategy is becoming more and more common in everyday services. One can look at the increasingly popular at the example of a restaurant and how it has changed into a customer participation service. In scenario one looks at the popular new method of carvery lunches now operated by many restaurants. Here one queues for food and drinks before going to the cash register and paying for the food, then the customer finds a seat before consuming the product.

This differs greatly from scenario two and the traditional restaurant experience, where a host/hostess finds a seat for the customer and then a waiter/waitress brings the customer their food and beverages before giving them the bill (O' Leary, 2004). In the second scenario, the consumer does not play an active role in service delivery and the service provider has to do a lot more than in the first scenario. Also it is likely that in

the first scenario the consumer will not spend, as much time in the restaurant as in the second scenario. Therefore in scenario one, the restaurant will be able to increase the potential number of customers the restaurant can facilitate than in scenario two. Another prime example of this strategy is ATM machines, which have helped to drastically cut down on the "in-branch" transactions that involve employees. Capacity sharing is another method of increasing the supply of services. Here a service business forms a type of service co-op with other service businesses, this method's main advantage is cost cutting, the service provider by sharing the cost may be able to offer this service which it may not be otherwise able to perform, due to high fixed costs of equipment or premises (Lee, 2002). For example a bar and restaurant owner may decide to operate in the one building in order to save on the high costs of rent and light and heat. This can leave service providers with funds to spend on other areas such as raw materials or additional staff.

Creating Flexible Capacity

According to Lovelock and Wirtz (2011) a well designed and managed service system balances the capacity of the facility supporting equipment, technology and service personnel. Laing, Lewis ,Foxall and Hogg (2002) state that where there are imbalances between supplies and demand the following may be raised:

(i) What is the nature of the demand situation?
(ii) What are the underlying causes of these fluctuations?

Supply and Demand Mismatch

When a bank or any service company appreciates its capacity constrains and understanding of demand patterns, it can implement strategies for matching capacity and demand (Wilson et al. 2012). These strategies have been perceived into two categories. Firstly, demand fluctuations can be handled by shifting demand to match existing capacity at any time. Secondly, capacity can be adjusted to match fluctuations in demand.

Uneven Service Demand Relative to Capacity

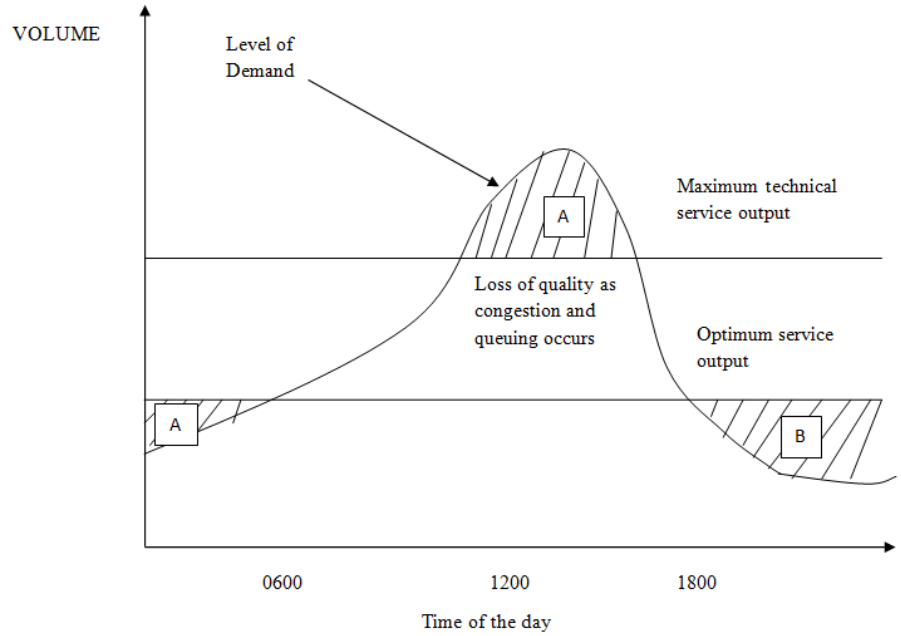

Fig 1: Uneven Service Demand Relative to Capacity

Adapted from Wilson et al (2012)
A..... represents lost revenue
B..... represents waste of resources

Johnson and Clark (2001) observed that optimum capacity is that which the service facility was designed for. Maximum available capacity is what you call the upper technical limit of a service to handle customers. For a bank, the maximum available capacity involve all its branch network, ATM and point of sale terminal where the services can be accessed from (Lee, 2002).

Shifting Demand to Match Capacity

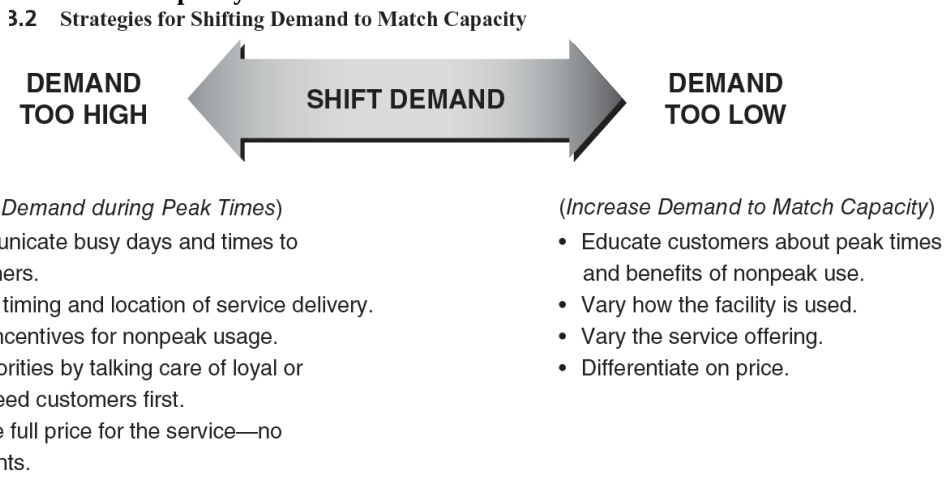

Fig 2: Shifting Demand to Match Capacity

Source: Lovelock and Wirtz (2011)

III. Materials and Methods

The research used descriptive research design. The research subjects for this study were the CBZ customers who do banking with the Harare based branches. These were chosen since they could have been affected by the long queues and other supply and demand mismatches in the banking sector. A sample size of 144 was used in the study. The reliability value as given by Cronbach was at 0.522. This is acceptable as it is above 0.50.To ensure validity the researcher crafted questions that were specific such that they would elicit specific responses from the respondents. This was done to make sure that the questions measured those aspects that the researcher wanted to measure.

IV. Results and Discussion

Flexibility of CBZ Service Supply

This section provides the views of the bank's customers on what the bank can do to meet variations in their demand for financial services. Key aspect covered includes re-deployment of employees, increasing number of counters, requesting of over time from employees, using part time employees and being ready to meet cash demands. These items are shown in the table below.

Table 1: Flexibility of CBZ Service Supply

	Mean	S A	A	NS	DA	S DA
CBZ employees can be redeployed to deal with long queues	**3.79**	29.9	43.1	10.4	9.7	6.9
CBZ can increase number of its tills to accommodate long queues	**3.78**	33.3	36.8	11.8	10.4	7.6
CBZ can easily request overtime from its employees	**3.72**	27.8	31.3	31.9	2.8	6.3
CBZ is able to use part-time employees	**3.45**	25.7	27.8	21.5	16.0	9.0
CBZ can sub-contract or outsource some of its activities to agencies	**3.37**	20.8	28.5	22.2	23.6	4.9
CBZ is ready to meet unexpected demand for cash	**3.31**	21.5	17.4	36.1	20.8	4.2
CBZ can offer follow up service/ after sales services to its customers	**3.04**	16.0	19.4	27.1	27.8	9.7
Overall Mean	**3.49**					

CBZ Employees Can Be Redeployed To Deal with Long Queues (M=3.79)

Majority of respondents (bank customers) felt that CBZ can redeploy its employees from another "non-queue" related office work to the banking halls. Some employees in the administration, head office, back office and even supervisors can be re assigned to the banking halls to clear queues through use of new counters. This view could have been influenced by the perceptions that few employees are overloaded with work while other CBZ employees are seen walking up and down in relaxed way.

The percentages of who strongly agreed and agreed were 29.9% and 43.1% respectively. The redeployment of staff assumes that all bank employees had once been trained to operate cash in and cash out counters and related duties. This comes from the multi skilling human resources management culture.

CBZ can Increase Number of Counters to Accommodate Long Queues (M=3.78)

Most customers strongly agreed (33.3%) and agreed (36.8%) that the bank could increase the number of counters to deal with excess demand expressed through long queues in the banking halls. This rating could be more reasonable since bank branches seem to be using few counters. Having an additional computer fitted into the banking hall and manning it with a qualified till operator might not take years to implement. Since most queues could be formed for the purpose of depositing University and school fees, more counters should be opened and be devoted for that particular service. For managers to seriously take this point, it requires customer orientation heart on their part.

CBZ can easily Request Overtime from its Employees (M=3.72)

The customer respondents also suggested that CBZ management should request their front line employees to work overtime during peak periods. This was supported by 27.8% (strongly agreed) and 31.3% (agreed) percentage responses. Overtime arrangements might require some additional compensation or employee being given some time off during off peak days. This strategy might ensure that customers are satisfied with CBZ bank services through saving their time on queues and other related disappointments. Overtime arrangements can have problems if concerned employees will be tired and not recognised for their understanding and effort.

CBZ is Able to Use Part Time Employees (M=3.45)

The respondents also strongly felt that CBZ management can recruit some workers to deal with a period that has long queues. These employees could be former internship and attachment students or some trustworthy former employees. This will enable to reduce the existing work load. Using part time employees could however add to some employment costs and also banking risks through sharing of private information to non-core workers. The risk of customer complaints, lost market share and future profitability might force the contract or part time worker decision to be made or implemented.

CBZ Can Sub Contract or Out Source Some of Its Activities to Agencies (M=3.37)

A mean value of 3.37, which is greater than 3.00, point to the need for CBZ to appoint some agencies to collecting school fees deposits and carry out cash transactions. This was achieved by Ecocash and One Wallet mobile money facilities. Some ready supermarkets could be supermarkets, money transfer agencies and micro-finance firms. Though this might also put the banks operational secrets, the convenience and queue reduction results to customer could be a big return to that decision. Forming networks and partnerships is critical way of flexing the capacity of a service firm.

Flexibility of CBZ's Supply Strategies to Meet Variations in Service Demand: Inter-Item Correlation Matrix

Table 2 Inter-Item Correlation Matrix

	a.	**b.**	**c.**	**d.**	**e.**	**f.**	**g.**
(a) CBZ is able to use part-time employees	1.000						
(b)CBZ employees can be redeployed to deal with long queues	.319	1.000					
(c) CBZ can easily request overtime from its employees	.142	.519	1.000				
(d) CBZ can sub-contract or outsource some of its activities to agencies	.257	.150	.322	1.000			
(e) CBZ can increase number of its tills to accommodate long queues	-.096	.233	.243	.261	1.000		
(f) CBZ is ready to meet unexpected demand for cash	-.168	.059	.166	.012	.430	1.000	
(g) CBZ can offer follow up service after sales services to its customers	-.123	-.033	.019	-.058	-.049	.342	1.000

The positive correlations on the CBZ'S flexibility on its supply strategies were on "CBZ employees can be redeployed to deal with long queues" and ÇBZ can easily request overtime from its employees (r=0.519) and "CBZ is ready to meet unexpected demand for cash" and "can increase the number of its tills to accommodate long queues" (r=+0.430). The pairs indicate that customers perceive that CBZ can easily solve bank queues by engaging employees on overtime and also temporary movements to meet the variations in demand for banking services. On the negative part of correlation, "CBZ is able to use part time employees" had negative relationship with "CBZ can increase the number of tills to accommodate long queues (r=-0.123). Customer believed that part time employees cannot be used for solving bank queues, may be since it is a

sensitive and security industry. Bank managers should ensure that the combination of capacity flexing strategies is combined in a proactive and customer oriented way.

V. Conclusion

The study concluded that the customers perceived that it is feasible for CBZ to re deploy its employees to deal with long queues, to increase number of counters to accommodate long queues, to request overtime from employees, to use part time employees and to outsource some bank services to agencies. Though customers and that of employees perceptions might differ, the study also conclude that bank customers were positive that CBZ services can be flexed to meet demand.

Competing Interests

No competing interests were envisage.

Authors' Contributions

The corresponding author conceived and designed the study alone. From there on, with the co-author they collected, analysed and presented research data.

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