What’s Your Long Game?

The Long Game: The A to Z of Advanced Terminal Implementation

AN EXECUTIVE OVERVIEW FOR COMMUNITY BANKS AND CREDIT UNIONS
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Implementing advanced terminals is a major strategic decision for financial institutions that can deliver significant cost savings, customer satisfaction, convenience, and top line growth. It should also improve branch network efficiencies and efficacy. In this paper we characterize the process as a two-pronged Logical and Physical ‘Long Game Transformation’, viewed as part of a long-term organization-wide vision.

The reasons for the transformation need to be properly articulated to the organization by those at the executive level. Given the inherent challenges of implementing something of this magnitude, it is vital that the organization is aware of its own track record of executing change. Important questions must be asked throughout this process, such as what is your organization’s ‘learning and adapting’ quotient? Have there been previous upgrades on this scale? What degree of resistance was met, and where was it encountered by employees and customers?

Executives know that inaction paralyzes business, but they also know that achieving agile, large-scale process automation carries risks. Integrating advanced terminals into legacy systems features a high initial cost and potential difficulty of application due to the problematic nature of aged banking systems. For this reason, a concrete game plan must be developed to ensure employees are fulfilling their new roles, measuring progress, and hitting goals. This game plan must be strictly adhered to throughout the implementation process and beyond, to ensure the ‘end game’ is reached and ROI expectation attained. Following a game plan also greatly reduces the risks and mistakes typically involved in this type of implementation.

Advanced terminals are changing the face of retail branch banking.
Logical vs. Physical Transformation

The transformation process is described as two-pronged because it assumes two major overlapping aspects, namely the **Logical Game** and the **Physical Game**. The Logical Game composes deeper intangibles; education, change management, HR skills, metrics, and staging. The Physical Game composes the renovation work performed on the branch to transform its appearance, purpose, and functionality. Two distinctly different roadmaps could theoretically be drawn up to represent each type of transformation. In actuality one may happen without the other; the two aren’t co-dependent and could exist independently, but in a comprehensive branch transformation they should overlap. Communications, marketing and brand merchandising are the elements that connect them, both internal and external.

The Logical Game is the deeper, more fundamental (and more challenging) of the two; if an organization undergoes the Physical without the Logical transformation, they may be wasting their time and money, because they’re neglecting the full value and opportunity that the technology can enable.

**The Logical Game**

The Logical Game transformation affects the philosophical roots of what the branch does and what its staff have traditionally been taught is their role. Focus is moved from transactions to customer relationships, product sales, and education. The shift can occur incrementally, with traditional tellers more resembling ‘universal bankers’, but some technology must be leveraged to remove demands for manual cash and transactional handling.

The Logical aspect transforms the organization holistically; security, IT, HR job descriptions, compensation plans, training classes, processes, metrics tracking, and pre-work coordination. It is aimed at transforming minds rather than the physical. It’s what ultimately moves staff from the teller line to the retail floor, engaging customers and educating them; selling them on the benefits (to them) of the transformation your institution is undertaking…and why.

**The Physical Game**

The Physical Game is focused on branch appearance, customer experience and privacy, and optimal efficiencies. This includes architecture, space usage evaluations, schematic layouts, workflow adjacencies, “smart office” technology, flooring, furniture, window treatments and retail communications. This latter item includes marketing, branding and merchandising, the main area of overlap with the Logical Game.

Design and construction expertise is practiced by industry-specialized companies who can assess the Physical project as a whole, and assemble total costs for all of the above.
NOTE: An organization may spend a considerable sum on a branch technology rework, but lose a lot of money because they didn’t make the kind of investment in the Logical side that they should have.

Establishing a Strategic Game Model

The Game Model is composed of chronological steps crucial to the success of an automated transaction delivery model. First, their sequential order is determined and each is then detailed at length. Each step may contain its own range of options, depending on the technology selected.

Strategy

A strategic game model begins with strategy itself. For instance, a financial institution might adopt some or all of the following strategies:

- More intense retail/sales focus
- Relationship building/customer satisfaction
- Targeting specific customer segments
- Attracting more commercial accounts
- Entering new markets/segments
- Differentiation via convenience, time and place

Advanced terminals would enable this because:

- Branch network procedures are now optimized
- Automation performs the majority of traditional teller activities/transactions
- Retail/commercial customers can make deposits/withdrawals at their convenience, and receive the same credit as at the teller line
- Staff resources perform higher value activities
- Lower cost to place and establish a presence

The technology is the *enabler* for the strategies and their differentiators. Once the strategy and the enabling technology are established, the opportunity for realizing it is now the responsibility of the financial institution.

**Transaction Audit: Understanding Branch Activity**

In order to know where you’re going you need to first know where you are. After the strategy is established, the next step is to perform the Transaction Audit. The Transaction Audit studies each branch’s distribution channels across the entire branch network, to determine their contribution to overall (branch) transactions. This data should be used to understand technology needs and requirements to support what is presently taking place in your branches today. In addition it can then be used to establish realistic goals based on percent shifts in transaction activity away from the teller line onto automation. Once they know what these goals are, branch transformation consultants can design the branch layout and the bank or credit union learns what they need to implement from a technology standpoint. The road now forks into Physical and Logical transformation strategy.

Branch teller activities audited include (but are not limited to):
Check/cash deposits
Check/cash withdrawals
Loan payments/Bill pay
Money transfers
Bank Checks
Credit card payments
Cash advances
Etc.

A good technology partner can help you navigate your way through this exercise.
IMPLEMENTATION ROADMAP (GAME MODEL)

STRATEGY

New markets?
New accounts?
Increase number of products per household?
Specific customer segments?

Transaction Audit

Analyze Data
Determine Goals
Choose Tech

Physical Game

Architecture
Interior Design
Spatial Layouts
Branding & Retail
Millwork
Furniture
Equipment

Logical Game

Communication Plan
Performance Culture
Staff Incentives
Staff Training
Customer Education
Change Management
Track Metrics

TECHNOLOGY

1. Self-Service (ATM)
2. Assisted Self-Service (Full advanced terminal)
3. Assisted Full-Service (Cash recycler or dual entry terminal)

INTEGRATION

Integration can be incremental

NON-INTEGRATED

Interactive Video Teller (ITM)

ATM Machine

INTEGRATED

Advanced Terminal
Audit Data and Goals

If done correctly, Transaction Audit data is displayed in a two-step tabular form, with Step One being a breakdown of all branches by transactions channel, and Step Two being a predictor/target of total number of daily transactions at different rates of shift away from the teller (10%, 20%, 50%, etc.) onto some form of automation, with the expected time (and staffing) savings.

The audit predictions guide the process; the understanding obtained of what is happening in the branches sets the baseline for what the technology and transaction migration needs to be. When the Physical transformation has been made, the financial institution must now track the new branch activity to ensure they’re actually making the shift to committed targets. Using the data, individual branch performance can be closely monitored. It’s possible that one branch might be successful, while another sees no difference in activity. This issue should be studied to determine a solution, by asking the right questions: Is more training needed? Is branch layout poor? Are executives properly invested in the project with a clear path of accountability?

Goals Determine Training and Technology

It’s possible that a branch won’t need advanced terminals, but will instead require staff retraining and customer education. This depends on the desired percent shift in transactions.

For instance, the number of transactions for a 10% shift to automation does not require an advanced terminal. Activities such as check deposit, cash deposit, and cash withdrawal, can be accomplished on a full function ATM. If branch customers aren’t using ATM’s for these purposes, they aren’t being developed enough as consumers; many customers may simply walk by the machine and use tellers for these activities. This is a typical example of a failed Logical Transformation. It is the financial institution’s responsibility to train their staff AND customers to understand the full capabilities and advantages of the ATM’s in its branch. Here, the staff must be retrained to work the floor, educating and training customers in the scope of the ATM’s capabilities. Properly trained staff can obtain the 10% shift purely onto a full function ATM, with no advanced terminal required. (NOTE: This isn’t possible with a basic envelope deposit ATM.) If your analysis shows little shift from envelope deposit to image deposit, for example, something failed in the Logical Transformation plan.

Higher percentage shifts may require built-in staff incentives, as the teller role transitions to a more sales-centered position.
Audio-visual connections should ensure assistance is available to customers using the terminal.

People and Processes: Top-Down Direction and a Communication Plan

As stated earlier, the top-level executives in the organization have to be fully invested in all aspects of the implementation, not just in its financing. This begins with establishing the vision, and extends to proper oversight to ensure all aspects of the People, Process and Technology are accounted and planned for (alignment). Additionally, critical internal and external communications/vision should be tightly coupled to tracking progress through metrics, and beyond. To facilitate the process, creation of a communication plan and an incentive structure for staff will be necessary. Put simply, a ‘what’s in it for me’ type motivator will prove to be the most successful in engaging and keeping staff committed.

Communication Plan
A communication plan should have a concrete structure. It is crucial to achieving the target percentage shift in customer transactions onto advanced terminals. Its vocabulary should be understood and practiced by everyone in the organization.
When senior executives are invested in and directing operations, staff are more likely to want to succeed. Their experience and input are highly valued by branch staff, especially when undergoing a serious transition of this kind. Top-down direction helps galvanize employees to meet the demands of new roles and “live the brand”. Executives should express a clear rationale supporting their strategic vision, with emphasis on the fact that the organization has to act in order to survive.

A communication plan should:

- Encourage a “performance culture” among project team members.
- Explicitly state all participants’ roles by team and/or title.
- Track progress by meeting consistently on an established schedule.
- Employ online tools and project-specific vocabulary to resolve problems.
- Develop problem resolution protocols connecting all departments.
- Establish a consistent brand personality and voice for educating customers.
- Include a real-time graphical representation of current Game Model status.
- Create a sense of urgency

**Performance Culture**

Because there may be resistance to aspects of the transition to automation, a sense of positive change should come from the very top of the organization. The executive level should provide implementation guidance with special attention to branch staff apprehensions regarding job security, and their ability to use the technology. Branch staff should be retrained so they not only understand the technology but are also able to educate customers in its use.

The most important aspects of this effort are customer service and effective transitioning from the teller line to automation. Creating a performance-based culture where everyone involved is accountable (and rewarded) for results will breed excellence. Thereby, the new branch will function as a teaching center for customers, with an assertive and engaged staff motivated by incentives.

**Staff Incentives**

Increasing the percent shift from 10% to 30% takes more effort and may require an incentive program for staff. An effective staff retraining plan should be geared towards creating
‘universal bankers’. This role is heavily-focused on sales and customer engagement, with a results-based incentive for hitting monthly or quarterly goals (based on Transaction Audit predictions). Conversely, resistance and inability to adapt must be dealt with decisively and firmly; our strategy and commitment to it is not an option, so the cold hard facts are: “Change the People, or Change the People”.

With compelling incentives, banks and credit unions can move a minimum of 30% of transactions onto full function intelligent deposit ATM’s. For higher percentage shifts, advanced terminals will be required to cover the greater diversity of transactions involved. Financial institutions have the potential to achieve 50+% shifts, as a conservative estimate, assuming strong input from the executive level, a rigorous staff retraining program, and a relentless focus on ‘moving the needle’. The potential is there.

As stated, the beginning of the journey is a strategy based on understanding what is happening in the branches, and determining target numbers of automated transactions based on teller transaction numbers. By incorporating a “what’s in it for me” incentive, branch staff will grow more assertive and confident in achieving conversions. The immediate “End Game” at this point is branch efficiency and customer convenience. We will now examine the intensive retraining required to create this new staff role more closely.

Training

Much has been written about the ‘universal banker’ and ‘dialogue banking’ concept in recent years. Generally speaking, the role necessitates a shift from being a facilitator of basic teller transactions (deposits and withdrawals) to one of being a customer services, educator, and salesperson for the financial institution, in other words repurposing the branch staff.

There are several universal banker (also called a universal agent, or relationship agent) models. In this case the range of activities would be focused chiefly on educating customers on the use of either a full function intelligent deposit ATM or an advanced terminal. Heavy involvement from the executive level is necessary to monitor performance standards and provide support that emphasizes hitting transaction targets. This is included as part of the communication plan discussed above.

When hiring new staff, HR and all other stakeholders should be involved. New hires will have to be selected based on a new personality and skill-set and trained to exemplify the brand at the leading edge of the new banking technology.

- Hiring protocols will have to be radically revised.
- Staff sales ability is vastly more important than basic teller skills.
- Some existing staff members may not be able to make the transition.
- New hires will be hired for their ability to “live the brand”.
- Ability to educate others is an extremely valuable trait.

**Customer Education**

A successful migration from teller transaction to full function ATM’s and advanced terminals demands an aggressive staff and customer education program. This education will be adaptive based on demographics and the type of equipment involved (self-service, assisted self-service, or full service).

Branch customers may have difficulty imagining the technology can perform complex tasks they previously relied on tellers for. Their concerns will often be:

- Security/Privacy: Is their information safe and protected from others?
- Ease of Use: Will they waste time trying to master an unfamiliar technology?
- Capability: Are they even capable of learning how to use this machine?
- Being Valued: Are they and their finances still appreciated?
- Speed of Transaction: Does the technology increase their productivity?

In educating customers, staff will need to articulate the value and versatility of the terminal in language the customer relates to and appreciates, i.e. “what’s in it for the customer”.

Acceptance level is a strong indicator: How many transactions are being moved from the teller line to the terminals? This is about people (staff and customers) and process (how are they being educated?). Training can be provided from several directions. Vendors may train branch staff, consultants can be brought in, or the program can be designed and administered internally. Knowing what you can do yourself and what you can’t do is key to success, as failure cannot be an option. At this point there is no turning back.

**Change management**

As stated, when the executive level is not invested beyond financing the effort, it can result in staff negligence, unused technology and, eventually, a significant waste of money. When staff are not engaging with and educating customers, the targets established during the transaction audit are forgotten. A strong change management element is very important and is not easy to implement without being incorporated in the communication plan as part of the Logical
transformation. The changes are being experienced by both staff and customers, but the staff is responsible for providing guidance. Marketing is very important to the change management effort, as in-branch communications can support both staff and customers in staying on point during what can be a trying process. Consultation with branch interior design and retail communications specialists can determine these marketing requirements for the custom branch transformation at the beginning of the project.

Transaction Metrics

It’s no overstatement to say that top-down communication must be relentless. The goals and metrics arrived at via the Transaction Audit dictate the path. This data can be used to track progress daily, weekly, monthly, quarterly, or annually. It is easy to see how, when combined with the above communication and training programs, the goals are powerful drivers for success. It embodies the famous quote by management consultant Peter Drucker: “What gets measured gets improved”.

This impacts the staff’s motivation and confidence in performing an effective sales role.
Integration

It may be recommended that the strategy allow for an incremental build-out of the advanced terminal system; a tie-in to the ATM switch network could occur first, followed by full core integration at a later time. Core integration is required for full transactional self-service capabilities. There are some terminals on the market that can support up to 95% of typical teller transactions. The Key is a good integration to your core banking application. In addition, there are emerging “middleware” applications available to connect the terminal side with the financial institution’s core if your legacy banking application or network is holding you back. Legacy systems and thinking should never be allowed to obstruct progress toward branch transformation.

Integration types are as follows:

1. **Core integration.** Enables the full transaction set.
   Core integration means that all activities performed by a financial institution’s customers, on the device, will be processed in ‘real time’ making it by far the most efficient. This approach promotes ‘self-service’ with assistance or human intervention only on an ‘as needed basis’. However, without a connection to the ATM switch, the terminal can only be used by the organization’s own customers.

2. **ATM Network/processor (ATM switch).** Limited transaction set, but which can serve both ‘on us’ and ‘off us’ transaction. There are many different schools of thought as to whether advanced terminals, should be ATM network enabled. The advanced terminal in many respects should be thought of as displacing teller transactions, not ATM transactions. There is still a need for ATM’s, or basic cash withdrawal, and cash and check deposits. It is also critical that these devices be branded appropriately to draw customers to the right channel for what they are looking to transact.

3. **Non-integrated (video ITM’s).** This ‘assisted full-service’ model focuses on teller staff productivity only (it’s a “short game”). It’s centered on interactive video and the relocation of staff to call centers. This model works on the principle that there are periods during the day when very few if any customers come into the branch. Consolidating tellers in one location where they can (theoretically) support tens of ITM’s means an improvement in staff productivity. This is more a call center mentality than a true automation. While this version doesn’t require core integration it is notable that every transaction involves a teller; the teller in the remote location performs the transaction themselves on a separate
terminal, just like the tellers in the branch do today. This is a very inefficient application of technology. A misconception about this model is that the supposed interaction with a real person is favorable to customer relations and satisfaction, and possible cross-selling opportunities, similar to a dialogue tower fitted with a cash recycler.

A cash recycler is a fully-assisted solution, requiring staff participation for every transaction.

**Costs**

Each available solution has its own costs, due to the differing approaches the vendors are taking to integrate or not integrate. This makes it very difficult to compare so called ‘like products’. Broadly speaking, “Unit 1” could cost up to $200k due to the software, integration, branding, training etc. requirements. As stated, this implementation is a serious strategic decision that constitutes a considerable advance in branch banking technology.
Depending on vendor, core applications, transaction types, and more, pricing can range widely. It’s possible that a very basic implementation can be achieved for around $100k, but if an organization requires a large number of automated custom transaction types, this could be considerably more.

It is recommended that financial institutions consult with branch transformation specialists to determine the exact type of equipment and integration that will serve them best. We do recommend you see this commitment as the long game, and establish the technology roadmap that achieves success for your organization in the long term.

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