

A New Branch Experience

Credit unions must adapt the traditional branch service model to continue to thrive and meet the changing needs of its members.

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Traditional Branch Model



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Traditionally most financial institution branch models include five to seven teller windows, a drive up, and three to four member service/loan officer offices. With the traditional branch model, there are specific employees that are responsible for different member needs. Tellers handle account transactions and the exchange of cash. While member service and loan officers are responsible for more detailed requests. Many members prefer to use branches for more complex requests or large deposit transactions. However, general request and transactions may be preformed through other methods, such as online, at ATMs, or through mobile banking.

Financial institution branch openings increased significantly, according to the FDIC, to nearly 70,000 branches in 2004; almost doubling in number over a 20-year period. While the number of commercial banks declined, the number of branches increased. This was related to relaxed regulations and the profitability banks had due to efficiently run branches. The credit crunch of 2009 resulted in several major bank mergers. It seems counterintuitive that branch banking would continue to rise in popularity as online banking, internet bill paying, and online merchant services seem to have exploded. According to

industry analysts, the economic downturn and credit crisis of 2009 sent the banking world into a bit of a tailspin, and over the next decade, consumers should expect to see fewer branches (Financial Web, 2010).

This shift makes it necessary for credit unions to change the way they have traditionally done business in a brick and mortar facility. With fewer branches, credit unions must be able to handle more transactions and service requests efficiently and accurately with better designed branches. Credit unions must adapt the traditional branch service model to continue to thrive and meet the changing needs of its members.

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Concerns

There are several concerns with the future of the traditional branch model. These include cost, convenience, and keeping up with member demand for increased technological resources. In order for credit unions to be successful, these concerns must be addressed. Continued re-evaluation of the traditional branch service model is imperative for keeping existing members and gaining new members.

The first concern is the cost associated with traditional brick and mortar branches. There are general operating

expenses such as utilities and depreciation. Operating costs are constant regardless of the production that is generated. In addition, salaries and benefits make up the largest expense associated with branch profitability. In a traditional branch model there is need for more staff due to each person specializing in one area of expertise. As more products and services are offered there is an increased need for additional staff. Operating cost and salary expenses can prohibit the branch from being profitable as it is not related to the amount of products and services sold. Average bank branch cost \$2 million to open and \$300,000-\$400,000 to operate each year (Financial Web, 2010).



Image from Images.google.com

The traditional branch model may also affect convenience for members. Generally members stand in line for the next available teller to process their transaction. Having a member service or loan request will require possibly waiting again. Should their needs involve another credit union department, it may take days to weeks to have their issues resolved. Location of a branch will also impact the member. If the branch location is not convenient and the member's needs are not handled promptly, they may opt to have fewer services with the credit union.

Another concern with a traditional branch is an increasing demand for technological needs. As electronic transactions continue to replace branch transactions, credit unions are faced with changing their current structure to align with current market demand. The days of needing to go into your branch office to sign paperwork or meet with a bank manager has been replaced with online secure form submissions and electronic signatures. Cashed checks are rare compared to direct deposits and electronic funds transferred (Financial Web, 2010). Financial institutions must look for ways to provide cost effective alternatives to serve its members, while still maintaining the feeling of a personal touch.

Alternatives

With changing economic times, now is the time to look into innovative ways to produce income and increase productivity. Some members may want the security and personal touch of interacting with a branch employee. However, other members want their interaction to be quick, easy, and convenient. Credit unions must adapt their delivery service methods to meet the needs of all their members. There are numerous ways to meet these changing needs. Three specific alternatives to the traditional branch model are remote teller line, dialog branch, and self-service kiosk.

Traditional Branch Model

Alternatives:

- Remote Teller Line -
- Dialog Branch -
- Self-service Kiosk -

A remote teller line is an alternative branch service that would alter the actual teller line. Tellers would not be physically located in each branch. There would be a central location from which all tellers would work. When a member comes to the branch or a remote teller line location they would interact with a teller via a computer screen. Normal teller transactions would be performed by the remote teller, including deposits and withdrawals. Members may like this option because the wait time could be less. Tellers are accessed based on demand, so a sudden need for five tellers at one location could be handled since another location may only need one teller at that time. Credit unions benefit from lower staffing expenses and more security. This option would allow members the personal contact they may desire while keeping expenses down.

A second alternative is a dialog branch. Unlike a traditional branch, employees who work in a dialog branch environment are knowledgeable in many areas. As a member enters the branch they are greeted by a branch employee. This employee will assist the member with all of their needs, from beginning to end. The employee can help them with requests through a dialog tower or assist them with more detailed request in an office.

A dialog style branch has computers that can perform all branch transactions with the help and assistance of a branch employee. This method of service is most common in a retail store, such as a cell phone companies. Dialog branches have the benefit of lower staffing expenses. There would be fewer employees needed in the branch since they are all highly knowledgeable in

many areas. Members will enjoy having all their needs met by one employee. This adds personal services and allows more opportunities to build financial relationships.

Self-service kiosks are another alternative to the traditional branch service model. Self-service kiosks are machines that can service the member's needs without the assistance of a branch employee. These kiosks may be located at a branch or in a remote location. Self-service kiosks are similar to self check-out lanes at the grocery store. Members like this option because it allows them to get their needs met quickly and at their convenience. Credit unions benefit from self-service kiosk since it dramatically reduces salary expenses.

Efficiency, security, and expense reduction are all important to credit unions. The traditional branch model is an area that can be changed to improve these areas. There are many alternatives to the traditional branch service model, such as a remote teller line, dialog branch, and self-service kiosks. All alternatives have positive and negative considerations, therefore, knowing the needs of members and how they choose to process their transactions is imperative to deciding how to change the traditional branch model.

Remote Teller Line

Remote teller systems have been in financial institutions for a number of years. The original remote tellers were very similar to a branch drive up system. The member talks to an employee in a remote location through a video screen and the teller processes the transaction for the member as they would if the member was standing in front of them.

Cash and negotiable items are passed back and forth through a tubal system. Commonwealth Credit Union in Frankfort, KY has this type of system in one of their branches that was built in 2001. It is used mostly by back office staff on other floors who wish to perform deposits or withdrawals throughout the day. This allows back office staff to perform transactions before normal branch hours and it keeps them from leaving their work stations for long periods of time. It is also available for members to use, in the branch, if they don't want to utilize the teller line.



Image from Images.google.com

The newest type of remote teller line is called a personal teller machine. This type of product allows credit unions to offer teller services to members in remote locations, where a traditional

branch would not be cost effective. Remote teller lines are growing in popularity, especially in the credit union market. It provides a way to give members personalized service, while improving efficiency and convenience for members (ATM Media Resource Center, 2009).

The personal teller machine connects tellers and members through two-way radio and video. Members can talk to a “live” teller to make deposits, withdraws, account transfers, and other teller transactions. The cash is dispensed as it is through the traditional ATM machine. This is different from the original remote teller models where the tellers are receiving and dispensing cash using a tubal system, thru a teller drawer. This allows the machine to be used in locations outside of a branch. Credit unions that have these machines are able to create more of a retail environment for their members (Credit Union Times, 2008). “Instead of the member being confronted by a teller line when they walk into a branch, they are greeted by an individual team member when they come in the door of the branch and are asked what type of services they need. They are then directed to the personal teller machines or given the option for other services” says Gene Pranger, president of creating smarter branches facilities design firm and creator of the personal teller machine (Credit Union Times, 2008).

Two Credit Unions currently using the machines are Coastal Credit Union in Raleigh, NC and Mid-Hudson Valley Credit Union in Kingston, NY. Both of these credit unions staff the machines with employees from their off-site call center. Since branch volume can be

variable and tellers have “down” time, the group of staff designated for servicing the personal teller machines could help answer calls for the call center in between teller transactions (Credit Union Times, 2008).



Implementation

Instead of building larger branches, credit unions can use the personal teller machines to provide service without the cost of brick and mortar. This is a way to reduce cost without having to reduce service. By shifting job duties, a pool of three tellers can service a personal teller machine while handling other duties in a phone center. The personal teller machine has been found to be cost effective and can cut human resource costs in half (Credit Union Times 2008). While the average cost of this machine is \$60,000 to \$65,000 plus added software and upgrade costs, the credit union can reduce expenses by limiting the number of full-time staff in the retail branch. By eliminating three branch positions the machine would pay for itself in one year (Ann Arbor Business, 2009).

At Mid-Hudson Valley Credit Union, a member picks up the phone at the personal teller machine and the call is routed to 20 centralized tellers in a call

center. A human teller answers and their image is video streamed to the personal teller machine at the branch. The teller handles the transaction just like at a traditional teller line. The personal teller machine accepts cash and checks. The tellers can see both the member and the items inserted. This allows them to determine if a check is endorsed properly and verify a member’s identity. The machine can also detect counterfeit cash and dispense cash and coin. Personal teller machine tellers do not physically handle the cash or checks. The reconciliation is handled in a manner similar to how an ATM is balanced (Credit Union Times, 2008).

Credit unions that use the personal teller machine have been able to reduce the number of tellers and shift job responsibilities in the branch. This allows the retail branch to change from a transaction destination to a sales destination (Credit Union Times, 2008). When employees are out of their offices and on the floor, there are additional opportunities for more meaningful interaction. This allows the credit union to enhance the member experience when they visit the branch (Credit Union Times, 2008).

The personal teller machine can also be placed in a remote location such as a supermarket or retail store. This is an opportunity for credit unions to reach more members and provide service 24 hours a day if they choose to staff it. The machine can be placed in an area and serviced by call center staff hundreds of miles away. Members can then be offered access to their credit union in convenient locations while still receiving the personal service they are used to.

Considerations

The personal teller machine allows credit unions to provide more flexible hours and convenient locations for their members. Because these machines can be placed outside of a traditional branch, they can be available 24 hours a day and seven days per week based on staffing. They are cost efficient because they not only reduce labor costs but also building costs. Mid-Hudson Valley Credit union saw a 50%-60% savings in total teller staffing, which increased operational efficiency across the branch network (Credit Union Times 2008).

Since one department can staff several machines, transactions are processed more accurately and efficiently. There are fewer instances of teller errors and outages since the machines are balanced in a manner similar to an ATM machine. They also provide more consistency among branches and therefore improve the level of service the member receives.

Robberies continue to increase among financial institutions. Security is an important factor that is influenced by the personal teller machine. Since tellers are not face to face with the member, as in a traditional branch setting, there is an increase in security for the employee and the credit union. This type of branch service will deter thieves and protect credit union assets.

Although there is more security for employees, members may feel a lack of privacy while using the machine. It could be possible for sensitive member information to be over heard by other members waiting in line. It is important to position machines in an area where

members can have adequate privacy to perform their teller transactions.

Overall the feedback on the personal teller machines has been positive. It has been easily accepted across all demographics (Credit Union Times, 2008). Both younger and older members are by-passing the traditional teller line in the branches and use this machine. Members are given the convenience and efficiency they want without having to give up the benefit of talking to a “live” person. This allows credit unions to lower staff cost and increase efficiency without sacrificing service, which is the main quality that sets credit unions apart from other financial institutions.

Dialog Branch



Image from The Financial Brand, 2008

The dialogue style branch is a concept of conducting credit union business that has no barriers between the member and credit union staff. It promotes a culture of dialogue that enhances credit union sales as well as builds lasting relationships with credit union members (Credit Union Times, 2008).

At this type of branch, a credit union employee greets the member as they enter the branch at a concierge desk. The credit union employee has been well trained to assist the member with any type of credit union business from teller transactions, new accounts, loans, and more. If the member wishes to do a teller transaction, the employee engages them in rapport-building dialogue as they walk to a teller station, which is a freestanding workstation, referred to as a “pod” or “dialogue tower” (Steelcase, 2007).

The dialogue tower has a dividing wall allowing two separate members to meet with employees and transact their business simultaneously. This way of doing credit union business removes the perceived barriers between the member and credit union employee. The

employee stands side by side with the member; both can look at the computer screen and actually see the transaction being handled (US Banker, 2004). Most of the pods/dialogue towers are equipped with cash dispense and cash recycler machines that dispense or deposit the money for the member, thus eliminating the need for the employee to have a cash drawer.



Image from The Financial Brand, 2008

The towers are not pre-assigned so any employee can sign on to any tower and conduct business at any time (US Banker 2004). If the member wishes to conduct other types of credit union business such as new accounts or loans, the branch also has private offices. The same employee that greeted the member at the concierge desk would assist the member with these services as well. Additionally, the offices are not pre-assigned so any member of the credit union staff could use any available office at any time to conduct business with a member.

Dialog branch settings are sometimes referred to as relational banking, dialogue banking, retail experience, boutique experience, lounge style branch, coffee shop style branch, or storefront approach to banking (Texas Banking, 2009). All dialog style branches are sales oriented, so they tend to reflect a very comfortable, warm, and

personal atmosphere. These branches often have other features that encourage members to stay and visit such as a cyber café, waiting areas with recliners and flat screen televisions, free wireless internet, and children play areas. Dialogue branches also frequently offer other services for members to use such as a large conference room, coin counting machines, and safe deposit boxes with biometrics technology.

The dialogue branch concept relies on the right kind of employee to help the member with all of their financial needs (Texas Banking, 2009). Instead of having specific departmentalized jobs within the branch, all employees must be trained in all areas of credit union operations for the branch to reach its potential. Employees are required to be proficient sales people and knowledgeable advisors to their members which results in a more informed and confident branch employee.



Image from Enrichment Federal Credit Union Case Study

Implementation

Dialogue branches require an employee to be an expert in all areas of the credit

union. They should be sales oriented and understand the retail aspect of business and a team. To make the dialog branch concept work, every team member is expected to perform their job at the same level. When a member enters a dialog style branch, they should receive the same level of service regardless of the employee who waits on them. Employees must go through extensive training to ensure they have the capabilities to be successful in a dialog style branch (The Financial Brand, 2008).

Due to the level of expertise required, employee pay rates would also be substantially different from that of a front line employee in a traditional branch. The salary of the employee is based on their experience and skills; these employees have a greater knowledge of products, services and sales. Dialogue employees are normally hired at a 15% to 20% higher salary than a new employee hired for a traditional branch (Donsbach, 2010).

The branch manager's role is also different. The branch manager must lead by example and be an active service provider as well as a supervisor that can coach and motivate the branch employees. Branch manager salaries also vary with experience, education and the scope of responsibilities. However, overall, having employee with high skill levels decreases the number of staff members needed for a branch. The most important aspect of a successful dialogue style branch is that upper management must support this concept of banking by providing a positive and supportive atmosphere for success.

The cost associated with dialogue branches vary from that of a traditional branch in many ways such as marketing, square footage, and equipment that is used (Credit Union Magazine, 2010). When considering this style of branch, it is advisable to research this concept with other credit unions and financial institutions who have built dialogue branches to find out their experiences in this process. It is important to use an experienced design/build firm who has a good reputation in building these styles of branches. Research has shown that the price of a dialogue branch is approximately \$300 per square foot compared to approximately \$200 per square foot for a traditional branch (Johnson, 2010). Dialogue branches tend to be more expensive upfront but are more profitable faster than traditional branches.

The first dialog branches were built very large but, in recent years, the square footage has decreased to that of a traditional branch, around 3,000 to 3,500 square feet (Donsbach, 2010). Cost can increase with additional technology and equipment. Many dialogue branches add different types of cash dispense and cash recycling machines. A point-to-point tubal system may also be added which allows the credit union employee to send deposits and withdrawals in a tube to the drive thru while the employee stays with the member in an office. This creates more interaction and sales potential with the member (The Financial Brand, 2008).

Other features of a dialog branch sometimes include video screen drive thru's and biometric safe deposit boxes. A video screen drive thru presents a live teller on a screen to the member in the

drive thru but the employee is not accessible like in a traditional branch. A biometric safe deposit box allows the member to enter a personal identification number and scan their hand to enter into the safe deposit box vault (The Financial Brand, 2008).

Considerations



Image from The Financial Brand, 2008

The potential benefits of dialogue branches include less time to process teller line transactions due to the pods/towers being equipped with cash dispense and cash recycler machines, this feature save up to 50% of the member's time. Cash recycler and cash dispense machines result in the branch using less cash by up to 20% to 40%. The vault and cash recycler machine automatically indicate what denominations and amounts are on hand so tellers can quickly order. The added benefits of having the cash dispense and cash recycler machines is not only a greater sense of security because there are no cash drawers or open vaults to entice potential thieves and the absence of cash drawers also allows for increased interaction time between the member and credit union staff because there is no need to count the cash.



Image from The Financial Brand, 2008

A huge advantage of this style branch is the opportunities to build lasting relationships with the members through interactions as they greet their members at the front door. This interaction time should be as comfortable and productive as possible to help build trust and awareness about the member's situation and how the credit union can help them. As mentioned before, this concept puts an emphasis on dialogue and building those lasting relationships for the credit union. This type of interaction is sometimes referred to as high touch (Credit Union Magazine, 2010).

This branch style has many advantages and benefits but there are some concerns. One of the main concerns of this style of branch is buy-in from the membership and staff. This is a new way of banking for many people and some may not like change. This can be alleviated with support and positive encouragement from upper management as well as the credit union as a whole. The success of this branch depends strongly on the faith in the concept. Another potential concern for consideration by your credit union is demographics. Some research has shown that this new way of banking works well in densely populated areas where there is a mixture of retail and subdivisions (Donsbach, 2010).

Some members have expressed a concern for privacy when using the teller pods/towers because there are no barriers between the member and the credit union staff. The towers also are capable of servicing two members at once on each side of the tower and this has caused privacy concerns. There are precautions available to alleviate these concerns such as privacy barriers. Another potential concern could be the increased salary cost for this type of branch versus a traditional branch. However, the more highly skilled employee could benefit the credit union in helping build relationships with its members.



A detailed account of Enrichment Federal Credit Union implementing their first dialog branch can be found in the Appendix.



Self-Service Kiosks

A third option for adapting the traditional branch lobby to meet the needs of credit unions and members are self-service kiosks. A self-service kiosk is a hardware device that works in combination with software, allowing users to perform any number of possible transactions. Usually, the method of input is a keyboard, touch-screen, or both (Wikipedia, 2010). For this research, a self-service kiosk is considered anything that allows members the ability to do a transaction without any other human employee interaction.

Today, self-service is a way of life (Bost, 2006). Consider how to check in for a flight, buy gas with a debit card, rent a redbox™, buy a subway ticket, or count large amounts of coin. All of these transactions use some type of self-service kiosk. The first banking self-service kiosk started over 30 years ago with a simple Automated Teller Machine (ATM) and has evolved from an electronic information booth to an advanced interactive device (ABI Research, 2009).

Banking self-service kiosks can range from simple transactions to very complex functionality. An example of a simple self-service kiosk is a terminal for members to be able to access their accounts via online banking. This type of kiosk may merely offer an internet connection to the credit union's website in a branch location. A slightly more advanced self-service kiosk may offer the internet connection to the credit union's website with the ability to print statements or copies of checks. Other

self-service kiosks offer the ability to deposit checks, receive cash, and issue debit cards.



Image provided by Aaron Tibbs, Whittenbach Business Systems

A complex self-service kiosk is a transaction processing system that comprehensively integrates every function performed by a credit union. This would include everything that is capable at an ATM as well as in branch. These kiosks have the capability to access member accounts using biometric member identification technology, sign up new members, and process loan applications (Real Time Kiosks, 2010).

Self-service kiosks have the capacity to do the following:

- Access the internet
- Access accounts via card reader or biometrics
- Complete online banking transactions
- Print statements, tickets, and receipts
- Update personal information
- Accept checks, bills, and coin
- Issue cards and cash
- Open accounts

- Complete credit applications
- Give loan quotes
- Offer Multi-lingual instructions

Self-service kiosks costs vary greatly depending on what the credit union is trying to accomplish. Simple self-service kiosks that offer an internet connection to access a credit unions website may simply cost the same as a desktop computer, \$800 - \$1,200. Complex self-service kiosks that include many of the same functions performed at the teller line or in a member service office may cost upwards of hundreds of thousands of dollars.

Implementation



Image provided by Aaron Tibbs, Whittenbach Business Systems

With options like self-service kiosks available for credit unions, the human resource implications should be considered. Self-service kiosks can reduce per transaction costs and the staff needed in a branch location (NCR, 2009). Similar to how grocery stores have self-service checkout lanes, one credit union employee can monitor multiple self-service kiosk stations. Or, a single self-service kiosk can reduce wait-time during peak member activity as some may choose to conduct business on the kiosk rather than waiting in line.

This could reduce the need for extra tellers during busy times.

Self-service kiosks with cash and check acceptance will not be able to completely eradicate human interaction with the machine. The kiosk will still have cash needs and to be balanced daily, however, this can be done remotely and would just be a small aspect of someone's job duties (Real Time Kiosks, 2010).

An important aspect when considering self-service kiosks is the data input value. The kiosk would be responsible for counting the money and checks would be digitally scanned. This would result in far less input mistakes and errors from humans. Additionally, every transaction would be processed identically. As long as the kiosk was set up and used correctly, transactions would be consistent and correct. Essentially, self-service kiosks have the ability to perform transactions and process requests identical to how traditional employees serve members (Tibbs, 2010).

If considering a complex self-service kiosk that can perform many of the same functions as a teller, you could consider a self-service kiosk as an actual employee. They have a higher initial cost, but never want a raise. They require no overtime, vacation, benefits, or lunch breaks. They are able to work independently with minimal supervision. They always complete transactions correctly and are efficient all day, every day. Credit unions will have to determine which kind of employee best suits their needs.

Considerations

Self-service kiosks are a practicable option for adapting the traditional branch model. They have many benefits for credit unions and members. Credit unions can build smaller branches since the kiosks have a significantly smaller footprint than the traditional teller work area. This eventually could save brick and mortar expense (Kiosk Financial, 2010). Biometric capabilities on some kiosks ensure positive identification. This allows larger withdrawal limits and comprehensive deposit functions for the members (Real Time Kiosks, 2010). These kiosks also have cameras where members can be videoed while making transactions much like an ATM.



Images from Real Time Kiosks, 2010

Simple self-service kiosks benefit branches by migrating routine transactions like check cashing and cash withdrawals to the lower cost kiosk so the higher cost teller or employee can deliver more value. This increases profitability since the employee can spend more time on transactions that make money for the credit union. This would allow the teller or employee to

spend more time on enhancing member service (NCR, 2009).

There are also many benefits for the member to use self-service kiosks. The interface on a kiosk can be more efficient than what is used in the branch. Often, the transaction process on a kiosk mimics that of online transactions and service. Kiosks are easy to use and can reduce wait time. Security is also typically heightened with a self-service kiosk. Some have with trigger mats, privacy screens and proximity sensors to ensure your financial information is confidential and unable to be seen from others in a branch location (Kiosk Financial, 2010). Lastly, if simple transactions are directed to a kiosk, when a member needs advice, help, or wants to meet personally with an employee, the employee will be able to dedicate more time to the members needs.

Although the benefits to self-service kiosks are numerous, there are also some concerns that should be considered. A self-service kiosk is a machine and can only perform and react as well as it is programmed. And for some members, technology is not always easy to understand. If a member has questions while using a self-service kiosk, they will still have to find a branch employee to help them. If the kiosk is too advanced, they may choose to not use it and insist to be helped by an employee (Tibbs, 2010).

One of the biggest concerns with self-service kiosks is losing the touch and interaction with the members. For many credit union members, a visit to a branch is a social aspect of their day. If employees do not interact with members,

they may lose the community and family feeling that is so prominent in credit union branches. They may also lose the valuable opportunity to cross-sell other products and services and consult members on what products and services meet their needs.

And just like every branch has a disaster recovery plan, a plan would also need to be considered for the self-service kiosk. Credit unions would have to be prepared for downtime if the machine breaks, jams, or goes out of service. One employee may need to have a greater knowledge of the machine in order to troubleshoot problems before a technician is called. Much like when a teller calls in sick, the credit union would have to be prepared to operate without the self-service kiosk if a problem arises.

Another concern for a self-service kiosk is acceptance by members. Credit unions may not have enough members that will use the kiosk to justify the expense of the product. There is no target age for self-service kiosk use, but generally members who value it are high tech and are often younger. Aaron Tibbs, Account Manager with Whittenbach Business Systems, cautions that self-service kiosks are struggling in some markets. “Surprisingly, it is not necessarily the older members who are opposed to self-service kiosks. Credit unions that have seen the most resistance from their members are in rural areas”, says Tibbs.

Lastly, a cultural question that should be considered is whether or not implementing self-service kiosks make credit unions more like a bank? The concept that the individual has less

importance, profitability is most important, and take a number to be served are all valid concerns when considering implementing self-service kiosk in a credit union.



Recommendation

Remote teller lines, dialog branches, and self service kiosks are all effective ways for credit unions to adapt the traditional branch service model to continue to thrive and meet the changing needs of its members. All of these options have the ability to improve branch productivity and reduce costs. Due to the increasing expense of building and staffing traditional branches, a combination of these models could be used depending on the needs of a credit union's membership base. It is important for a credit union to know its members and conduct surveys on the how they prefer to conduct business and be served by employees.

Credit unions must consider age, demographics, and location of their members to determine what would be the best way to serve them. Introducing a non-traditional branch model may allow them to be more competitive in the ever changing financial market. For example, members that prefer more

personal interaction during their transactions would desire the remote teller line or the dialog towers.

However, members between the ages of 18-35 may prefer convenience. Self-service kiosks would be the perfect tool to for this type of member.

Increased technology provides smaller credit unions with ways to expand their area of service and gives them opportunities for growth. It is now possible to provide more service locations for members without the overwhelming costs of building a traditional branch since a location with a remote teller line can be serviced by staff in other locations. This allows smaller credit unions to expand without having to hire a full branch staff. Similarly, larger credit unions have members in remote areas where it would not be cost effective to build a traditional branch. Variations of the traditional branch allows them to continue to grow their membership base and service all their members through convenient locations.

Summary of Project

Christy Catoe



I am glad that I partnered with my fellow SRCUS classmates to research and report on this topic. When we were given the option of writing a white paper or completing the traditional 3rd year project, I was interested in doing the white paper, only if it was something that I could use at my credit union. In my position, if I am going to spend time and resources for research, I want it to be useful and productive. This white paper on The New Branch Experience has been both.

As VP of Marketing, Public Relations & Business Development I am very involved in our branching strategy. Family Trust Federal Credit Union is also at a point where one of our strategic objectives is to integrate our branch experience and online experience. We believe that future branches will incorporate both and will transition from the traditional branch lobby. While working on this white paper, we began meeting about our future branches and our next operations center. My senior management team is excited to read our white paper about The New Branch Experience so we can use it as direction when developing a plan for our next branch, which should open in late 2011.

April Fugate



This white paper topic has enlightened me as a branch manager. It has opened my eyes to other potential branching options that I have not researched before. It also brought attention to the changing needs of the credit union and its members. I believe that technology has continued to grow and with this growth, more options are available for our members and us to benefit from. As we all know, many people dislike change but change is not always a bad thing as long as you have the buy-in of your credit union and its members. I believe one of the key factors when deciding on what branching option is best for your credit union is what branch option is best for your members. Your credit union should conduct extensive research on what option will be best for them.

This project has given me insight that I can pass along to my management team for potential future branches. I feel that I have gained a wealth of knowledge that I would not have gained if I had not participated in this project and the SRCUS program. The collaboration of our team members for this project was also beneficial in gathering information and learning more about their credit unions and the types of services and branches they offer.

Missy Raizor



Because I am a branch manager this project has helped me recognize areas where my credit union could make changes that would be cost effective to the organization. We currently are over 880 million in assets with 85,000 members. Our membership base is spread throughout the state of Kentucky so building traditional branches is not a cost effective way to service our membership base. We currently have 3 branches in Frankfort, Kentucky and two in cities right outside of the Frankfort area. We have saturated the current local market but have a lot of opportunities to increase our number of members outside of the central Kentucky region.

Though we do have two full-service call centers, one for general information and one for loans, there are many of our members that have never been inside of one of our branches.

The branch models that we researched will give my credit union the opportunity to increase our membership even more without having to increase staffing cost. I have gained more insight of the credit union market and what my credit union needs to do to remain competitive in that market. Our ten year goal is to become one of the top 100 credit unions in the country. By using the kiosk, remote teller machines and the dialog towers I think we will be able to achieve this goal. We currently have a branch with the dialog towers or “Pod” concept but it has not been well accepted by our members in that city. I would like to do further observation of this branch to see if we could make the concept work in a different financial market. Our mission at Commonwealth Credit Union is to lead in quality service through dynamic financial solutions. All of these options will help us maintain our mission and mover closer to our financial goals.

Cathie Sherer



Participating in this project helped me to understand what options credit unions have when deciding how their branches will be set up. As times change and members desire more, it is crucial for credit unions to make adjustments. It is exciting to see the possibilities that are available to credit unions and members. I am happy to be a part of these changing times. Doing this project with my SRCUS classmates gave me the perspective from other credit unions and the challenges each of us face. We all share similar situations and member needs. Although we are different, we are also a lot alike. Discussing these alternatives is helpful to my credit union, Family Trust, since our next branch will include

one or some of these options. The project will be useful as we go through these changing times.

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Appendix

Enrichment Federal Credit Union Dialog Branch Case Study



Enrichment Federal Credit Union in Oak Ridge, Tennessee introduced a dialogue style branch to its members on March 10, 2008 in the suburb of Knoxville called Northshore. This was Enrichment's first dialogue branch out of its eight branch locations. The credit union decided to go with this type of branch due to the extensive research that was done by the credit union and the design/build firm that was used. The design/build firm discovered that the demographics of the Northshore area would be a great fit for this style of branch. Research showed the demographics of the Northshore area to be more open to this type of branching concept since it offered more than just a traditional teller line but a new banking experience. It also showed that in other areas of the country the dialogue branch concept did well in densely populated areas where there is a mixture of retail and subdivisions, which is exactly what the Northshore area offered.

Another reason that Enrichment decided to implement a dialogue branch office was the size of the land that was available. At the time the Northshore office was built, most dialogue branches were built on a larger scale of 5,000 square feet. Since the build, the concept has been built on a much smaller scale of 3,500 square feet. This is the typical size of most traditional branch offices, says Enrichment's Vice President of Human Resources/Branch Operations, Nancy Donsbach. In order to build the branch, hire the necessary staff and to do extensive training, the lead-time was another essential factor.

Other credit unions have not had as much success when they have tried to retro fit a traditional branch to a dialogue branch says Donsbach. Their members did not seem to embrace the change well in certain demographics and many times existing employees did not either. Enrichment Federal Credit Union learned from other credit unions that it made more sense to start this style branch in a new market and train staff who would completely buy in to the concept.

From the beginning, Enrichment Federal Credit Union was committed to making this style of branch work. Donsbach as well as Van Johnson, Vice President of System Operations, both have commented that in order for this concept to work the credit union must have buy-in and support from the entire credit union. The CEO, Wayne Hope, upper management, and the Board of Director did buy-in and support the new branch concept.

One of the first major steps after the design/build firm had the plan completed was to hire and train the staff. Management had researched other credit unions that made the dialogue concept work and knew they would need to hire a branch manager and staff early and begin training as soon as possible. This style of branch has been described as a cultural difference from a traditional branch because it is a different way of thinking about credit union business. Each employee in this branch is responsible for knowing and performing all areas of responsibility from teller work to new accounts and loans.

When Donsbach began to search for a branch manager, she was looking for a specific individual. She wanted a manager with excellent member service skills, who could adapt to change, had an understanding and belief in the dialogue concept, was able to work with their team, and had the ability and willingness to be in the public eye. Donsbach said that a dialogue branch manager has many of the same attributes of a traditional branch manager however; some of the attributes are given more weight when considering a manager for this style of branch. Donsbach's searches lead her to the Northshore Branch Manager, Ellora Drinnen.

Once the branch manager was in place, the search began for the branch staff. Drinnen set out to find a group of employees who would make this concept work and could handle all aspects of credit union business. Drinnen said she was looking for potential staff that had good communication skills, good interpersonal skills, someone that was flexible, easily adaptable, shows attention to detail, and who is committed to their personal growth. Drinnen said these skills are imperative to the branch's success.



The staff was selected, then the branch manager, branch employees, and the credit union trainer began a three-month extensive training session. In this training, the staff learned

technical skills, which included teller work, new accounts and loan training. They learned to bond as a team and define everyone's roles within the team. The training was a great way for the staff to learn the expectations that were set for the branch, as well as time for the staff to set precedence for the level of service expected to be provided to the credit union membership. During the training process, the staff took field trips to area credit unions that practiced this concept of banking to study their dialogue culture and see what was working for them.



On March 10, 2008, the Northshore branch opened for business with a well-trained and knowledgeable staff. Drinnen said once the branch opens it is very important to keep up a positive atmosphere that continues to be conducive to learning. When opening a new branch with a new concept there are opportunities to improve on the practices that we already have in place. She keeps the environment positive and continues to foster these ideas for improvement. Drinnen also believes it is important to keep the team strong once the branch is open. She continues to do this with weekly team building activities that help support the team.

To keep a fun and positive atmosphere Drinnen starts each day with an activity such as a short game to get everyone ready and excited about the day. This type of environment requires a positive attitude and it is important that the manager set a encouraging tone everyday. One of the biggest challenges, Drinnen explains, is overcoming negativity when it arises. She says the manager should always have focus on a positive atmosphere to help alleviate this concern.

Drinnens' team also wanted to continue to keep their focus on exceptional member service. On the Northshore Branch intranet page (internal internet for employees), the team looks for opportunities to recognize their fellow credit union employees who excel at providing excellent member service. They regularly feature an employee who provided excellent member service. This act reminds the team of their commitment to member service and allows them to show their support for fellow credit union employees.

Drinnen takes great pride in her team and says it is important to celebrate their individual and team accomplishments and success with words of encouragement and rewards. She believes it is essential to celebrate goals that are reached as a team because it takes a great team to make this concept work.