

## Transforming Bank Branches Through Video Banking

With video banking, financial institutions are able to offer improved customer service at reduced costs for the retail branch network.

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Despite the repeated forecast of the end of the retail bank branch, the numbers tell a different story. Surrey, U.K.-based RBR Research, a provider of banking automation, ATMs, cards and payments information, found that the number of bank branches worldwide increased by 10 percent between 2003 and 2010. With the growth of automated channels, such as mobile and online banking, why do financial institutions rely on a physical presence? The simple answer is customer relationships.

Financial institutions face an array of challenges associated with maintaining and expanding a retail branch network, from the initial cost of building a branch to the ongoing expenses of staffing and maintaining that physical and technological presence. With the average cost to build a bank branch in the \$3 million range, a traditional branching strategy represents a significant investment.

“Financial institutions are searching for solutions that will allow them to expand their footprint in the most cost effective manner. They have to drastically alter the way they deliver services in order to compete and survive.” said Karen Connor, vice president of sales at Sandy, Utah-based

uGenius Technology, a leading video banking solution provider.

To save the traditional branch network, FIs have been counting on the “bank branch of the future” to breathe new life into a moribund concept. For all too many short-sighted FIs, this future branch is all about wood fixtures, leather sofas and HD TVs showing the local weather.

But the branch of the future is actually here now, with the advent of video banking. This new technology, already adopted by a number of forward-thinking FIs, incorporates a remote teller presence via video



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technology. Depending on the technological capabilities of the equipment, consumers are able to complete most branch transactions remotely with a teller housed in a centralized call-center environment.

With video banking, an FI can build branches in locations that would otherwise prove difficult, such as high-dollar real estate and off-site locations. Real-life experiences with video banking — in some cases more than four year's worth — indicates that consumers of all ages and backgrounds are embracing video banking.

In fact, customer surveys at one FI show customer satisfaction rates higher at branches with only video-banking machines than banks with a physical teller presence. Video banking is carving out a place in basic transactions as well as new account openings, loan originations, investments and other high-end relationships.

Claire Schooley, an analyst with Boston-based business and technology consulting firm Forrester Research Inc., examined the growth of video banking in the 2008 report "The Banking Industry Is Using Video Banking to Better Meet Customer Needs." She wrote that FIs find video banking to be an effective tool, with a few caveats.

"The driving forces are a desire to differentiate themselves from their competition, customer uptake in the use of the Internet, and a higher cross-sell rate with video conferencing than with telephone," Schooley wrote in the report. "Excellent bank staff training in techniques for working remotely with customers and facility with using technology are critical success factors."

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means to balance the desire for branch growth against the cost.

"FIs are always trying to balance customer service with the cost associated with doing that," he said. "The costs are large and as transactions decline in branches, it's tougher to deliver great customer service and cut head count at the same time."

### Improved cost efficiencies

With the cost to build a traditional teller-staff branch running in the millions, along with ongoing staffing costs, video banking offers a cost-efficient way for an FI to expand its branch network. But those with experience see a bigger picture.

At Mid-Hudson Valley Federal Credit Union in Kingston, N.Y., management looked at video banking as a cost-effective investment in technology to expand customer service. In what is considered a first for the industry, MHVFCU used uGenius Personal Teller Machines to offer around-the-clock teller services to its members from a centralized call center.

Bob Michaud, senior vice president and chief marketing officer for MHVFCU, said the FI doesn't expect to see significant cost savings until after the 7-year amortization of the PTM equipment.

"We don't look at it as a cost-saving enterprise, we look at it as a service-enhancement

enterprise,” Michaud said. “We anticipate that when we hit the full amortization point then we’ll start realizing cost savings then.”

The efficiency of the centralized call center allows MHVFCU to offer around-the-clock teller service. For instance, member groups include local hospitals as well as police, fire and public works departments, all of which have employees who need banking services at all hours.

“We can have two to three people in the call center staffing 20 to 25 of these PTMs during the overnight hours,” Michaud said. “There comes time when you weigh the absolute lowest cost compared to putting a value on delivering convenience as part of your brand.”

Coastal Federal Credit Union, based in Raleigh, N.C., extended its service hours to 7 a.m. to 7 p.m. seven days a week, using video banking in its 14 branches. Through video banking, Coastal reduced teller costs by 40 percent while increasing service hours 87 percent, according to Loreice Jernigan, director of retail projects.

Five County Credit Union, headquartered in Bath, Maine, opened two new branches using uGenius Personal Teller Machines. One is a mini-branch consisting of a single video-banking machine in a Walmart location, while the other location offers three units in a branch structure. Both branches are smaller than traditional locations: the Walmart branch occupies 500 square feet, and the other branch is a freestanding unit of 1,000 square feet.

“The footprint would have been very tight to have a traditional one- or two-station teller line meeting ADA compliance, put in an office for a manager and everything else that goes with it,” said Mike Foley,

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— Loreice Jernigan, director of retail projects at Coastal Federal Credit Union

vice president, sales and business development, for Five County Credit Union.

Video banking allowed Five County to expand into a new market with the Walmart location, and add a branch in the heart of its membership territory with the free-standing location while adding fewer employees than traditional branches would require. At Five County’s call center, tellers handle video banking transactions as well as inbound telephone phone calls and make sales calls.

“With video banking, we don’t have to expand at the same ratio we would have,” Foley said. “We opened two branches and maybe would have needed seven employees but instead we expanded the call center by four people. With video banking, we can slow that personnel growth a little.”

As the barriers between banking channels continue to dissolve, FIs can leverage video banking to maintain customer relationships at a lower cost. Although a video-banking installation may cost more than a standard ATM transaction, it’s less expensive than a traditional branch transaction.

“Banks will have to look at how to slowly migrate more and more valuable activity out of branches and into the smaller branches that are less expensive to build and maintain,” Meara said.

uGenius partnered with Duluth, Ga.-based NCR Corp. to integrate video technology

into ATMs. Previously, uGenius offered video banking only through its proprietary kiosk technology. Now, NCR's line of SelfServ ATMs will be offered with the video-banking technology. Consumers will be able to choose from unassisted ATM transactions or teller-assisted service.

The efficiency and security created through the centralization of tellers enables financial institutions to offer up to 24-hour access to teller services, build new small-footprint branches and provide teller services in areas not served by branches, all while taking advantage of the advanced features of NCR ATMs such as intelligent deposit. Then with the video banking software offer more complex deposit transactions, transfers, inquiries, bill payment and new account or loan initiation.

“Consumers cannot always bank during banking hours. They want service at a time and place that is convenient for them,” said Michael O’Laughlin, senior vice president, NCR Financial Services. “Interactive Teller on NCR SelfServ ATMs offers the best of technology — convenient self-service for simple, typical transactions, and personalized banking for after hours and remote service. Our new NCR APTRA Interactive Teller ATM delivers an ideal solution at a time when banks are looking to improve their customer service while maintaining cost efficiencies.”

FIs will benefit from the integration of the uGenius video-banking technology and the ATM channel, allowing uGenius to meet the demands of large FIs that may buy ATMs by the truckload.

“The connection with NCR will swiftly eliminate adoption barriers and at the same time give NCR a competitive advantage,” Meara said. “FIs will use video banking



*NCR's APTRA Interactive Teller ATM offers convenient self-service for simple transactions, and personalized banking for after hours and remote service. It's an ideal solution for banks that want to improve customer service while keeping costs down.*

more surgically like for extended hours and vestibule banking, for replacing traditional drive-thru pneumatic set ups with central tellers. Especially for larger banks, if you have more than a handful of branches why not locate drive-thru tellers centrally. It's an entirely better user experience.”

### Enhanced customer services

At MHVCU, Bob Michaud insists on calling the uGenius video banking units “personal tellers,” purposefully dropping “machine” from the name.

“We don’t call it a machine. I’m very passionate about that because the person in it makes it not a machine,” he said. “It’s the killer application of video banking. It’s the ultimate convenience.”

Video banking can give new meaning to “bankers’ hours” that used to mean a brief window of inconvenient service availability in the middle of the day. With 24-hour

teller service from a centralized, secure call center, institutions like MHVFCU with 24-hour service and Five County Credit Union with service to 8 p.m. fit into the busy lives of their customers.

Based on member surveys and feedback, Coastal Federal Credit Union expanded its services hours to seven days a week, from 7 a.m. to 7 p.m. Members indicated that 24-hour service would not be useful to them, according to Joe Mecca, a spokesperson for Coastal.

Some FIs have branches that consist solely of video-banking machines, while others offer live teller lines with video banking for after-hours service.

Five County found from earlier experiences that technology and live tellers don't mix. The institution previously experimented in an in-branch pneumatic tube system in a branch that also had tellers. Customers preferred the live tellers to the remote system, so that's why in their new branch personal teller machines are the only choice, with greeters to help customers use the new systems.

"For us there was no question, it was either one or the other, we weren't going to do both," Foley said.

At MHVFCU, the video-banking only branch is designed with a "first impressions" desk that houses two to three member services assistants. These staffers introduce members to the personal teller machines and can handle more in-depth transactions and account questions in three offices.

"The staff can handle everything, they don't have to get a manager or a member service rep, anyone of them can say, 'Step over to one of our offices and talk about



*Video banking allows forward-thinking banks and credit unions to incorporate a remote teller presence via video technology.*

it," Michaud said. "We have found our level of service is higher and our product delivery is better and our customer doctrine is stronger when we completely dedicate our retail delivery to that technology."

Coastal FCU implemented a similar system, in which branch staffers are available to assist members with loan applications and other transactions.

"That frees up your branch staff to focus on members who need loans or want to open an account or have a need for a higher level of service if they aren't worried about managing the teller line they can give more attention to the members who need those services," Mecca said.

Five County's Walmart branch is in a new service territory, so regardless of the technology involved a new branch would have some growing pains as the institution builds its presence in the location.

“It’s a very small branch so it made sense for us to use video banking as opposed to staffing it traditionally,” Foley said. “Because they’re remote and only 500 square feet, the personal teller machines serve us well.”

In addition, FIs can leverage their in-house experts in investment and insurance to be available to customers at the branch locations via video technology.

“Financial Institutions have a limited number of experts to service their entire branch network. As a result, customers can’t always get the products and services they want at a convenient time or location and many branches have empty offices that are only used a few hours a week. uGenius Video Banking solutions meet the growing need for personal, convenient and cost effective service.” Connor said.

### Mid-Hudson Valley Federal Credit Union Headquarters: Kingston, New York

Mid-Hudson Valley Federal Credit Union used uGenius Personal Teller Machines to offer around-the-clock teller services to its members from a centralized call center.



#### Video banking strategy:

“This technology caused us to rethink our whole branching strategy,” said Bob Michaud, senior vice president and chief marketing officer of Mid-Hudson Valley Federal Credit Union. “We’re a credit union in a fixed-charter territory of three counties and we’re looking at a spoke strategy because we can deploy 24x7 delivery basically anywhere. We’re looking at freestanding drive up facilities that cost peanuts to build and store-front offices that offer 24x7 walk-up capabilities, so we’re looking at the next phase of our branching strategy to deliver the ultimate convenience at far less cost. At that point the cost of retail delivery will plummet because we don’t have to build a \$3 million office around it any more.”

#### Lessons learned:

MHVFCU is on its third iteration of video-banking branch design, Michaud noted. Phase one isolated the uGenius personal teller machines in a lobby vestibule with teller lines inside. The second was a video-only branch, but found that large commercial customers still required a teller window for depositing large amounts of cash and checks. The third design includes a greeting desk and standby teller windows for commercial customers during normal hours, and the personal tellers are available 24/7 in a gated area of the branch.

### Coastal Federal Credit Union Headquarters: Raleigh, North Carolina

Coastal Federal Credit Union worked with uGenius to develop the first personal teller machines. By mid-2011 all 154 Coastal branches will be converted to video-banking operations.



#### Video banking strategy:

“One of our main strategies for video banking was to be able to offer extended hours for teller service to our members,” said Loreice Jernigan, director, retail projects. “It would give us efficiencies so we would not have to increase staff and we could use our central teller center and leverage them across seven days a week.”

#### Lessons learned:

“There are some challenges for financial institutions that handle large commercial accounts, this personal teller solution is not yet ready for them,” Jernigan said.

### Managing customer perceptions

Perhaps the greatest obstacles to wide-spread adoption of video banking are those of perception; some feel the technology won't work, or worry that customers will be afraid of the technology.

The integration of video banking with trusted technology, such as the NCR relationship with uGenius, can help allay that fear. Video banking has been adopted by primarily local and regional credit unions. The NCR alliance will give larger institutions confidence in the concept and technology.

“uGenius delivered on the concept but they didn't have the credibility and scalability to satisfy large FIs, which buy ATMs by the hundreds,” Meara said. “Big FIs need suppliers that have a credible track record

### *The growth of video services in many aspects of our technological society helps overcome reluctance to use technology.*

of scalable delivery for equipment, service and maintenance.”

The growth of video services in many aspects of our technological society helps overcome reluctance to use technology. It's now becoming standard for new computing devices to come equipped with video-chat apps and Skype is a household name, interacting with a teller via video is no longer intimidating.

“The macro trend here is there is more use of video and it's not as strange or scary as it once was,” Meara said. “The technology

is a lot better, it offers a better user experience and people are drawn to use self service increasingly.”

For FIs that have installed video banking, promotions and in-branch assistants help customers engage with the technology.

“The feedback we’ve received has been mostly positive but the folks that aren’t as comfortable using those machines or say they prefer a real person tend to be a little

older,” Foley said. “We ask people to at least try it and walk them through it to let them see it’s not such a scary thing.”

**About the sponsor:** uGenius Technology helps clients achieve new levels of personal convenience and efficiency. uGenius is the leading provider of comprehensive video banking solutions to financial institutions by empowering them to connect to their customers with innovative personal transaction solutions. uGenius Technology is based in Sandy, Utah.

### Five County Credit Union Headquarters: Bath, Maine

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#### Video banking strategy:

Five County Credit Union deployed uGenius PTMs in two new branches, including the first placement in a retail location, a Walmart.

“In addition to the small footprint of the branches, the other appealing part was that video banking allows us to leverage our staffing scenarios more efficiently,” said Mike Foley, vice president, sales and business development. “Our call center is already open 8 a.m. to 8 p.m. six days per week, so we didn’t need to bring on more people to serve the PTM until 8 o’clock. As we expand with these machines, we won’t lay off people, but there will be a long-term benefit utilizing these machines as opposed to staffing a branch with employees for those extended hours.”

#### Lessons learned:

“The Walmart branch has been open only a short time and it is in a new location for us. The slate was clean and we had to build a new base of membership there,” Foley said. “The branch is being used and we have seen new members. We know it’s going to grow.”