

ATMs play a key role in branch transformation

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ATMs will play a key role in facilitating financial institutions' branch transformation and omnichannel banking initiatives. By providing services such as check cashing, envelope-free deposits, and live video links to remote representatives, the new generation of ATMs can drive customers from traditional teller lines to the self-service channel and free bankers to spend more time building relationships and advising customers.

"The branch isn't going to go away any time soon," said Suzanne Galvin, senior vice president of product management at Elan Financial Services, an ATM services provider based in Pittsburgh, Pennsylvania. "But the traditional branch design is no longer viable due to declining teller transactions, given that banks are experiencing a challenging low interest-rate environment and the effect of recent regulations such as Dodd-Frank."

"The economics of traditional branch banking don't work, due to the growth of mobile and online banking, rapidly diminishing volumes of teller transactions in branches, and growth in labor costs," said Andy Orent, president and CEO of ATM vendor [Nautilus Hyosung America](#). "One approach banks have adopted is simply to close branches, but banks tell us that 60 to 70 percent of their sales still occur in the branch. If you close branches, then how do you sell to customers? The answer to the branch cost issue is to migrate transactions from the teller line to the self-service channel using assisted self-service interactive teller units. You can then add sales jobs in branches and reduce the teller count."

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— Suzanne Galvin, senior vice president of product management at Elan Financial Services.

Branch trends

According to the 2015 "[FMSI Teller Line Study](#)" by industry consultancy Financial Management Services Inc., community bank and credit union branches handled an average of 11,700 teller transactions per month in 1992. By 2015, volume had fallen 45 percent to 6,400 per month, FMSI said.

In a [blog](#), Matthew Hertel, senior vice president of client relations at FMSI, estimated that average monthly branch transactions at U.S. community banks and credit unions could fall to 4,600 in 2019 and 3,300 in 2025.



“Branch costs are rising while teller transaction volumes are decreasing due to increasing customer use of mobile and online channels. Yet there’s still a need for branches to serve customers both now and in the future.”

— Paul Gooch, assistant vice president, senior sales consultant at Elan Financial Services.

FMSI said that the hourly pay and benefit rate for staff at U.S. community banks and credit unions rose 90 percent from \$8.85 in 1992 to \$16.82 in 2015. The per-transaction teller labor cost at community banks and credit unions rose 133 percent from 48 cents in 1992 to \$1.12 in 2015, FMSI said.

According to Javelin Strategy & Research, it costs FIs an average of \$1.25 to conduct an ATM transaction as opposed to \$4.25 in the branch.

Branch transformation

Worldwide, banks are investing in technology to reduce staffing and real estate costs in their branches. An IDC study, “[Integrating the Branch in the Digital World](#),” commissioned by Wincor Nixdorf, estimates that by 2017 banks worldwide will invest \$16 billion in branch transformation and associated technologies.

The IDC study found that customer satisfaction increases when banks improve their branch infrastructure and use the latest technology — for instance, customizable screens and intuitive touch interfaces in self-service terminals; ATM-based videoconferencing links to remotely located staff; and cardless cash withdrawals using smartphones instead of cards.

“Video technology enables extended self-service options, such as opening an account, and helps bridge distances, making it possible to offer consulting services in rural areas and ensure an extensive presence across all branch types,” IDC said.

“Banks need to be able to migrate all the transactions traditionally handled by tellers to the self-service channel,” said Orent. “For example, people want to be able to break up their cash, so they ask a teller to change their bank notes into smaller denomination bills. They should be able to do this at the ATM.”

“Interactive teller machines combining ATM and teller transactions enable banks to extend their footprint at low cost and provide services outside traditional banking hours,” said Galvin.

Another significant factor in branch transformation is labor-saving cash recycling technology, said Orent. “The volume of cash has grown significantly in U.S. bank branches and ATMs,” he said. “So using cash recycling helps with cost savings and the branch transformation process.”

New revenue streams

Advanced ATMs offer banks the opportunity to generate additional revenue streams by using their self-service terminals to sell products such as



mobile airtime, transit tickets, theater tickets, and prepaid cards; [Better ATM Services](#) has developed technology that enables ATMs to sell prepaid cards and other prepaid products.

Banks also might use their advanced ATMs to offer fee-based services, such as cardless ATM cash withdrawals through a person-to-person remittance service.

Managed services

According to Ed O'Brien, director of banking channels at U.S.-based Mercator Advisory Group, banks can significantly speed up deployment of branch transformation technology by working with a technology and services partner.

"We're seeing a move for banks to work more closely with experienced partners such as Elan across the various banking channels, including ATMs and mobile banking, because the banks don't have the technology expertise," O'Brien said. "They are leveraging their partner's expertise to implement branch transformation much more quickly. Instead of taking three to four years and falling behind the rest of the market, they can then implement branch transformation in one to two years' time."

Banks that implement advanced self-service technology will be able to differentiate themselves from financial institutions that have yet to do so, O'Brien said.

"There is an opportunity to deploy the new generation of ATMs such as the Nautilus Hyosung MX8800 in mini-branches and reconfigured traditional branches to take routine transactions out of the branches and free up staff for higher-value transactions," said O'Brien. "Mercator's consumer research has found that a lot of bank customers embrace self-service banking for basic transactions, as they want to be in control of their banking. Also, offering assisted self-service through video links to remote tellers increases customer satisfaction."

"Research has found that people want automated transactions, but they also want to have personal interaction when needed," said Elan's Gooch. "This is why assisted self-service interactive teller units offering video links to remote tellers play an important role. In addition, remote tellers can cross-sell products and services to customers in a way which is difficult with digital-only banking channels."

Elan

"Elan's role is that it can help banks deploy branch transformation solutions involving advanced ATMs," Gooch said. "We act as processor and ATM





driver for both traditional ATM transactions at advanced ATMs as well as for remote-teller assisted transactions, integrating both through a single clearing and settlement system. We can also help banks with cross-selling at their ATMs, as we can manage their marketing screens.”

Elan has certified the Diebold Opteva Branch Performance Series in-lobby teller terminal and Concierge Video Services, the Hyosung Assisted Self-service terminal, and NCR APTRA Interactive Teller.

In conjunction with NCR and Hyosung, Elan has certified NCR Interactive Teller and Hyosung Assisted Self-service terminals to process both traditional ATM transactions and teller transactions from the same terminal, eliminating the need for Elan clients to have two separate terminals to perform these functions.

Elan is currently working with NCR and Hyosung to achieve the true integration of their interactive teller machines to the teller system core and the Elan processing systems. This will eliminate the need for teller involvement for many of the enhanced ATM transactions such as check deposits and cash deposits.

“Diebold will be embracing an integrated solution in the next iteration of its interactive teller machine technology,” said Galvin.

Partnership

Elan and Nautilus Hyosung America have partnered to provide banks and their customers with an innovative, consumer-focused ATM experience. The alliance means that Elan’s customers have access to Hyosung’s MX8800 and MX7800i solutions to facilitate the evolution of the branch distribution channel.

The MX8800 and MX7800i solutions give customers a staff-assisted channel for conducting routine transactions while enabling bankers to spend quality time consulting with customers to better understand their banking needs and build more impactful relationships.

The implementation of Elan’s cash management system coupled with the MX8800’s recycling capability enables branches to use a customer’s deposited cash for future withdrawals, reducing the frequency of cash replenishments. The MX8800 also features multidenomination cash and single-deposit settlement services. In addition to streamlining branch operations, Elan offers a flexible processing platform that provides high availability and responsive processing of ATM and debit transactions.



About the sponsor:

Elan Financial Services, based in Pittsburgh, Pennsylvania, is a business unit of U.S. Bank National Association. Elan has provided a full range of payments products and services to ISOs and financial institutions for 40 years. Visit <http://www.elanfinancialservices.com/atm-debit-fi/atm-processing.php#atmmanaged> or www.elanfinancialservices.com/ for more information about ATM managed services from Elan.

“The combination of cash recycling, multidenomination cash and single deposit settlement represents a significant step forward in branch service delivery and efficiency and an improved consumer experience,” said Galvin.

“We have one customer in the U.S. which has deployed the MX8800 at around 50 branches and has migrated its transactions from the teller line to the ATMs and replaced its tellers with sales people,” said Orent. “They have been pleasantly surprised by the growth in sales at their branches as a result.”

“The MX8800 can perform almost any transaction that can be done at teller windows,” said O’Brien. “So it can serve both customers who want self-service as well as people who don’t want to stand in line at a busy period at the teller counter.”