

GLORY

Knowledge Bank

Teller Automation Explored



conference
room

Glory are world experts in cash management and enable leading organisations to optimise their operational performance through the efficient management of cash.

Glory solutions are delivered through a combination of proven industry expertise and state of the art technology backed by responsive and practical service support. As a direct result of partnering with customers Glory reduces cash handling costs, streamlines operations and revitalises customer engagement, through practical transformation programmes which deliver measurable business optimisation results.

The Knowledge Bank series brings together thought leadership from Glory professionals and commissioned contributors within the field of cash management process and technology. These insights provide global perspectives on the need to ensure that the processing, authentication and secure management of cash is efficient, economic and a contributor to operating performance.

As a global business Glory comprises of over 2,500 personnel including more than 1,300 service and support staff operating from direct offices in over 20 countries. This model is further enhanced by a network of more than 350 business partners increasing coverage to over 120 countries and enabling local and regional solutions delivery as required.

Glory is committed to innovation and currently holds over 480 patents and designs granted across 28 countries covering every aspect of coin and note management, authentication, mechanisms, software and related technologies. It is these innovations that continue to further differentiate the business and deliver true business value to customers on every continent – wherever money moves.

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The retail banking world has been an interesting one to inhabit for the last few years as the competition between banks for customers, and their revenue, increases. RBR's Future of Teller Automation conference helps explore the trends and developments.

Banks face the increasing challenges and opportunities of cost effectively managing multiple channels, introducing new systems and processes and optimising staff performance in order to capture and then retain customers. These are the means through which they can improve customer service, engagement and ultimately increase sales revenues.

Here we review trends in the way teller automation is enabling banks to solve these challenges and learn from the emerging experience of banks across different continents.

Cash usage and the volumes of notes and coins in circulation continues to grow and analysis by Governments, central banks, industry bodies and financial institutions confirms that cash remains the payment method of choice for consumers. The result is that despite the proliferation of digital payment systems, cash is still very much an intrinsic part of business, consumer and everyday life.

The payments landscape is increasingly complex and yet branch transaction volumes remain both significant and relatively consistent. The branch remains the principal face-to-face contact point for customers and an essential channel through which customer relationships can be broadened and deepened.

Cash continues to be a primary driver of footfall to branches with research highlighting that a significant proportion of overall branch

traffic is still cash related. This provides the opportunity to create a branch experience that will continue to attract, retain and develop customer relationships through exceptional service.

Branches themselves are becoming yet more numerous with a forecast increase from 740,000 in 2010 to more than 820,000 globally by 2015, a rise of 11%¹. Correspondingly the number of teller positions is also expected to rise in the same period by some 7%, to more than 2.4 million¹. This growth has been despite an overall slowing down in the sector during the financial crisis, with the associated closures and mergers.

Therefore, at bank branches worldwide the sustained popularity of cash is resulting in financial institutions increasingly adopting technologies to efficiently manage it, whilst enabling them to focus on their core aim of retaining and growing customer relationships.

Retail banks worldwide are discovering the multiple benefits of implementing cash handling solutions, not only to their bottom line but in the contribution they can make towards creating that ultimate in-branch experience for customers. Supporting the rise in adoption of these technologies, recent research from Retail Banking Research (RBR), showed that the deployment of teller automation systems is set to increase by approximately 33% by 2015¹, demonstrating that financial institutions are rediscovering the importance of true customer relationship management through technology.

Looking behind the challenges of cash management

Consistently maintaining the right level of personal service and interaction is a key way of retaining customers. Changes such as the introduction of cash automation can significantly improve the customer experience, without unnecessarily burdening branch operations.

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Even small improvements to the frontline experience can create significant impact, provided they are implemented and integrated as part of the culture and business model. A new technology system, such as teller cash automation, should be viewed as an opportunity for the entire workforce to understand and appreciate the solution and the ways in which it serves the customer.

Branch-wide understanding of the need to minimise cash handling can potentially create a ripple-effect of increased efficiency, delivering higher quality in-person interaction with customers and thereafter a greater likelihood of increased sales.

Customer channels: old and new

The approach to customer service and process efficiency changes needs to be management led. This will set the pace and culture around the use of technology to improve customer service and increase sales opportunities. This sends a clear message to the frontline staff that they are empowered to change the way they interact with



¹ Global Teller Assist Units 2011 Study, RBR Ltd.

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customers and that new tools such as cash sorting and handling technologies are central to enabling them to make those changes.

It is these technologies that are also contributing to the complete re-design of the branch. The bullet-proof glass that historically isolated banks from their customers is being removed and new branch layouts are emerging where the availability of an espresso is seen to be as important as prompt, efficient, personal service and the elimination of queues. In addition to relationship building the combined end objectives are to increase efficiencies, reduce cost and speed up financial transactions.

In these environments the distinction between traditional retail and conventional banking is now becoming increasingly blurred. Staff, such as tellers, now interact directly with customers in areas that are specifically designed to be warm and welcoming and as unbank-like as possible.

However, in itself technology will not deliver the desired customer focused relationship. To achieve this calls for exactly the right mix of people, technology, service and environment, which reflects local needs, activity volumes and types, along with customer demographics.

For example, to exclusively push low-value transactions to self-service in order to reduce processing costs creates an environment which potentially loses contact with customers. This is the very audience with whom the branch is seeking to create a more meaningful relationship. Conversely, to not engage with self-service at all can lead to increased queues, inefficient operations and then in turn dissatisfied customers. The correct technology blend however will drive both productivity and customer satisfaction.

Understanding technology

What is clear is the role technology now has to play in enabling the open branch, creating efficiencies and deepening customer relationships. These are all areas which were very much in focus at the RBR, Future of Teller Automation conference in London at the end of last year. This key industry event was the first of its kind dedicated solely to Teller Automation and was a resounding success.

Last year's conference specifically examined the benefits and experiences from teller automation installations across diverse geographic and banking models. Case studies showed that the introduction of teller automation is inextricably linked to the wider process of branch transformation, having positive implications for the teller automation industry at large.

The case studies presented during the conference sessions clearly demonstrated that the benefit of the new equipment is delivered not only from cost savings, but also from the facilitation of new branch formats and improvements in both staff and customer satisfaction. However, the pace of branch transformation is often governed by the rate of adoption of new branch designs and the appetite and ability to invest in their restructuring.

The conference speakers confirmed that the trend is not restricted to specific regions, but is a worldwide phenomenon. What is more, retail banks are not just re-developing a small number of flagship branches, but increasingly rolling out key elements from these locations across their entire network.

This investment in branch transformation is a signal that banks once again believe in the value of their branch networks. This may seem obvious today, but for the past decade, many were unsure. It has now become clear that alternative

channels, such as self-service, telephone and the internet, can be complimentary to the branch rather than a replacement and evidence for this comes, not least, from the number of pure internet banks that now also operate branch networks.

Conference speakers explained that banks will, of course, ultimately expect to see a P&L improvement – not only from reduced costs, but also from higher revenues. They outlined that these results come from the recruitment of new customers, increased customer retention and directly as a result of increased cross selling through improved customer engagement.

The business case for teller automation in new branch formats has a number of return on investment arguments. For example, the justification for teller automation technology does not depend upon the re-design of a branch, but stands in its own right and can be substantially proven by careful analysis that examines transaction volumes, staff resources, footfall etc. Consistently however, The Future of Teller Automation conference showcased the return of the branch to the centre stage of retail delivery, customer acquisition and branding strategy.

In all, nine banks presented case studies from around the world closely examining the experiences these institutions had with teller cash recyclers and automation technology. Many recognised that their required improvements would mean changes to process, branch design and the roles and skills of staff, all of which called for clearly defined strategic objectives and holistic planning and piloting.

Whether the objective was enhanced customer service or operational efficiency, the view was that planning and execution should involve internal stakeholders across relevant departments as well as customers themselves.

The conference also showed that while many of the key issues banks face when embarking on branch transformation programmes are common whether in Mauritius, Mexico or the Middle East, the mix of solutions tends to vary from country to country and should reflect local customer preferences and needs.

From transactions to interactions

One opinion reaffirmed by all was the need for banks firstly to attract customers to the branch and then to increasingly interact with them face-to-face. Creating quality engagement time is considered essential.

This principle was demonstrated in the experience of Mustafa Dereci, of Kuveyt Turk Bank in Turkey, who shared the story of his bank's change from a traditional branch format to a modern one, opting for a format designed according to the needs of local customers.

The main reason behind the bank's decision to transform its branches was a desire to increase the amount of interaction between staff and customers. Also a survey undertaken by the bank had revealed that customers were reluctant to come into their branches, so the bank re-designed with the aim of creating an environment to attract their customers and to make them feel more at home within the branch. This transformation integrated new technology as well as a new branch design to enable increased customer engagement.

Innovative new branch formats enabled by teller assist units

A number of case studies highlighted the way in which banks have used teller assist units (TAUs) to deliver new branch formats. Mohamed Zaqout of Al Hilal Bank in the United Arab Emirates spoke about how the bank – established as recently as 2008 – had the opportunity to take a different, innovative approach to its branch network. The approach was based on the idea that 'retail banking' should become simply 'retail' and be driven by a customer-centric focus on choice and convenience.

To this end, Al Hilal Bank has used segmentation in all aspects of its retail banking services to offer customised products for different types of customers, in order to meet their individual needs.

The five main segments it has identified are the mass market, children, youths, women and the wealthy. Branches have different areas dedicated to each segment and are fully open plan. This allows a 'relationship officer' to interact with the customer and create an experience in which the branch feels more like a retail outlet, while the recycling TAUs still

allow them to handle deposits and withdrawals securely.

From branches to cafes

Emmanuel Ari Chamarro of Ixe Banco in Mexico discussed another innovative branch concept, the Ixe Café branch. As a niche bank, Ixe Banco was able to try a different approach to the existing 'one-size-fits-all' model of other Mexican banks. At a time when other banks were closing branches, Ixe Banco decided to open them and to do so in the format of a café.

The Ixe Café concept allows customers to wait in a comfortable seating area while a 'greeter' ascertains what the customer requires before bringing an executive to carry out the transaction. This clearly also provides an opportunity for cross-selling and relationship building.

Improved service a key driver of TAU deployment

The conference showed that in addition to financial factors, one of the main drivers of TAU deployment was the improved service provided to customers. Brian Holland of Santander in the UK discussed two different situations experienced by the bank.

In 2003, the bank (then operating as Abbey, prior to its acquisition by Santander) installed TAU machines within its branches. However, the focus on design and image rather than the customer experience resulted in the project's failure. Equipment was chosen based on how it fitted the counter and not for reliability, which led to failures on a daily basis. Transaction times were slow and staff did not like using the machines; when Santander acquired Abbey, these TAUs were removed.

Santander learned from these experiences and applied this knowledge when it began a new study of TAUs in the Bradford & Bingley branches it acquired in 2008. The bank

researched terminals used at other banks to ensure reliability would not be an issue and piloted machines from two vendors for comparison.

Staff acceptance and jamming rates were the key selection criteria this time, and the bank ensured the terminals performed well during rigorous testing before integrating them into the teller application. The new rollout has been a success and staff are happy in the knowledge that the TAUs make their job easier whilst enabling increased customer engagement time, faster transactions and accurate balancing.

Edson Matunaga of Itaú Unibanco in Brazil shared his bank's experience of using TAUs to boost customer satisfaction. Itaú Unibanco's traditional branches utilised security doors with metal detectors which were unpopular with customers who had to empty their pockets to enter the branch. The use of TAUs in the bank's newer-style branches provides far less intrusive security measures and has enabled the bank to do away with the security doors, again improving customer satisfaction.

In addition, the TAUs' ability to handle large transactions rapidly has delivered improved customer satisfaction amongst its Corporate customers. Also, customers perceive the units to be highly accurate and this trust reduces the likelihood of a complaint if a counterfeit note is detected or the amount calculated is lower than that stated by the customer.

Eric Crabtree of Barclays highlighted the need to listen to customers when designing a bank branch. The bank has been in the process of refurbishing its branch network since 2007, having turned to its customers for advice on how it should be done.

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The new format followed Barclays' approach to banking based on the 'four Cs' – **Customers, Colleagues, Community and Company.**

Customers told Barclays that they wanted more personal contact, so the security glass separating them from tellers was removed. The bank also gave its employees (**Colleagues**) the training and tools they needed to be able to deliver the increased levels of service excellence. The '**Community**' element was delivered by refurbishing smaller, more remote branches rather than just flagship branches so that all Customers would feel valued. Finally, the exercise had to be deemed beneficial for the **Company** as a whole.

Bright future for teller automation

The many case studies presented at the conference are testament to the revival of the bank branch as a core sales and service delivery channel.

The return on investment for cash handling technologies comes in many forms: increased efficiency of the front-line staff, greater accuracy in transactions, discreet security measures and realising branch design objectives such as customer-centric open-plan layouts – to name a few. However, the most important metric is that individual branches typically realise full payback on their investment within 15-18 months by simply installing the technology. This remarkable figure reinforces just how valuable such innovations can be to improving branch practices while simultaneously improving the bottom line. If the installation is implemented as part of a complete branch strategy including staff training, resource reallocation, simplifying security procedures etc that payback timeframe will accelerate significantly.

² Boston Consulting Group.

Resource Optimisation

One immediate return realised from cash automation is substantial time savings. For example upon deploying cash management solutions, banks report a typical reduction of 10-20 minutes of start-of-day set-up time per teller, and about 15-25 minutes for end-of-day wrap-up time. When also taking into consideration the significant additional time reductions throughout the business day on customer withdrawals and deposit transactions, it is possible to experience greater than 60% savings from increased efficiency via internal cash management.

Cash automation solutions also provide vault level security and limit direct access to cash. This not only improves security within the branch but also minimises the numerous staff trips to central vaults and can even reduce the number of central vaults required.

If the solution installed is a recycling system financial institutions can also benefit from reducing currency inventory. In turn this can reduce the number of shipments by armoured carriers; data shows that reducing one shipment per week, per branch, across a 500-branch network conservatively produces savings in excess of \$1,000,000 annually².

At the teller line correctly integrated solutions can transform the labour intensive audit procedure to a completely automated process – a huge time saving which translates to a real business benefit. The degree to which this is supported by the teller application varies. A USA bank who recently adopted CashInsight™ Assure across a number of their branches found that by using the audit and reporting capabilities of the software they were able to

halve the time for each traditional, manual verification. This equated to a 30 minute saving per device per audit; across the whole branch network this amounts to a very significant saving.

Integrating Through Partnership

The real-life evidence speaks for itself: Implementing cash handling solutions into branch management strategy delivers long term cost savings and benefits which can be realised quickly and are measurable every step of the way. However, implementation of such a strategy involves organisational change that should not be undertaken lightly and calls for close development of staff through practical training and integration with state-of-the-art technology.

It necessitates the selection of an experienced partner that can develop a solution to dovetail with the financial institution's existing resources and future objectives. These are the crucial first steps to making branch automation technology a near instant and money-saving success.

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Glory Global Solutions is a world expert in cash management delivering technology and service solutions that provide security, productivity and innovation to our customers in more than 100 countries worldwide. These solutions are supported by the technical expertise of Glory Group of Japan, a pioneer in the development and manufacture of money handling machines across the financial, retail, vending, amusement and gaming industries for nearly 100 years.

The company is committed to meeting society's wide ranging needs for accurate, secure financial transactions between individuals and businesses, and between businesses.

As a responsible organisation we maintain a disciplined approach to our corporate governance and operate to the optimum professional and ethical standards in all aspects of our business. Glory Global Solutions strives to be an exemplary employer, and will always seek to provide a fair, safe and productive work environment where all employees can grow and be challenged. Wherever we operate, our objective is to contribute actively to the community and the local environment including consistent environmental responsibility.

Our philosophy, business priorities and everyday practice are summarised in a single commitment:

We Secure the Future.



Glory Global Solutions

Forest View, Crockford Lane, Chineham Business Park, Basingstoke, Hampshire RG24 8QZ, UK
T +44 (0)1256 368000, F +44 (0)1256 368001, info@uk.glory-global.com
www.gloryglobalsolutions.com

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