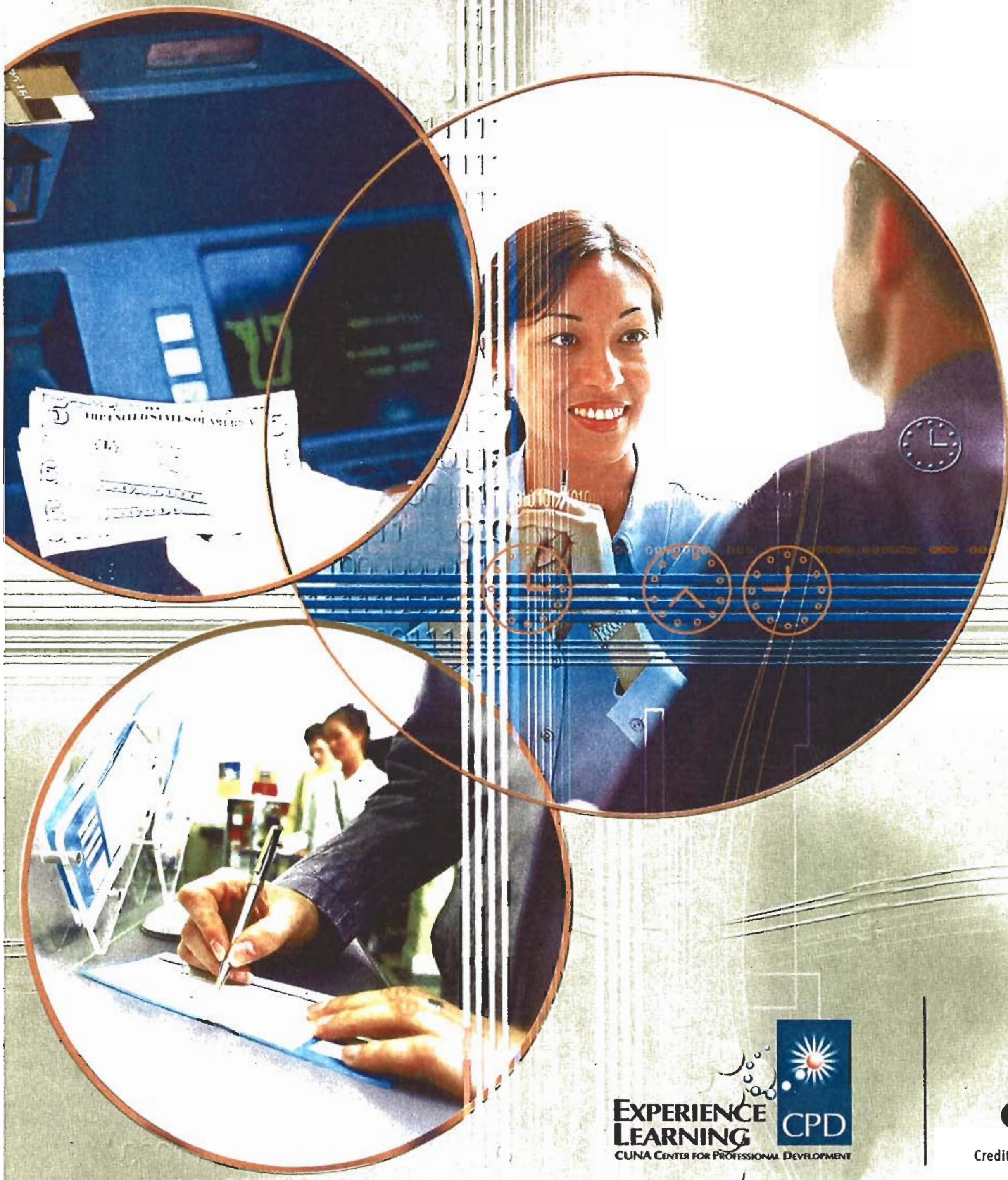
So, you want to open a new branch office?

A Guide to Branch Planning and Implementation



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CHAPTER 4

Using Technology to Improve Efficiency

New branches can be designed to use technology to reduce wait times, decrease staffing requirements, increase member satisfaction, introduce members to self-service options, reduce the area of the branch allocated to transactions, and meet other goals. The key is to aim technology investments at streamlining the member experience.

"Credit unions are attuned to intelligently leveraging technology," says Jim Hughes, director, solutions development, Diebold Inc. "It could be in the form of biometrics, remote teller systems, or a wall of electronic components that allow a member to conduct their transactions and interactions on a self-service basis. That allows for a reconfiguration of the resources in the branch and how those resources are leveraged to improve service levels, improve member education, improve retention, and grow the member relationship."

Adding Flexibility

One way to improve branch efficiency is to combine employee training, technology, and branch design to add flexibility. For example, an MSR might be trained to fulfill a wide range of functions: opening new accounts, explaining products and services, working side-by-side with members to introduce self-service technology, accepting loan applications, and providing back-up for the teller line.

When one employee serves multiple functions, it reduces "down time" and makes everyone more efficient. Apply that strategy to the entire branch and it becomes possible to reduce staff time, often to the point of making it possible to eliminate multiple employee full-time equivalent (FTE) positions. An FTE translates to 2,080 staff hours per year, or one full-time employee.

Properly used, technology does more than just reduce staff time. It anticipates member needs by making it easier for members to complete branch tasks, thus improving member satisfaction. It also creates opportunities for cross-selling, thus improving profitability.

Technology and design can be combined to enhance flexibility in many ways.

The functional service counter can replace the traditional receptionist desk. This cubicle or platform might have a long or circular counter to allow the credit union's "meeter-greeter" to serve multiple functions, especially when the "receptionist" role is replaced by an MSR. With a circular counter, multiple MSRs can serve multiple members during busy hours. One member might be completing an application for a new account, for example, while the MSR goes on to direct a second member to a loan officer and then offers information about a new product to a third member.

Pneumatic tubes can provide access to teller line services from many different areas of the credit union, including MSR or loan officer stations. Instead of directing the new member or approved loan applicant to the teller line to deposit a check and get cash, the employee can send the transaction by pneumatic tube. While the teller is handling the transaction, the employee can continue to work with the member face-to-face to provide information about additional products and services.

RemoteTeller Systems use pneumatic tubes to allow members to connect with tellers physically located in another room. Some RTS connections rely on audio connections alone, although most recent installations are typically supported by two-way audio and video connections. The combination of audio and video with RTS is sometimes known as "private video tellers." RTS must be handled carefully to avoid alienating members who prefer human interaction. Branch consultants say that branches that offer remote tellers should always be supported by access to an employee who is stationed in the lobby. During the introductory period, additional support is recommended to introduce members to RTS on a one-to-one basis. When the introductory period ends, staffing costs will be lower, since a single teller can usually handle traffic from two to three queues.

One caution with RTS is that they are difficult to introduce in existing branches where members are accustomed to face-to-face service. It appears to be much easier to introduce RTS in brand-new branches.

Members under the age of 40 appear more likely to be receptive to using RTS than older members.

RTS can be used in a variety of situations to add flexibility. For example, an in-store branch can place remote tellers in offices on the second floor, where space costs are lower on a per-square-footage basis, thus reducing the size of the high-cost space needed for the in-store branch on the main floor.

Cash dispensers automatically dispense the correct amount of cash for each transaction entered into the teller's computer. This can significantly cut the time involved in handling a transaction when tellers are frequently required to dispense cash. A teller working with an RTS might be able to handle three lanes instead of two, for example. But the teller must change his or her work habits at the same time. Some tellers have been known to recount the cash issued by the cash dispenser, which is precisely the task the dispenser is designed to eliminate. Because cash dispensers are self-contained, they can be used in face-to-face teller or MSR stations to make it possible for the employee to easily walk away from the station to work with members. Cash dispensers also significantly reduce the amount of time involved in balancing a cash drawer, making it easier to open and close teller stations to accommodate demand.

Cash recyclers combine the functionality of cash dispensers with the added capability of taking in cash and sorting it for re-use. In limited-service settings, the cash recycler may even replace the vault. Cash recyclers can be particularly valuable in branches that combine high cash deposits with frequent cash dispensing.

The drive-up lane can benefit from multiple tools already mentioned. Adapting the two-way video connections used for RTS to drive-up lanes can speed transactions. For example, members who forget to send their identification along with their transaction can simply hold it up to the video camera, thus eliminating another pneumatic tube exchange.

Biometric access to safe deposit boxes allows credit unions to turn safe-deposit access into a self-service function. More information on this option is provided below.

Electronic check images can be created at the branch. This process takes advantage of possibilities created by the Check 21 Act to process

Figure 4.1 Technology Tools for Added Efficiency

- Biometric verification for safe deposit access
- Cash dispensers
- Cash recyclers
- Electronic check images
- Functional Service Counters
- Pneumatic tube usage (in addition to RTS and drive-ups)
- RemoteTeller Systems/Dialogue tellers

transactions by exchanging electronic images rather than paper checks, which reduces courier and storage costs.

Changing Tools, Changing Roles

Adding new tools to the branch changes the role of branch employees, as shown by these two examples.

Dialogue banking uses pneumatic tubes and/or cash dispensers to control access to cash so physical separation — such as the divider created by a teller counter — is no longer required to create a secure zone for the branch employee. That frees the MSR to travel within the branch and serve a variety of functions. Instead of waiting at a counter or a desk, they're out in the lobby interacting with members. While they might still assist members with transactions, their role has evolved to serve as a financial counselor who advises the member about products and services, even while the transaction is traveling through the pneumatic tube.

Side-by-side viewing of desktop computers or online banking stations makes it possible for MSRs to sit or stand shoulder-to-shoulder with members. The MSR may use a computer to show the member how to use online banking or display a slide show demonstrating the benefits of a specific product or service. The MSR also may be able to open a loan application file and allow the member to complete it while sitting at the desktop. The MSR then goes on to help other members, returning periodically to see if the loan applicant has questions or concerns. Depending on the credit union's capabilities, it may even be possible for the member to store the information and then retrieve it at home using the credit union's online banking service.

Offering Self-Service Options

Credit unions often achieve efficiencies by helping members help themselves.

ATMs and kiosks allow members to complete the common task of retrieving cash or performing simple transactions. ATMs and kiosks are often located in a portal that is separate from the main lobby to allow 24/7 access. Some credit unions use advanced-function ATMs to perform complex functions such as loan applications and to-the-penny check cashing to expand access for members who work extended hours.

Biometric verification for safe deposit access makes it possible to release the employee once designated for this function to other tasks. Biometric systems that rely on hand recognition, thumbprints, fingerprints, or retina scans are highly accurate. These systems can track usage to record when the box was accessed and determine the size of boxes required to meet member demand. Biometric verification also reduces wait times for safe deposit access, since members no longer have to wait until an employee is available to serve them.

Internet access to online banking allows MSRs and other employees to work side-by-side with members to introduce them to online banking as part of a "transaction migration" strategy that encourages members to adopt self-service options.

Telephone access to call centers can help members in a hurry when long teller lines slow transactions. Most experts say this should be offered as an option, rather than encouraged as a replacement for face-to-face interaction. Helping members learn to use the telephone call center can also be part of a transaction migration strategy.

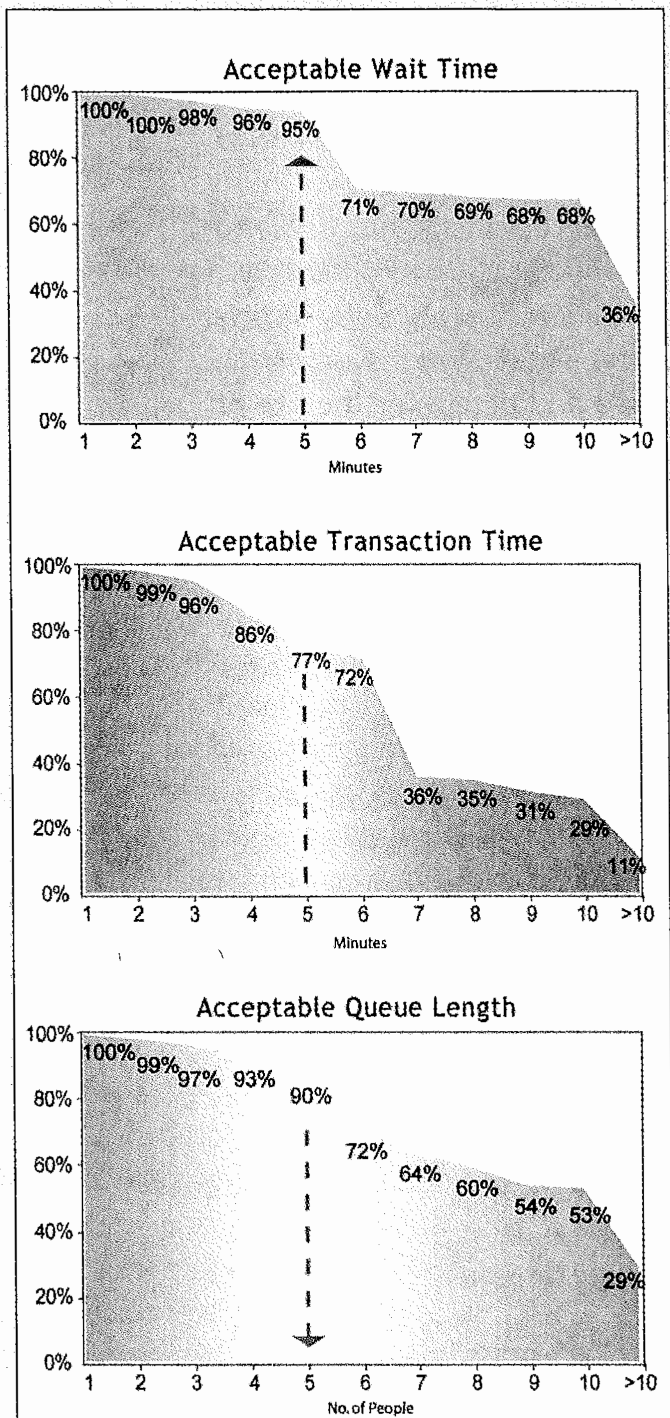
RTS also has a role in member self-service because it relies on member cooperation to streamline routine transactions. The member is often responsible for selecting the type of transactions they are seeking, preparing materials, and using pneumatic tubes to send and receive cash and receipts.

Side-by-side workstations allow MSRs to work while sitting or standing beside the member. This can be used to help the member perform certain tasks themselves, such as completing a form or loan application.

The Rewards of Efficiency

Combining efficiency with self-service functionality can make a significant difference in the operating cost of a branch. HBE's Patterson says that it is useful to consider the life cycle cost of a building. A more efficient design can cut the need for additional personnel. Reducing future staffing by as little as 4% can pay for a building over a 40-year period.

Figure 4.2 Focus on the "Fives"



Source: Brickstream Corp. 2004

Focusing on the "Fives"

Improving branch efficiency can also improve member satisfaction.

A 2004 study by Brickstream Corp. found that the key elements of financial institution customer satisfaction are summed up with a "focus on fives," according to Tom Chmielewski, vice president, marketing. Customers expect to wait in line less than five minutes, they expect transactions to take less than five minutes, and they want the number of people standing in line to be five or less. Figure 4.2 shows the correlation between satisfaction and wait times.

When financial institutions exceed any of those limits, satisfaction drops rapidly. When transaction times increased from five to six minutes, member satisfaction decreased only slightly from 77% to 72%. But when transaction time increased to between six and seven minutes, satisfaction dropped to 36%.

The study also showed that delivering a consistent experience was crucial, Chmielewski says. Nearly half of customers give financial institutions only two chances to fail to meet their expectations before they consider switching to another financial institution.

Amenities played a relatively small role in satisfying the bank customers surveyed for the study. Only 4% of customers surveyed said amenities were important enough to make them switch or stay with a financial institution. Some design/build experts argue that amenities are more appealing if they are matched to a branch's target demographic group.

Reducing Paper, Minimizing Storage

Another way to make the branch more efficient is to take advantage of computer tools that allow forms and printed materials to be created when they are needed. Eliminating the need to store reams of paper eliminates waste due to outdated materials and significantly reduces the need for storage space.

Digital collateral systems allow credit unions to print high-quality marketing materials as they are needed. Some credit unions simply store marketing materials on their computers and use high-quality laser printers to produce them in the branch. Some programs make it possible to personalize these forms with individual greetings or images matched to a member's profile.

For example, IBT offers a "digital collateral management" product that allows each branch to order high-quality marketing materials on an as-needed basis, including banners or posters that most laser printers cannot produce without cutting and pasting. IBT's Bruney says the system allows branch staff with authorized access to adapt materials to be locally relevant, using graphics that are preapproved by the credit union's leadership.

"Let's say this month I want to promote boat loans to Hispanics," Bruney says. "The branch manager could select photos from an image bank, write the copy, produce a poster, print out a .pdf file to proofread for accuracy, and then click the 'send' button on the screen. The file immediately goes to the printer, and it's sent back to the branch manager by overnight delivery so he has it the next morning."

Computer access to forms can also reduce paper by allowing branch staff to print up-to-date forms as needed. This functionality is often provided using the credit union's intranet, although other options are available. Having forms stored on computer or on an intranet may reduce the steps required to complete some forms. Instead of printing a product or service application, asking the member to complete it, transferring the information from the form to the computer, and then printing the necessary documents, the MSR works side-by-side with the member to enter the information and then prints the appropriate documents for the member's files.