



Case Study

Avoiding the Perfect Storm *Modeling and Capacity Planning Analysis*

Immediate Benefits:

- 1) *A 30% reduction in yearly check processing operational costs*
- 2) *70% occupancy costs savings*
- 3) *Earned a 3 to 1 ROI within the first 12 months*

OVERVIEW

A D S Financial Services Solutions (ADS) was engaged to perform a modeling and capacity planning analysis project of a multi-site check processing enterprise to determine the optimal configuration of occupancy, equipment, staff, and transportation resources required to support a high priority consolidation project. As a result of this engagement, ADS provided the bank with detailed analysis required to realize a 30% reduction in yearly check processing operational costs (resources, equipment, and facilities), and earn a 3 to 1 return on investment within the first 12 months.

CLIENT

Our Client* is one of the nation's largest regional financial holding companies. The bank operates through an extensive multi-state banking network. Its primary businesses include commercial and retail banking, consumer finance, asset management, and mortgage financing and servicing.

SITUATION

Declining check volumes in recent years has caused a transformation in the U.S. banking system, leaving banks to manage increasing unit costs and underutilized processing centers, equipment, and staff. Foreseeing a 'perfect storm' on the horizon, our client began an internal capacity analysis at various operating centers (across multiple states) to determine existing operational efficiency and identify a viable and productive consolidation strategy.

As the bank moved ahead with the consolidation efforts, the bank engaged ADS to provide a detailed roadmap, based on "future state" capacity analysis, to guide the implementation effort. Specifically, the bank used our analysis to address two main concerns:

- 1) Evaluate the customer service level impact due to the consolidation project, and
- 2) Assess and confirm that the expected benefits would be realized.

To accomplish these goals, the analysis determined the precise equipment and staff resources required to process the consolidated volumes at the "end-state" processing centers. Furthermore, the results of this analysis:

- 1) Validated that the business case benefits would be realized.
- 2) Identified peak periods, and provided precise staff and equipment levels required throughout all shifts to meet deadlines.
- 3) Optimized the configuration of staff, equipment, transportation, and occupancy resources required through "what if" scenarios. "What if" scenarios were based on different check volume levels load balancing work across the various sites throughout the enterprise.

* For confidentiality reasons, our client will not be named, but instead will be referred to as 'our client' or 'the bank.'

Our analysis identified several unexpected problems that were not flagged during the bank's internal analysis.

Our approach provided an optimized workload balance between "end state" processing centers thereby avoiding service level problems and/or unnecessary, inefficient staffing to meet workload peaks.

APPROACH

Through the combined capabilities of ADS and (our strategic partner) Meta Software (Meta), we delivered a solution that simulated the impact of "future state" on payment enterprise capacity and customer deadlines. By working closely with key stakeholders of the bank and by carefully observing and measuring operations, we used the Meta reusable Check Model to project the equipment and staff requirements for the bank's consolidated sites. ADS and Meta have developed a tailored three-step approach to deploy such models:

Phase 1: Gather Operational Data

Through a time-tested data acquisition process, ADS compiled the required operational data such as: volumes, work arrival patterns, sort patterns, and dispatch schedules with assistance from local site managers. This involved on-site observations of all operational centers to identify and document intricacies and site-specific workflow activities. At the end of this phase, we furnished the bank with an in-depth Current State Data Assumptions Report that was reviewed, verified, and approved by the bank.

Phase 2: Verification of Data and Draft Model

Once the required information was compiled, the data was verified against Meta's proprietary benchmark database to identify any irregularities based on industry standards. Once the data was determined to be complete and accurate, Meta modified its reusable simulation Check Model to accurately reflect the client's specific processing workflows. The preliminary simulation results were produced using the modified Meta Check Model, and a series of on-site meetings were held to allow the client to scrutinize the preliminary results. In addition, these interactive sessions provided the bank the opportunity to suggest model modifications and request various "what-if" scenarios to address main concerns with the consolidation plan.

Phase 3: Finalize Requirements

After a collaborative review process, the final results were produced. The capacity analysis results were reviewed and validated by the bank's project steering committee. This review ensured the results accurately reflected the proposed operations, and, most importantly that the results achieved consensus on the finalized enterprise check configuration in the end-state consolidation.

BENEFITS REALIZED

As a result of this engagement, ADS provided the bank with the analysis required to realize a 30% reduction in yearly operational costs (resources, equipment, and facilities) and earn a 3 to 1 return on investment within the first 12 months. Additionally, the bank will reduce its occupancy costs by 70%, thereby giving it greater flexibility within the smaller footprint to respond to future volume changes, as more of its costs are variable versus fixed. In addition to its substantial return on investment, our client has achieved a strategic advantage in terms of unit costs and its ability to respond to future marketplace changes.

Furthermore, our analysis identified several unexpected problems with the consolidation plan that were not flagged during the bank's internal analysis. In particular, our approach provided an optimized workload balance between "end-state" processing centers thereby avoiding service level problems and/or unnecessary, inefficient staffing to meet workload peaks.

By working closely with key stakeholders at different levels of the bank, ADS and Meta's skilled professionals provided the bank simulation models, "what-if" scenarios, and a roadmap to support and confidently move forward with their high profile consolidation project.

For more information go to www.adsfs.com



By working closely with key stakeholders at different levels of the bank, ADS and Meta's professionals provided the bank various "what-if" scenarios and a roadmap to support their high profile consolidation project.

ABOUT ADS FINANCIAL SERVICES SOLUTIONS

For more than 25 years, ADS has delivered hundreds of complex projects for leading financial institutions nationwide, ranging from operational consulting and systems integration to business alignment services.

Every ADS solution takes full advantage of our capabilities and expertise in the financial services industry. Financial Institutions turn to ADS for our industry insight and leading-edge technology experience. Our team is recognized by our clients for consistently delivering innovative, practical, and effective solutions, on-time and within budget.

ABOUT META SOFTWARE CORPORATION

For more than ten years, Meta Software has provided capacity analysis, workforce management, and enterprise modeling solutions to the banking industry through the delivery of commercial software that deploys client-tested and reusable simulation models of payment operations. Meta clients have, on average, generated a better than 3 to 1 return on their Meta investment, and have achieved strategic advantage through the ongoing capability to conduct site and enterprise capacity analysis.

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