



Tomorrow's

CU's try to maintain that personal touch as they build high-tech branches.

It's unlikely that all credit union branches of the future will be high-tech and low-touch.

But as consumer preferences and bottom-line pressures convince more credit unions to deploy member-facing technologies, it's increasingly important for them to come up with branch strategies that meet members' needs.

Credit union executives and vendors have their own ideas of what the branch of the not-too-distant future might look like. The challenge for credit unions, they say, will be to integrate technologies, increase efficiencies, and still deliver high-touch service when members want it.

Brick & mortar will never die

Teller transactions have decreased 4.4% annually in recent years, according to research firm Novantas. Online banking has become the primary channel for a variety of activities, such as product and service inquiries, balance verification, and funds transfer, according to Novantas.

But branches are still critical.

FOCUS

- ▶ **Teller transactions** are decreasing an average of 4.4% annually.
- ▶ **Members** expect and demand to have technology available at their CUs.
- ▶ **Board focus:** Build your service-delivery strategy first, and your branch second.

"Transaction activity might be dropping, but it's wrong and dangerous to say we don't need branches," says Steve Reider, president of Bancography, which provides consulting services and software tools to financial institutions. "The account-opening event continues to be critically important. And for the foreseeable future, we want to embrace full-service branches.

"There are very few single-channel consumers out there," he adds. "And the addition of a new channel doesn't mean you eliminate something else—it just becomes part of the mix."

"In the mid-1990s, people said brick and mortar was 'dead,' but it isn't and never will be," says Scott E. Carter, senior vice president of design for Consultants & Builders. "There will always be a need for personal, face-to-face connections."

Lower-cost transactions

That said, the branch of tomorrow will look much different than the branch of today.

Each face-to-face branch transaction costs about \$4, compared with \$0.17 for an online transaction and \$0.08 for a mobile transaction, according to a mobile banking white paper from Fiserv. Not surprisingly, the hunt is on for effective ways to reduce the branch staff role in basic transactions.

Many credit unions are encouraging members to handle routine transactions themselves—either outside the branch, via online banking or mobile channels, or with self-service options at the branch. The latter include:

- ▶ **In-branch** computers for online banking;

Far left: DEI is renovating Harvard University Employees CU's campus branch in Cambridge, Mass., to include a high-tech queuing system and dialog banking.

Left: Bay Winds FCU, Charlevoix, Mich., also opted for dialog banking in its newest branches.

Branch

VICKY FRANCHINO

► **Next-generation** ATMs; and
► **Teller** cash recyclers, which can accept deposits and dispense money.

“Recyclers let tellers interact with, and cross-sell to, members rather than using face-to-face time to count money,” says Linda Perconti, director of delivery channel solutions for Diebold.

One of the most cost-effective trends away from the teller line is remote deposit capture (RDC), which allows members to scan checks and see deposits reflected in their accounts immediately. Members can use RDC online, at image ATMs, or through mobile applications. This eliminates the leap of faith of putting a signed check into a deposit envelope and whisking it away.

The quick acknowledgment of the deposit is increasing member acceptance of RDC, which has a lower transaction cost than either branches or older envelope ATMs, says Bob Meara, senior analyst for Celent's banking group.

Giving members superior rates through a low-cost model encourages credit unions to migrate high-cost teller transactions toward more efficient self-service channels, adds Rudy Pereira, immediate past chair of the CUNA Technology Council and CEO of \$1.2 billion asset Royal Credit Union, Eau Claire, Wis.

In this paradigm, the branch becomes the place to assist members with lending and wealth management. “You want to drive lower costs, not lower service, and these are the areas where a branch adds value,” says Pereira.

But even high-touch services might not find a place in the branch of the future. It's becoming more common to have staff in one location, connecting members to staff via videoconference.

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Don't be overly concerned that technology will alienate some of your older members. “All age segments are moving toward self-service for standard transactions, though they still prefer face-to-face to resolve problems or get advice,” says Perconti.

‘Adapt or die’

Investing in self-service technology is quickly becoming a requirement for credit unions that



Coastal FCU, Raleigh, N.C., has replaced ATMs with uGenius “personal teller machines” in all 15 of its branches.

want to survive in this new environment, says Michael Pratt, chief marketing officer at Panini North America, which specializes in distributed check capture solutions.

Members expect credit unions to have a certain level of technological sophistication, he says. Credit unions can't afford the perception of being less sophisticated than competitors. "Yes, technology requires investment, but avoiding it can make your credit union less competitive."

All credit unions—even small ones—have to "adapt or die," agrees Larry Wilson, president/CEO of \$2 billion asset Coastal Federal Credit Union, Raleigh, N.C. "Serve your members with the very highest level of service that you can possibly afford, because there are sharks in the water just waiting to capture them."

"Our biggest fear is becoming irrelevant," says Tom Hammond, chief financial officer and executive vice president at \$520 million asset NMTW Community Credit Union, Lowell, Mass. "If you don't have what members are looking for, you're not going to get the chance to play catch up."

But where should your credit union spend its technology dollars?

"It might seem logical to follow the numbers, but you need to treat it like duck hunting," says Meara. "Aim ahead of the bird or you'll miss it every time."

At a minimum, credit unions need robust online banking services such as bill-pay, account transfer, and the ability to check balances. At many credit unions, members also can now use online banking for loan origination and funding, account opening, and deposits.

Mobile banking and payments—barely on the radar a couple of years ago—now are touted as the "next big things," according to several presenters at Bank Administration Institute's Retail Delivery Conference. *TNS Mobile Life* found that the percentage of U.S. consumers using mobile banking doubled from 11% in 2010 to 22% in 2011. And a 2009 study by Mercatus (sponsored by Visa) predicted more than 50% of the U.S. market will use mobile financial services by 2015.

"Some members completely bypass online banking and go right to mobile," says John Hirabayashi, president/CEO at \$1.1 billion asset Community First Credit Union, Jacksonville, Fla. "They don't spend their day tethered to a desk, and they don't want to handle their finances that way."

Consider what you need to be competitive, what your members value, and which products and services meet your return-on-asset criteria, says Pratt. "The intersection of those three variables will lead to a pretty short list of what makes sense for investment."

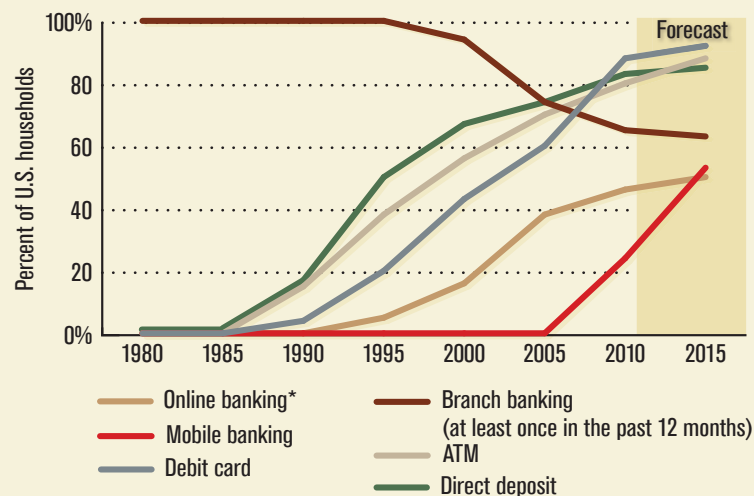
Don't miss opportunities to collaborate, suggests Pereira. For some reason, information technology (IT) professionals seem to think they should have all the answers, but that's impossible, he adds. "Perhaps you need to consider collaborating or merging with another credit union. Or look into the CUNA Technology Council—it connects you with 600 other IT professionals who are facing the same challenges and opportunities."

A different employee skill set

"In the past, good service meant that members left with smiles on their faces," says Hammond. "Today, that's only a start. Now we need more sophisticated, tech-savvy employees who can cross-sell and up-sell."

"We're seeing two interesting trends: the move to universal staff members—a blend of the teller and member service rep roles—and the use of a 'concierge' who's in the lobby working with members to determine the

Delivery Channel Adoption



*Online banking includes PC banking

Sources: Federal Reserve, SRI Consulting, University of Michigan, Mintel, Celent, Bank of America, comScore, Nielsen Mobile, The Wall Street Journal, and Mercatus Analytics

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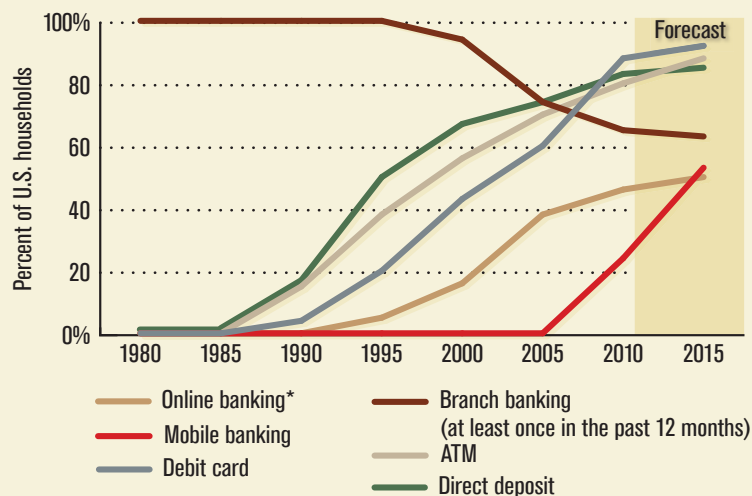
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most efficient way to assist them,” says Perconti.

These highly trained and more expensive employees are deemed critical by many. “They can monitor a situation and come up with the best course of action on the fly,” says Reider. “But you’re only going to be successful in redefining this role if you revisit goals and expectations and deliver training. It has been 15 years since we started talking about a ‘sales culture’ in financial services, and very few institutions have moved the needle.”

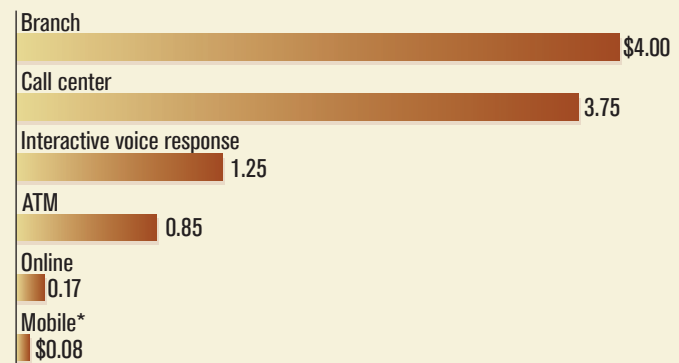
DEI, which handles design and construction for the financial services industry, has seen a trend toward “dialog pods,” which eliminate the traditional teller counter. The pods “facilitate a conversation between the member and the teller that opens the way for cross-selling and improved service,” says Tom Montchai, a design architect with DEI.

At Coastal Federal, tellers have changed their roles and their locations. During the past year, the credit union installed an express teller system from uGenius in all of its branches. Now all tellers work at a central call center, and members interact with them at local branches through a videoconference platform. (“CU Named Disruptive Innovation Award Finalist.”)

Off-site tellers have a wealth of member infor-

Per-Transaction Costs

(by channel)



*Mobile transaction costs based on actual data from M-Com, the international mobile banking and payments solutions provider and Fiserv partner, whose technology powers Mobile Money from Fiserv

Sources: TowerGroup, Fiserv/M-Com

mation at their fingertips. The credit union uses software that analyzes members’ relationships and prompts tellers with key pieces of information, says Wilson. “The teller can decide whether or not to pursue cross-selling opportunities. And the members’ responses are entered into the system for future reference.”

Employees might view technology as a threat—and not without reason. The 30,000 layoffs at Bank of America in September—in conjunction with the installation of 14,000 new ATMs during the past three years—are harsh proof that technology can result in staff cuts.

At the same time, new channels and improved technology also can streamline processes,

CU NAMED ‘DISRUPTIVE INNOVATION’ AWARD FINALIST

Teller transactions are high-tech and high-touch at \$2 billion asset Coastal Federal Credit Union, Raleigh, N.C. During the past year, the credit union installed an express teller system from uGenius in all of its branches.

Now all tellers work at a central call center, and members interact with them at local branches through a videoconference platform and “personal teller machines” (or PTMs, as opposed to ATMs).

The credit union was a Disruptive Innovation Award finalist in the 2011 BAI-Finacle Global Banking Innovation Awards.

“Members didn’t like the idea of an automated call center to handle their transactions—they wanted to interact with humans,” explains Larry Wilson, president/CEO. “This system provides a visual and audio connection to a person in real time.”

The videoconference technology lets Coastal Federal



Coastal FCU’s uGenius videoconference platform links members in the lobby to call center staff at a central location.

offer “7/7/7” teller availability—seven days a week, from 7 a.m. to 7 p.m. Teller staff decreased from 120 to 50 during the program’s three-year roll-out, which began in the fall of 2008. Many tellers have moved to new roles throughout the credit union.

Behind-the-scenes software allows Coastal Federal to determine peak teller demand times. And company statistics show member videoconference transactions are shorter than traditional face-to-face transactions.

Members can use the system to make deposits, print temporary statements, or even process checks for loan payments. Security features let tellers request, view, and verify identification.

Coastal’s initiative has also achieved a 40% cost savings, mainly due to more efficient use of personnel. And the credit union has nearly doubled the number of hours available to provide service.

increase accuracy, and drive sales.

“Our hope is that as employees see volume growth in online and mobile channels—and experience the benefits that come with it—they’ll accept and actively promote them to our members,” says Hirabayashi.

A retail approach

Experts advise credit unions to take a retail approach to branch layout and function.

“Give members a reason to linger,” says Pratt. “This could include having an electronic brochure wall, computers for checking their accounts or email, or a community bulletin board.”

Multipurpose space is gaining popularity. “We’re eliminating hallways and using the ‘hotel’ concept,” says Montchai. Within this concept, an office doesn’t belong to a particular person or function, rather offices are flexible and multipurpose.

Captive Indoor Media is a firm that creates digital signage for use inside the branch or at the drive-through. “This is an excellent way to augment the sales and education opportunities that occur during the teller discussion,” says Brian Nutt, president/CEO and founder. “Our main goal is to reflect the credit union’s brand, and within that we can tailor messages to a branch, a time of day, or a specific demographic.”

New technology and design don’t mean branches will grow in size. “The ideal size is about 3,000 square feet,” says Carter. No credit union can update all branches at once, and most make extensive updates only when a new branch opens.

“I typically recommend looking at changes in a seven-year cycle,” says Carter. “That lets you build upgrades into your budget without overwhelming it.”

A means to an end

If your credit union is small enough, knows its members well enough, and doesn’t have to compete with the megabanks, you might be able to get by with a status-quo approach for now.

“Our market strategy is decidedly high-touch,” says Thom Ewen, president/CEO of \$84 million asset ISU Credit Union in Normal, Ill. “We do have an online presence and we offer mobile banking, which is used by about 100 of our 10,000 members. Other than that, we haven’t made extensive investments in technology. Our

success is built on personal relationships.”

ISU is in the process of adding its first major branch. It currently has a location in a student center where about 10% of its transactions take place. At this point, the new branch will have a traditional teller line and traditional ATMs.

“Technology can be intensely valuable in terms of providing economies of scale and improving your margins,” says Ewen, adding that ISU will never be able to afford the technology of a megabank. “We aren’t trying to compete in that category.”

“Remember, technology is a means to an end, not the end itself,” says Reider. “If it helps you better serve your members and better position yourself, then it’s beneficial. If not, you could be spending a lot of money for little gain.”

The average credit union will need to adopt a more tech-centric approach, but Pereira encourages credit unions to develop a strategy first, and then determine what technology delivers it. “Focus on your core competencies, decide what member-facing resources you need to support it, and then look for the back-office tools.” ©

RESOURCES

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- ▶ Celent: celent.com
- ▶ Consultants & Builders Inc.: consultantsandbuilders.com
- ▶ CUNA:
 1. 2011-2012 Credit Union Environmental Scan: escan.cuna.org/planning
 2. “Branch Strategies” whitepaper: cunacouncils.org; select “white papers” under “tools and resources”
 3. CUNA Technology Council: cunatechnologycouncil.org
 4. “So You Want to Open a New Branch Office”: cuna.org/products-services; enter 26893 in the search box
- ▶ CUNA Strategic Services alliance providers:
 1. Diebold Inc.: diebold.com
 2. Panini: panini.com
- ▶ DEI: dei-corp.com
- ▶ Fiserv Inc.: fiserv.com