



ADVANCED TERMINALS CHANGING RETAIL BANKING

Advanced terminal implementation
for community banks and credit unions

logical physical philosophical cultural integration

Advanced terminals are Changing Retail Banking

Advanced terminals can deliver significant cost savings, extended hours and convenience, customer satisfaction, and top line growth for financial institutions who implement them properly. They also reduce security and compliance issues, which is a notable bonus in today's regulation-heavy industry. The implementation process is best characterized as a two-pronged Logical and Physical Transformation, viewed as part of a long-term organization-wide vision.

Integrating advanced terminals into legacy systems may involve 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.



Implementing advanced terminals is a substantial undertaking that enables unprecedented convenience.

The Transformation Process

The transformation process is described as two-pronged because it assumes two major overlapping aspects, namely the **Logical** and the **Physical**. The Logical Transformation composes deeper intangibles such as education, change management, HR skills, metrics, and staging. The Physical Transformation more involves the design and renovation work performed on the branch to transform its functionality, appearance, and purpose, and to integrate technology and branding elements.

The Logical Transformation is the more fundamental (and more challenging) of the two because it is the responsibility of the financial institution itself. If an organization undergoes the Physical Transformation without the Logical Transformation, they will be wasting their time and money, because they're neglecting the full value and opportunity that the technology creates.

The Logical Transformation

The Logical Transformation affects the philosophical roots of what the branch does and what its staff has traditionally been taught is their role. Staff focus is moved, from transactions to customer relationships, product sales, and education. The shift can occur incrementally, but some technology must be leveraged to eliminate 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 are all affected. *It is aimed at transforming minds.* It moves staff from behind the teller line and onto the retail floor, selling customers on the transformative mission your institution is undertaking, and how it benefits them.

The Physical Transformation

The Physical Transformation is focused on branch appearance, customer experience, privacy, and optimal efficiencies. This includes architecture, space usage evaluations, schematic layouts, workflow adjacencies, "smart office" technology, and retail communications. This last item includes branding and merchandising, the main area of overlap with the Logical Transformation and a crucial staging element for the technology in the branch.

Establishing a Strategic Plan

The strategic plan is composed of chronological steps crucial to a successful implementation. First, their sequential order is determined and each is then detailed at length.

Strategy

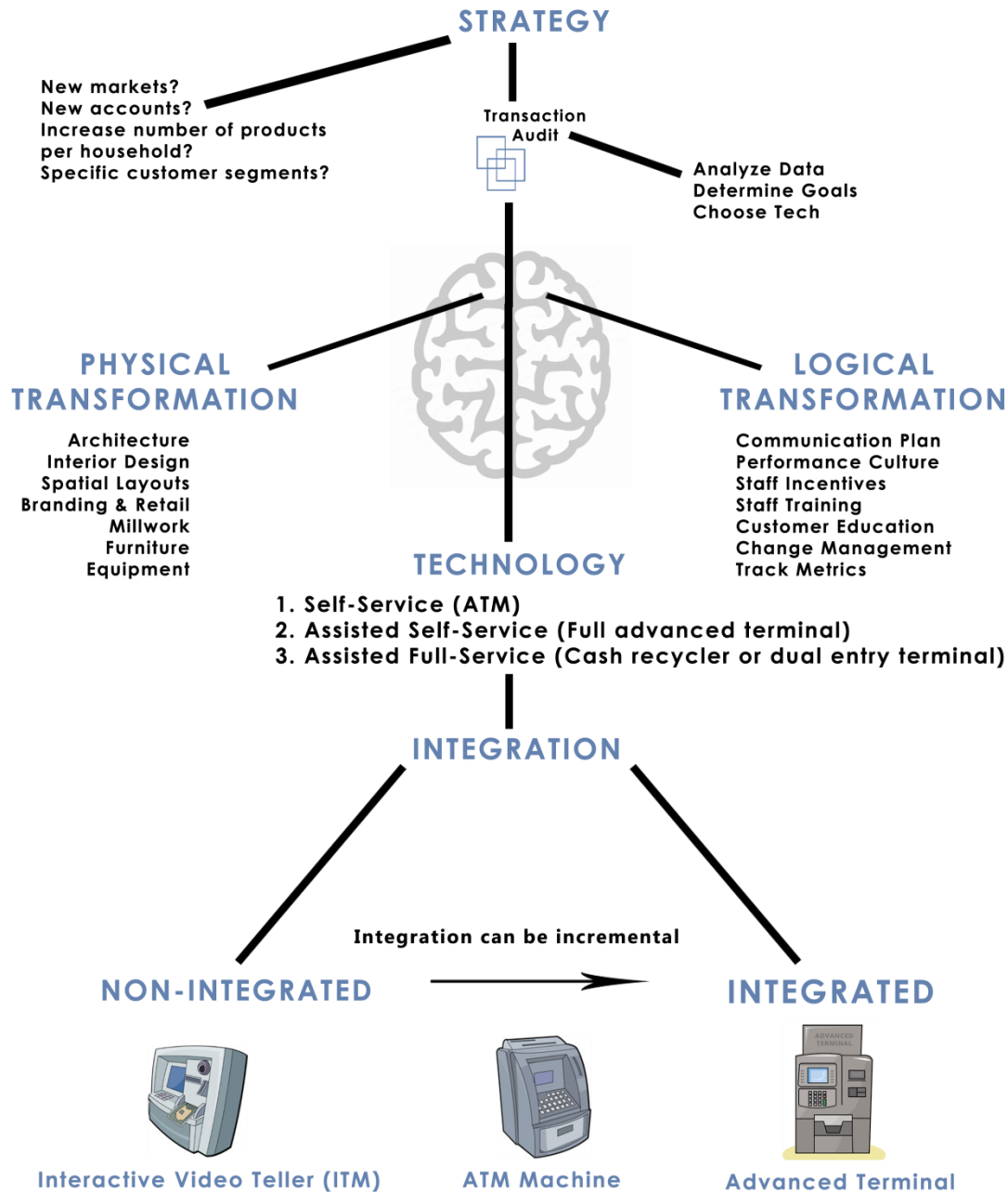
A financial institution might adopt some or all of the following strategies:

- More intense retail/sales focus
- Relationship building/customer satisfaction
- Entering new markets/segments
- Differentiation via convenience, time and place

Advanced terminals would enable this because:

- Automation performs the majority of traditional teller activities/transactions
- Retail/commercial customers can make deposits/withdrawals at their convenience
- Staff resources perform higher value activities
- It costs significantly less to establish a presence in new markets

IMPLEMENTATION ROADMAP



The Transaction Audit: Understanding Branch Activity

After the strategy is established, the next step is to perform a Transaction Audit. The Transaction Audit studies every branch across the network to determine the frequencies of all transaction types. This data can be used to establish realistic goals based on percent shifts in transaction activity away from the teller line onto advanced terminals. Once these goals are established, the bank or credit union will know how many advanced terminals are required to achieve them. Branch transformation consultants and technology partners can now design the branch layout for optimal visibility and traffic flow, which are both extremely important. The road now forks into Physical and Logical transformation strategy.

Audit Data and Goals

When the Physical Transformation is completed, the financial institution must now track the new branch activity to ensure they're making the shift to committed targets. Using 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 and teams properly invested in the project with a clear path of accountability?

Communication Plan

There should be a strategy in place prior to the implementation of advanced terminals to help overcome staff and customer concerns about teller repurposing, and best use of the new technology. Q&A scripts should be developed around the most obvious questions, and staff should guide customers through the transition with a consistent voice. Customers/members should be kept "in the loop" via emails and even text messages. If long-term employees are available to reassure and teach customers, this can be even more effective. Staff members should be available to educate members at all times during this transitional period. A communication plan is crucial to achieving the target percentage shift onto advanced terminals. Its vocabulary should be understood and practiced by everyone in the organization.

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.
- Establish a consistent brand personality and voice for educating customers.
- Create a sense of urgency

Performance Culture

There may be resistance to aspects of the transition to advanced terminals, including branch staff apprehensions regarding job security, and their ability to use the technology. Branch staff should be thoroughly retrained so they not only understand the technology but are also able to educate customers in its use.

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

An effective staff retraining plan should be heavily-focused on sales and customer engagement, with a results-based incentive for hitting monthly or quarterly goals (based on Transaction Audit predictions). By incorporating a “what’s in it for me” incentive, branch staff will grow more assertive and confident in achieving conversions. The immediate aim at this point is branch efficiency and customer convenience

Customer Education

A successful migration from teller transactions to full function ATMs 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 and process. 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 and can't do yourself is vital to success, as failure cannot be an option.

Change management

When the executive level is not invested beyond financing the effort, it can result in 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. 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 dramatic change.

Integration

It may be recommended that the strategy allow for an incremental build-out of the terminal network; 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.* A major advantage to ATM integration is the ability to provide services to non-account holders and to generate fee income while creating opportunities to win new customers. 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. Advanced Terminal with Core integration. Enables the full transaction set.

Core integration means that all activities performed by a financial institution's customers 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'.

2. ATM Network/processor (ATM switch). There are many different schools of thought as to whether terminals should be ATM network enabled. They 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 means consolidating tellers in one call center location where they can support tens of ITM's and is an improvement in staff productivity. More a call center mentality than a true automation, this version doesn't require core integration and it is notable that every transaction involves a teller to perform the transactions themselves on a separate terminal, just like the tellers in the branch do today. This is a very inefficient application of technology.

Costs

Each available solution has its own costs, depending on whether vendors integrate or not. This makes it 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.

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 a "long game", and establish the most appropriate custom strategic roadmap that achieves success for your organization in the long term.

For more information, contact:

David Pepin, Chief Operating Officer, BranchServ.

t: 919.449.4655

e: dpepin@branchserv.com

t: [919.449.4655](tel:919.449.4655) | e: dpepin@branchserv.com



Authors:



Ian Hough

Director of Marketing, Solidus

860-838-3875

ihough@gosolidus.com



David Pepin

COO, BranchServ

919-449-4655

dpepin@branchserv.com

