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Measuring the Impact of Teller Automation

BY: DAVID PEPIN, VICE PRESIDENT, BRANCHSERV

BACKGROUND AND STRATEGY

Many financial institutions (FI's) see a future in retail banking and untapped potential of their existing branch network. And with the huge potential gains that can be realized by deepening current consumer relationships, those FIs may have considerable opportunity.

In order to capitalize on the potential, FIs need to evaluate the age-old practices entrenched in the past 100 years. The teller function continues to be focused on the manual counting of cash and the associated pressures of accuracy. In addition, the consumer's experience has changed relatively little over that same period of time. They are accustomed to entering a branch, standing in a line, transacting business and then exiting the branch without any deep interaction with the teller. The correlation between the teller's heavy cash focus and the limited personal interaction with the consumer results in little to no time available to discuss additional product and service offerings.

As FI's re-evaluate the branch network and establish strategic goals, their focus is often times on areas that can provide the greatest impact to the branch experience. Those areas include the teller's role, the consumer's experience, security and network operations. FI's are looking for ways to become more efficient, reduce costs, and increase security all while maintaining timely, accurate, reliable and customized service for each consumer.

The primary impetus for a consumer to visit a branch is still to make a cash deposit or cash withdrawal. Over the years, there has been a great deal of emphasis to automate cash transactions. Finding the right balance between self-service / assisted service and the opportunities to strengthen and deepen consumer relationships is critical.

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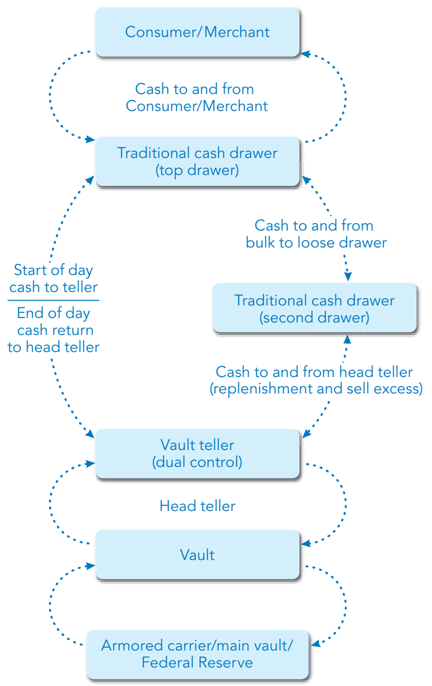

Figure 1: Cash flow through a branch

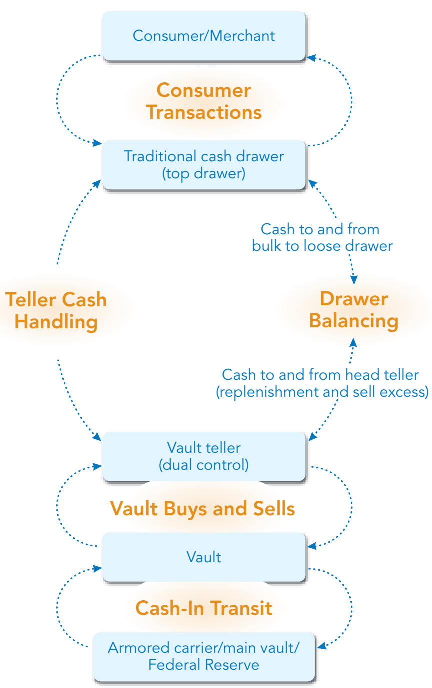

Figure 2: Inefficient branch operation areas

FOCUS: CASH OR CONSUMER

As the concept of retail banking evolves, FIs need to examine their true focus – will it be on the cash or on the consumer's experience? The reality is – if tellers continue to handle cash manually and be held accountable for discrepancies, their number one focus will continue to be the "cash". Typically, this level of focus on the cash can manifest itself in higher levels of stress, employee turnover and often times less than desirable consumer experiences.

But FIs are beginning to implement new strategic goals that shift the focus from the "cash" to the "consumer". This shift will require FIs to implement new solutions to remove the cash burden from the teller but still maintain accurate, compliant and efficient transactions. Furthermore, if the strategy contains goals of cross selling, consumer relationship building or enhancing the branded experience, then the FI should consider introducing technical tools that allow the frontline to execute flawlessly.

However, the debate still exists. Can FIs afford to shift the focus from the "cash" to the "consumer"? By examining the flow of cash and inefficiencies evident in branch operations, FIs will be able to evaluate the qualitative and quantitative measures to support the shift to the consumer.

CURRENT STATE: CASH

An overview of the cash flow within a branch will provide some insight into areas of opportunity. Figure 1 identifies the typical flow of cash through a branch. The purpose of this depiction is to gain a complete understanding of how the flow of cash impacts a branch in terms of valuable resources such as time, energy and cost.

- Cash enters a branch through consumer deposits or deliveries from cash-in-transit services.
- Once inside the branch, cash is counted manually seven or more times.
- Cash exits a branch through consumer withdrawals or shipments to a centralized processing vault.

In order to streamline the flow of cash in a branch and reduce the amount of time and labor spent on handling cash, teller cash automation equipment can be utilized. The result of cash automation includes efficiencies and benefits that impact more than one might initially envision.

FUTURE STATE: CONSUMER

Delving further into all the various steps of cash activities will help identify areas where FIs can realize direct cost savings and focus on branch strategy goals. Areas of potential efficiency gains can be understood by digging deeper into the flow of cash in a branch.

Figure 2 illustrates typical areas where inefficient branch operations may take place. There are five primary areas of inefficiencies. By addressing the impacts in these areas, FIs are better positioned to drive change in the branch environment.

1. Consumer Transactions: Consumers deposit and withdraw cash using tellers for the operation. Tellers spend a significant amount of their time manually counting cash.
2. Drawer Balancing: A teller manually counts the cash in their drawer at the end of each shift. It is estimated that tellers spend 15 to 20 minutes a day balancing their drawer.

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3. Teller Cash Handling: Internal bank policies determine the amount of cash kept in the drawer. The teller's cash is normally stored using a two-drawer system and is moved throughout the workday based on pre-set limits.

4. Vault Buys & Sells: Cash needs which exceed these limits must be handled through a withdrawal from (buy) or a deposit to (sell) the vault. Typically, two tellers are present during each buy/sell activity in order to satisfy dual control requirements.

5. Cash-In-Transit: Armored carriers deliver and pickup cash based on the needs and overall flow of cash in a branch.

The incessant redundancy, resource drain and management oversight required by these five areas cause inefficient branch operations and opens up areas for vast improvements. By making changes to reallocate the time, energy, and cost exerted on these activities, FIs allow their tellers to spend more time on activities that will reach strategic goals such as deepening consumer relationships, cross selling offerings and increasing revenue.

INTRODUCTION TO TELLER AUTOMATION

To effectively focus on the implementation of strategic goals such as the evaluation of the teller's role, the consumer's experience, security and network operations, or to gain efficiencies in the branch, many FIs have turned to teller automation solutions.

Teller automation solutions streamline branch operations by providing faster, more accurate transactions, increasing security within the branch by virtually eliminating the teller drawer and reducing cash handling costs.

Although justifiable alone, these benefits can be further enhanced with the paradigm shift from a cash focused to a consumer focused environment. Such focus shift allows for deeper, more meaningful interactions which have the potential to drive bottom line results.

MEASURE THE IMPACT OF TELLER AUTOMATION

Once FIs transition the teller's focus to the consumer, define strategic goals to leverage the consumer relationship and identify opportunity areas to gain branch operational efficiencies, the next area of interest is measuring the true impact of teller automation.

As illustrated in figure 2, a significant amount of time in a teller's day is spent on the execution of inefficient branch operational activities. Teller automation can bring about positive changes to those inefficiencies as well as other areas.

FIs around the world implement teller automation for a variety of reason including:

- Reducing consumer wait – FIs enhance their consumers branded experience by reducing wait time inside the branch environment.
- Cost savings measures – Many times strategic goals include improving branch operations by achieving cost savings. These cost savings may be realized in a number of ways including reduced teller FTE headcount, hiring, training, and/or cash-in transit costs.
- Transiting the teller to a more consultative role – By eliminating the manual counting of cash, tellers will have more time available to interact with consumers and focus on cross selling product and service offerings.
- Increasing security – Without a doubt, the most reoccurring reason to implement teller automation is security. The ability to virtually eliminate the teller drawer and secure all notes within a branch highlights an invaluable benefit of teller automation.

Just as important as understanding the strategic goals of teller automation is the importance of understanding the functionality (i.e. dispense cash / recycle cash) and implementing the proper teller cash solution mix.

Figure 3 highlights areas that FIs should analyze to drive justification and implementation of teller automation. Furthermore, FIs should examine their branch operational inefficiencies and appetite for remediation by answering some tough questions.

Consumer Transactions

Detail list of transactions (1-2 months)

Branch ID	Teller ID	Date	Time	Type of transaction	Cash amount ($)
223	313	4-07-07	13.04	Cash deposit	243.82
223	313	4-07-07	13.09	Check deposit	0.00

Teller Cash Handling

______ Minutes per day

Average time per teller per day to balance drawer

Drawer Balancing

$______ Average starting till

$______ Average ending till

Vault Buys and Sells

Average number of vault buys/sells (per day): ______

Average time per vault buy (minutes): ______

(Industry average: 3 buy/sells per teller per day at 10 minutes each.)

Cash-In Transit

Number of cash deliveries/shipments (per week): ______

Average amount of delivery/shipment (dollars): ______

(by denomination if possible)

Figure 3: Analytics that help drive justification and implementation

1. Is cash automation appropriate for my branch environment?

2. If so, what type of equipment should be implemented? Cash dispensers, cash recyclers or both?

3. Can the teller role be re-deployed or is there a potential savings in FTEs?

4. Can cash inventories be optimized?

5. Can cash-in transit be minimized?

6. Do potential benefits vary based on time of day and transaction volumes?

7. Can tellers change focus during some transactions?

8. Can balancing time and accuracy be positively impacted?

A thorough understanding of these questions and the answers will help to justify the implementation of teller automation. Determine the proper teller cash solution and begin to set the stage for return on investment calculations. Some teller automation providers offer sophisticated tools that help evaluate your network and provide solid recommendations with financial justifications. FIs should seek teller automation providers who have the ability to assist in providing:

- Solution-set, to include self-service, recommendations for your entire network or just one branch
- Financial analysis with return on investment justification
- Potential time savings

Some tools are designed to analyze branch level information and compute a recommendation specific to each branch. In order to get to this level of specificity, you will need to know the type and frequency of transactions within each branch. The relationship between deposits and withdrawals, peak times, queue formations and buy / sell activities will impact the proper solution set recommendation. By understanding the branch operations, FIs can ensure that implementing teller automation solutions will help achieve their strategic goals and solidify the focus from cash to the consumer.

CONCLUSION – PARADIGM SHIFT

Most certainly the bank branch is a key channel for customer acquisition and sales. Teller automation technology truly has the ability to bridge the gap between customer and teller within the branch environment. By automating the routine activities of a teller, institutions can hire a different kind of employee: one whose skills are better suited to customer service and cross-selling rather than to accuracy in counting cash - humanizing each and every customer interaction.

Society is rapidly changing from the service economy of the 1980's and 1990's to the experience economy of the 21st century. In the new experience, consumers demand a fulfilling, personable and memorable experience with the businesses they frequent. Businesses that deliver such an experience will thrive, and those that continue to deliver products and services with a dated customer service mindset are at a significant competitive disadvantage.

By moving away from the old habits of the past, teller automation can serve as the cornerstone of your branch transformation becoming the 'change agent' that forces the focus from the cash to the customer.

BranchServ
A Division of the CustomVault Corporation
4 RESEARCH DRIVE ■ BETHEL, CT 06801