

GLORY

Branch Transformation:

The changing conversation



We published our Branch Transformation whitepaper entitled “Branch Transformation: The Plain Truth” in 2015. Little did we know that the “plain truth” would be that the conversation around Branch Transformation would itself transform significantly over time.

Since 2015, GLORY has engaged in hundreds of strategic conversations with all types and sizes of financial institutions [FIs], as well as other industry stakeholders, as the banking landscape has continued to change to meet the needs and desires of banking customers. This paper attempts to synthesize those conversations, bring in recent research regarding customer desires, and provide fresh perspectives about the evolving nature of these conversations.



WE WERE STUCK IN A SELF-SERVICE DELIVERY PARADIGM **AND DIDN'T KNOW IT**

In 2013-14, the marketplace experienced a seeming overnight arrival of expanded capability ATMs, Personal Teller Machines, and Interactive Teller Machines with remote video assistance. Financial institutions were intrigued: “Do we need these technologies, and how can they benefit us?” Many financial institutions immediately forged ahead into experimentation mode with these devices. The expected benefits were many, and seemed obvious: reductions in branch staff, extended banking hours, and even “staff-less” branches.

This experimentation was within somewhat familiar ground to bankers; these devices were mostly viewed as “evolved” ATMs. It is understandable that financial institutions would gravitate towards more ATM technology. Traditional ATMs had served them reliably in their entry vestibules and drive throughs for decades. ATMs with reliable cash dispensing, and advanced deposit capabilities had already shifted a significant number of consumer transactions out of the branch. The new proposition simply improved the old one, adding new features to a well-understood self-service channel. Unfortunately, the “evolved ATM” paradigm may have been the wrong approach, slowing down market innovation rather than accelerating it.

A recent Financial Brand article entitled [Design Thinking: The Hottest New Trend](#) in Banking describes the challenge:

“INSTEAD OF FOCUSING ON THE CONSUMER EXPERIENCE, FINANCIAL INSTITUTIONS TEND TO DEVELOP PRODUCTS TO MEET THEIR OWN INTERNAL PROCESSES AND OPERATIONAL EFFICIENCIES.”

WE WERE STUCK IN A SELF-SERVICE DELIVERY PARADIGM **AND DIDN'T KNOW IT** [continued]

In this case, the existing paradigm of the traditional self-service channel blocked the very innovation these technologies were expected to enable. The net result has been more “smarter ATMs”, rather than “smarter branches”.

Experimentation that focused on smarter ATMs led to mistakes in implementation that could not deliver the anticipated (cost saving) financial returns. Expected cost reduction associated with in-branch labor was simply shifted to video tellers in the call center. A substantial capital investment was required to implement the shift to remote human services.

Interactive teller machine [ITM] technologies require a threshold transaction volume to justify the large capital investment in infrastructure. According to [Cornerstone Advisors benchmarks](#), the average bank is processing 857 interactive teller machine

transactions per month. Cornerstone tech guru Ryan Rackley says “this number is low and in many cases, banks’ ITMs aren’t even paying for themselves.” Even in very recent reviews, including a [BAI Banking Strategies article](#) by David Kerstein, ITMs remain hard to justify: “ITMs require one-half to one full-time employee per machine in the call center, which begs the question of economic viability: no reduction in staff despite significant capital outlay?”

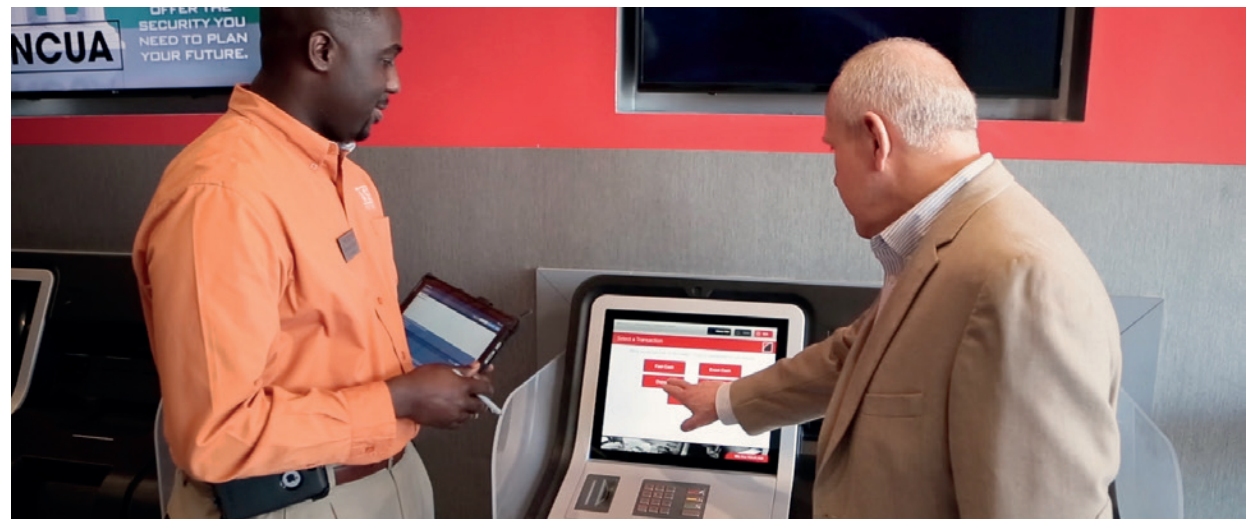
Customers provided mixed reviews about this new type of service. Waiting in an electronic queue to speak to a remote teller seemed like a step backwards in service. Call center managers admitted their inability to effectively sell new products over a video call. In a video entitled [What’s Up with ITMs?](#), Steve Williams of Cornerstone Advisors characterized these experimental ventures as “hormonally buying” ITMs, missing a sound business case in many instances.



WE WERE STUCK IN A SELF-SERVICE DELIVERY PARADIGM **AND DIDN'T KNOW IT** [continued]

As a result of these early experimental efforts, we became more aware of the real end-to-end costs of these solutions, which exceeded the value delivered in many cases. While the technologies “felt” right, it became clear that more work was needed on understanding the cost/benefit relationship and developing a compelling business model. As is often the case with truly new ideas, these initial efforts demonstrated that FIs needed to take a closer look at what they are actually trying to achieve, both for their institution and, most importantly, for the customer.

By 2016, a new class of devices, and a new customer service model were emerging. **Assisted Service Technology (AST)** offered capabilities well beyond those offered via “evolved ATMs”. These expanded capabilities provided tangible benefits for both the FI and its clientele. AST replaced the traditional ATM network connection with a new transactional approach, flexibly interfacing to an FI’s core banking and other software systems, and integrating staff in the flow of a self-served transaction when appropriate. The development of the AST approach enabled financial institutions to provide the breadth of transactions traditionally available with a teller, and set this new generation of services on a course to deliver a superior service level at a reduced cost to serve.



IN 2016, WE FOUND A PATH TO A **NEW,** **SERVICE-CENTRIC PARADIGM**

The paradigm “reset” started in 2016. ITMs and other evolved ATMs were failing to deliver the desired results, and interest was waning. The basic challenge in the branch transformation conversation, however, still existed. If the desired value could not be delivered by ITMs with remote video assistance, could the more extensive, core-enabled AST technology meet the requirement? And, could this be tested without the significant costs incurred in testing the ITM concept?

The gap between branch services and evolved ATM services was now better understood. AST would need to enable a greatly expanded service offering while also better appreciating the value customers placed on in-lobby teller services. There remained a strong desire to manage operating costs through enhanced technology, but bankers now focused more on the fact that customers need to realize some value as well.

During this same time period, many financial institutions began testing the value of new ideas through the implementation of Innovation Centers, public facilities promoted as ‘branches of the future’, equipped with a variety of state-of-the-art technologies. These centers provided opportunities for customers to try new technologies, and provide valuable feedback, while the financial institutions also learned about staffing requirements and operational impact.



IN 2016, WE FOUND A PATH TO A **NEW,** **SERVICE-CENTRIC PARADIGM** [continued]

America First Credit Union, in Salt Lake City, Utah, opened its innovation lab in June of 2016. The center was a 'collaborative hub', where AFCU members could visit and test new technologies and credit union services. The members' interactions would provide valuable feedback as to how they want to be served in the future.

In a recent blog post, Chad Lynch of AFCU explained their decision to open the innovation center as follows:

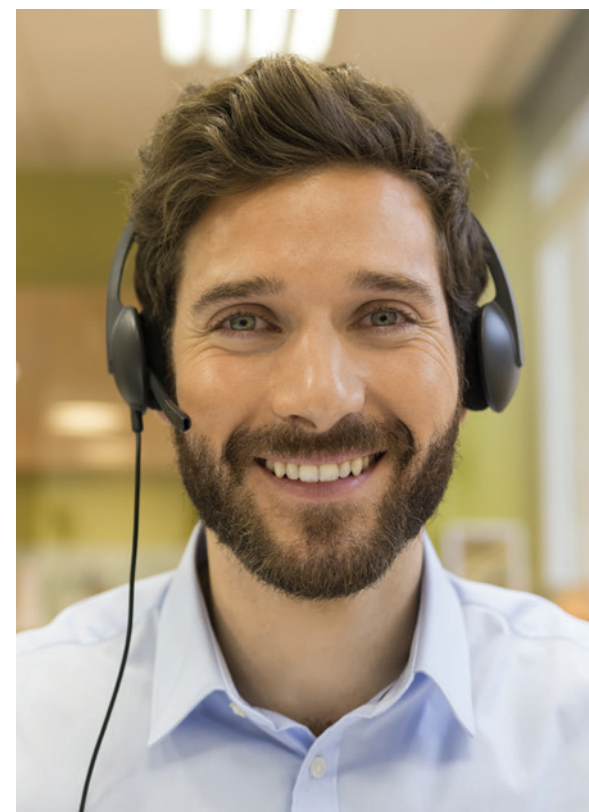
“WE NEEDED A PLACE WHERE WE COULD TEST AND LEARN, A REAL WORKING ENVIRONMENT... IT’S VERY EASY FOR US TO THINK WE KNOW WHAT OUR MEMBERS WANT. WE HAD TO TURN THAT ON ITS HEAD AND GIVE THEM THE SPACE TO ACTUALLY TELL US WHAT THEY WANT, WHAT THEY LIKE, WHAT THEY DON’T LIKE. SOMETIMES THEY MAY NOT EVEN KNOW THAT UNTIL THEY HAVE THE CHANCE TO COME IN AND TRY OUT A NEW FEATURE, A NEW TECHNOLOGY, A NEW WAY OF DOING SOMETHING.”

IN 2016, WE FOUND A PATH TO A **NEW,** **SERVICE-CENTRIC PARADIGM** [continued]

From these type of efforts, at AFCU and elsewhere, a great deal was learned about in-lobby service offerings. While remote video was not viewed positively as a teller replacement, it has a place in customer service effectiveness overall. As an example, learned by AFCU, video services make subject matter expert advisory services available in all branch locations across extended hours. Offering video consultations with an expert, in a private conference room, has proven highly effective, and completely acceptable to credit union members.

AFCU also approached the question of enhanced, reduced cost service delivery through AST devices. Using the new concepts enabled by AST, they tested and compared AST technology and enhanced ATM technology side-by-side in the innovation center. The AST technology, not constrained by limitations of the ATM network, was strongly preferred by members. Through expanding banking system interface connections, AST devices allow banking customers access to all of their banking accounts

and products, while supporting the institution's business rules and workflows. This distinction enables AST devices to offer a broader set of transactions. In AFCU's case, this meant that staff only need to engage with members that require special support or when banking systems recommended engagement with a particular member. The objective of branch transformation – expansion of the traditional teller role, enabling staff to focus on higher value advisory services – was achieved.



IN 2016, WE FOUND A PATH TO A **NEW,** **SERVICE-CENTRIC PARADIGM** [continued]

A key learning in experimental AST deployments was critical: customers who visit a branch expect access to an on-site staff member. In the BAI Banking Strategies article entitled [From customer experience to bank branch significance: Five predictions for 2018](#), this is simply summarized:

“CUSTOMERS HAVE A CHOICE. THEY [FINANCIAL INSTITUTIONS] KNOW THAT ALMOST EVERYTHING CUSTOMERS DO IN A BRANCH THEY CAN ALSO DO THROUGH OTHER CHANNELS: THROUGH CALL CENTERS, ON COMPUTERS, WITH SMARTPHONES OR AT AN ADVANCE FUNCTION ATM. WHEN THEY VISIT A BRANCH, THEY CHOOSE HUMAN INTERACTION. THEY DON’T WANT TO COME INTO A BRANCH ONLY TO BE TOLD ‘USE OUR SELF-SERVICE TERMINAL AND DO IT YOURSELF.’ RATHER THEY WANT A PERSONAL EXPERIENCE THEY CAN’T GET AT HOME OR VIA A MOBILE DEVICE.”

Other research reinforces this requirement. According to [Accenture’s 2016 North American Consumer Banking Survey](#), “87% of consumers will use their branches in the future – and want human interaction when they go there.”

Customer feedback has been consistent. Most visitors want in-person assistance when they enter the branch. AST supports this need. Rather than force customers to use a remote support model they don’t like, the AST-transformed branch creates the opportunity to reengage customers in a meaningful, technology-supported fashion that retains the face-to-face human interaction when required.

IN 2016, WE FOUND A PATH TO A **NEW,** **SERVICE-CENTRIC PARADIGM** [continued]

In-person assistance is a hallmark of AST and supports the following benefits:

- **Personal connection:** After years of offering customers service channels that limit their need to visit the branch to reduce cost of delivery, institutions can now reconnect with their customers to build brand loyalty and drive business expansion at similarly low costs.
- **Warm introduction to technology-focused services:** Utilizing in-branch assistance personnel to introduce new AST technology supports the in-person interaction the customer desires and enhances adoption of all available self-service channels.
- **Assistance always at-hand:** The availability of in-person assistance reduces customers apprehension towards using new in-lobby technology. Customers can bank at their pace, and be supported by staff when needed.
- **More transactions than available through other self-service channels:** By taking advantage of in-person assistance, AST supports a greater number of transactions with the inclusion of those that require minimal intervention to complete (i.e. cash dispense limit overrides, official check retrieval)
- **Greater customer focus:** Reduction of low value transaction activities allows staff to better attend to customers with complex needs and improve interactions overall. Without the pressure of servicing every transaction quickly, staff members can uncover needs and discuss personalized, high value solutions with more customers.

IN 2016, WE FOUND A PATH TO A **NEW,** **SERVICE-CENTRIC PARADIGM** [continued]

As a result of all of these learnings, it became increasingly clear that any discussions around branch transformation and supporting technologies needed to put the customer experience in the forefront. After all, the transformed branch is intended to attract, serve, and retain customers while also connecting them emotionally with the institution's brand. As such, the customer experience is the 'make-or-break' criterion.



IT IS NOW 2018 – AND WE ALL KNOW: EVERYTHING IS REALLY ABOUT THE **CUSTOMER EXPERIENCE**

While we must implement technology solutions to maintain operational efficiency, nothing can be gained overall without delighting customers. Apple founder Steve Jobs stated it this way, “You’ve got to start with the customer experience and work backward to the technology.” This change in strategic thinking was well expressed by Anthony Morris in a Recent BAI Banking Strategies article entitled [Becoming the bank your customers love](#),

“WHEN BANKS STOP THINKING IN TERMS OF PRODUCTS, PROCESSES AND CHANNELS AND START THINKING ABOUT THE CUSTOMER IN TOTALITY, THEY HAVE REACHED A MAJOR PIVOT POINT.”

The simple goal is consistent delivery of a better customer experience, which is well-established as the path to customers who become more engaged and emotionally connected with their financial institution.

This, of course, involves considering service delivery across all digital and physical delivery channels, with the branch as the brand centerpiece. Assisted Service Technology solutions offer the in-branch customer three choices for processing transactions: **self-service** where no assistance is required for simple transactions, **assisted service** where some assistance is required for minimal intervention transactions, or **full service** for interactively completing customer transactions – all utilizing the AST. For many transactions, customers have full flexibility to decide and choose which approach is best.



IT IS NOW 2018 – AND WE ALL KNOW: EVERYTHING IS REALLY ABOUT THE **CUSTOMER EXPERIENCE** [continued]

Since a well-implemented AST solution will provide a range of transactions capable of meeting most customer needs with limited staff intervention, many or most customers will choose the more expedient self-service alternative, knowing that support is at most a button click away.

If a customer does not choose face-to-face engagement for a transaction, bank staff members are still able to greet the customer, and have the option of interacting when the customer meets defined criteria encouraging such engagement. The customer, when they want assistance, finds he or she can access a bank staff member who is readily available, having been freed from many burdensome transaction processing tasks. This is especially important if the customer came to the branch to resolve another matter or inquire about more complex products beyond processing a simple cash transaction!



IT IS NOW 2018 – AND WE ALL KNOW: EVERYTHING IS REALLY ABOUT THE **CUSTOMER EXPERIENCE** [continued]

According to an article appearing on Customerthink.com entitled [Why Can't We Get Customer Experience Right?](#) what really drives the customer experience is not digital tools or the latest technologies.

“...THEY [CONSUMERS] REALLY CARE ABOUT OUTCOMES - THAT IS, HOW AN ORGANIZATION IMPROVES THEIR LIVES...”

However, while pursuing those outcomes, today's customer also wants convenience, flexibility, speed, simplicity, and security. AST, with the correct implementation of complementary branch technologies, delivers on all counts, while also freeing staff to uncover customer needs and deal effectively with those more complex requirements that lead to producing those all-important 'outcomes'.

The payoffs of achieving a superior customer experience, delivering the right outcomes for customers, and making an emotional connection are significant.

Based on a [Motista study](#) of about 60,000 retail bank customers from 2013-2016, emotionally connected customers hold 20% more products, have a 78% lower attrition rate, and are 900% more receptive to cross-selling of financial products. This results in a lifetime relationship that produces nearly six times more revenue as compared to those customers who are highly satisfied, but not emotionally connected with their financial institution. Such customers also become your brand advocates in the marketplace.



WE ARE HERE TO **SUPPORT YOUR** **BRANCH TRANSFORMATION JOURNEY**

Glory has, for the last 100 years, delivered innovative technologies to customer service-centric businesses. We are best known for our cash handling innovations, from the earliest automated coin and note dispensing systems to the latest in intelligent cash recycling. We offer advanced AST solutions for consumer and business customers, coupled with professional services that ensure successful implementation of your branch transformation program.

To begin a discussion of how Glory solutions, including Cash Automation and Assisted Service Technology, can support your branch transformation and customer experience enhancement initiatives, contact your Glory account manager, or you can reach us at 800-527-2638 or info@us.glory-global.com.

To learn more about America First Credit Union's Innovation Center [watch the video case study here.](#)

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