



# Advanced Terminals and ITMs Are Changing the Face of Retail Banking

Making this Technology Succeed for Your Financial Institution

**F**INANCIAL INSTITUTIONS AROUND THE GLOBE ARE FEELING THE PRESSURE TO REDUCE COSTS and meet the evolving needs of consumers. Consequently, retail branch networks are changing in both form and function. 'Low value' branch transactions are being shifted to the most efficient channels possible and staff are increasingly focused on product sales and customer service. The goal is to achieve financial objectives while both enhancing the customer experience (Cx) and embracing an increasingly tech-savvy consumer base. This is facilitated by new technologies including teller cash recyclers and advanced automation.

Advanced terminals and ITMs specifically can deliver significant cost savings, extend hours, enhance convenience, improve customer satisfaction, and fuel top line growth for financial institutions. They can also reduce security and compliance issues, which is a huge bonus in today's regulation-heavy industry. However, when it comes to advanced automation technology, results hinge on proper implementation.

A successful implementation of this technology requires a two-pronged Organizational and Physical approach, and an understanding that these sometimes dramatic changes are an integral part of the financial institution's long-term strategic vision.

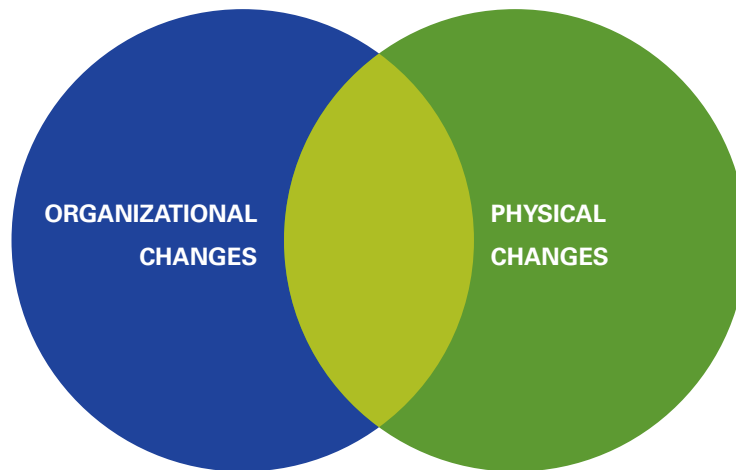
Integrating advanced terminals and ITMs with legacy systems may involve a high initial cost and potential difficulties with applications due to the problematic nature of an aging network structure. Therefore, while rewards are surely significant, your institution must be invested on all fronts in order to make it work. For this reason, it is essential that a concrete and comprehensive game plan be developed and referenced continuously to ensure that your internal team adheres to designated strategies and tactics in support of achieving established KPIs and ultimately delivering a solid ROI. At the end of the day it comes down to technology, people, and process.



## YOUR GAME PLAN FOR AN EFFECTIVE TRANSFORMATION

An effective transformation must leverage Physical and Organizational change or else risk alienating customers and frustrating transition staff. An effective game plan should consider both in equal measure.

### BRANCH TRANSFORMATION GAME PLAN



### SETTING UP THE PIECES: LET'S GET PHYSICAL

A Physical Transformation encompasses both technology adoption/integration and the design and renovation work that modifies the branch's appearance and functionality in order to optimize branding and highlight that technology.

The Physical Transformation planning process for a bank or credit union must include technological and architectural assessments, space usage evaluations, schematic layout development, workflow adjacencies, "smart office" technology integration, and consideration for retail communications. This last item includes branding and merchandising; the main area of overlap with a financial institution's Organizational Transformation and a crucial staging element for the technology in the branch.

Physical Transformation is intended to enhance the branch appearance and customer experience, while also yielding improvements in efficiencies. Comprehensive planning and appropriate attention to detail will allow a financial institution to optimize the outcome and succeed with the implementation.

But it doesn't end here...

### EQUALLY IMPORTANT: EVALUATING THE DEEPER INTANGIBLES

Organizational Transformation draws attention to deeper intangibles such as education, change management, HR skills, metrics, and staging. Ultimately, while the branch's Physical Transformation may be 'sexier', its Organizational Transformation represents a more challenging and fundamental influence upon the outcome.

Organizational change can be challenging in that it takes aim at the operational roots of the financial institution and the historical roles of branch staff. Priorities are realigned, with a shift in focus from transactions to customer relationships, product sales, and education.

There will be a holistic impact on the financial institution; with far-reaching effects on security, IT, job descriptions, compensation plans, training programs, processes, metrics tracking requirements, and pre-work coordination. Organizational transformation changes behavior and mindsets. 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.

## HOW ADVANCED TERMINALS AND ITMS FIT INTO YOUR STRATEGIC PLAN

Ultimately, an effective advanced automation implementation can raise your overall strategic plan. Take a step back and consider this.

A financial institution starts with a vision about where they want to be. They might be focused on customer retention, staff development, financial product sales, transaction costs or other KPIs. Essentially, their strategic plan flows from that with the intention of achieving stated objectives, and attaching tangible metrics to that allows them to measure progress.

### Strategy

There are a number of strategies upon which banks or credit unions may rely to support growth and success including:

**1. MORE INTENSE RETAIL/SALES FOCUS**

**2. RELATIONSHIP BUILDING/CUSTOMER SATISFACTION**

**3. ENTERING NEW MARKETS/SEGMENTS**

**4. COMPETITIVE DIFFERENTIATION VIA CONVENIENCE, HOURS AND ACCESS**

Advanced Terminals and ITMs Would Tactically Enable this because:

**1. AUTOMATION PERFORMS THE MAJORITY OF TRADITIONAL TELLER ACTIVITIES/TRANSACTIONS, FREEING STAFF TO PERFORM HIGHER VALUE ACTIVITIES**

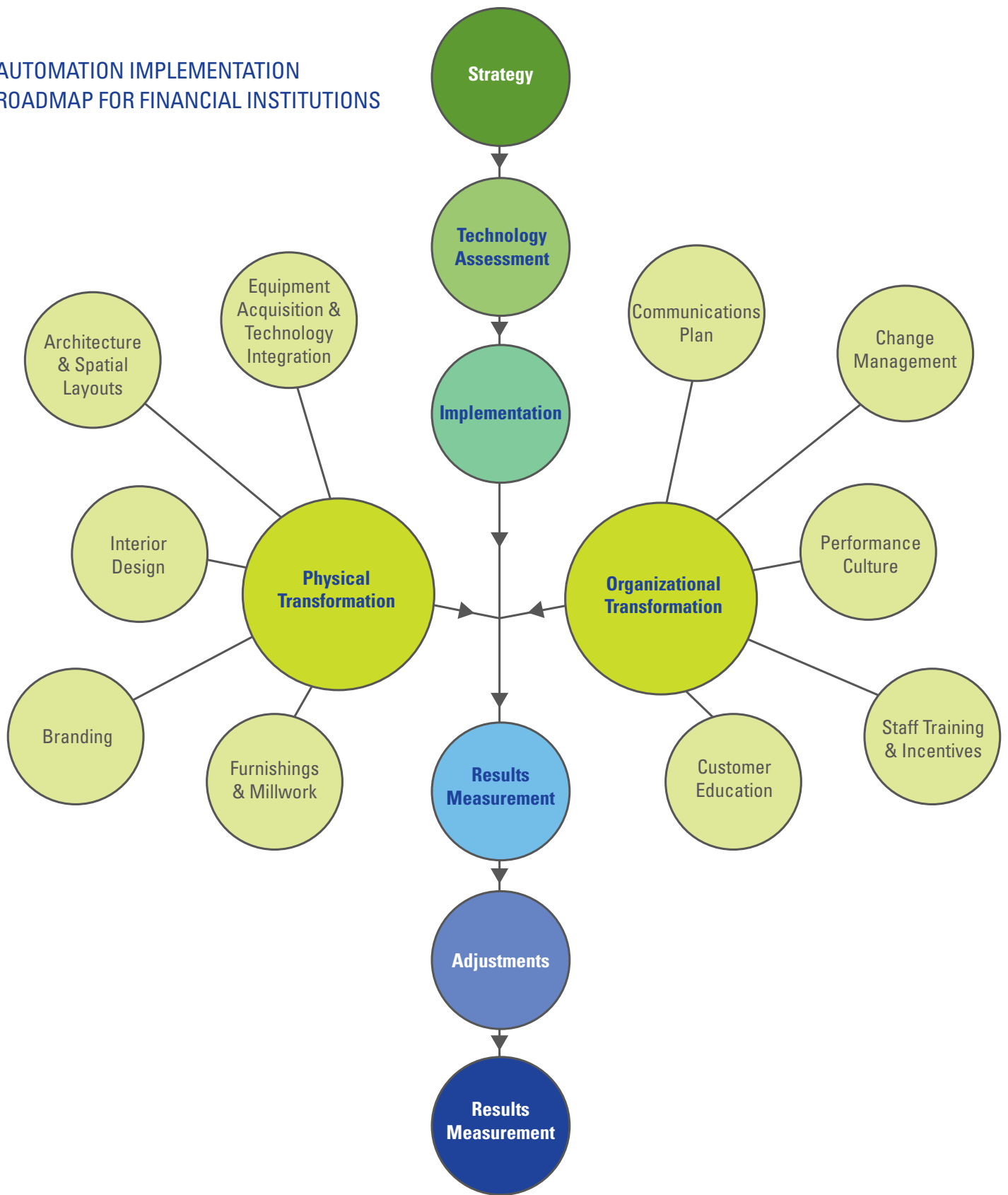
**2. RETAIL CUSTOMERS APPRECIATE THE "HIGH-TECH, HIGH-TOUCH" BANKING EXPERIENCE**

**3. ITMS HAVE A COST ADVANTAGE VS. FULL-SCALE BRICK AND MORTAR FOR NEW MARKET ENTRY**

**4. ADOPTING GROUNDBREAKING TECHNOLOGY SHIFTS YOUR BRAND IMPRESSION AND SUPPORTS MARKET DIFFERENTIATION**

Once you identify your overall strategy, and determine the role of automation technology, you need to have a roadmap for aligning that technology with your branches in order to optimize your outcome and support your ability to achieve your stated goals. This is where those physical and organizational changes play a major role.

# AUTOMATION IMPLEMENTATION ROADMAP FOR FINANCIAL INSTITUTIONS



## TECHNOLOGY ASSESSMENT

If advanced automation is deemed to be consistent with your strategy, following review alongside ATM and cash recycling technology, your first step will be to engage branch transformation partners to help you begin the process. Given the systems you have in place, you need to be able to anticipate and properly plan for integration requirements. Then you will need to execute a Transaction Audit to better specify your needs before tackling Implementation.

## TRANSACTION AUDIT

The Transaction Audit is intended to analyze each branch in 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 or ITMs. Once these goals are established, the bank or credit union will know how many machines 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, and the institution can begin mapping internal changes and communications. The road of Implementation now forks into Physical and Organizational Transformation.

## IMPLEMENTATION: PHYSICAL TRANSFORMATION

The physical transformation begins with the acquisition of advanced terminals or ITMs and the larger task of integration.

### Equipment Integration

It may be recommended that the strategy allow for an incremental build-out of the ITM network meaning that 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. In addition, there are emerging “middleware” applications available to connect the terminal side with the financial institution’s core if your legacy banking applications or networks present a hurdle. 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 first with assistance or human intervention only on an ‘as needed’ basis.
2. ATM Network/processor (ATM switch). There are several schools of thought as to whether ITM advanced terminals should be ATM network enabled. The equipment 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 their desired transaction type.
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, in the same way the tellers in the branch do today. This is a very inefficient application of technology.

### Architecture and Design

The equipment itself is complemented by well-thought out branch design which optimizes the impact of the technology, reinforces branding and ensures that both staff and customers are at ease with changes. To that end, your branch transformation partners must include both a technology provider and a design partner that will ensure that the equipment and surroundings work in harmony to maximize the customer experience.

## IMPLEMENTATION: ORGANIZATIONAL TRANSFORMATION

### Communications Plan

There should be a strategy in place prior to the implementation of advanced terminals or ITMs 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 customers/members at all times during this transitional period. A communication plan is crucial to achieving the target percentage shift to the new automation platform. Its vocabulary should be understood and practiced by everyone in the organization.

In sum, a communications plan for an advanced automation introduction 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**

### 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 Organizational 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.

### Performance Culture

There may be great resistance to some aspects of the transition to advanced terminals or ITMs, 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 Training and 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, ITMs 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 new technology in language the customer relates to and appreciates, i.e. "what's in it for the customer"

## RESULTS MEASUREMENT, ADJUSTMENTS, REPEAT

Once implementation is complete, the financial institution must track branch activity to ensure they're making the shift to committed targets. Acceptance level is a strong indicator of success: How many transactions are being moved from the teller line to the terminals? 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? 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.

Once adjustments are made, results need to be remeasured.

## ROI

Each available advanced automation 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 and determine a realistic return on investment. 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.

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