

# Bank Director

GUIDED BY ONE F... BOARDS BUILD STRONG BANKS

24, Number 3

16

PAGE

SPECIAL SECTION:  
Gaining An Edge Through  
Innovation

TEXAS LONE  
2014 BANK PERFORMANCE SCORECARD

# STAR

How First Financial's Scott Dueser out wrangles the competition



# Will Video Kill the Teller Line?

Banks are using technology for a more efficient branch that better serves customers.

# W

**When asked about technology**, many bankers are quick to tell you that they want to be on the cutting edge—not the bleeding edge. But banks are slowly, if perhaps

begrudgingly, adopting new technology in bank branches. And while this technology may not be the flashiest, its adoption could spell the end for that stalwart of the banking industry—the teller.

Sixty-eight percent of consumers visited a branch in June 2013, according to the Boston-based research firm Celent, and more than one-quarter of Americans cite branch convenience as a factor when they choose to switch banks. But foot traffic is declining by as much as 5 percent annually. In the age of digital banking, it's clear that the industry's approach to the branch must change. For many banks, this means the implementation or expansion of self-service technology.

Bob Meara, senior analyst at Celent, sees the industry heading towards an increased self-service model, with staff available when needed. "I think the teller line [will be] extinct sooner rather than later," he says, but since sales typically occur within the branch, "the last thing [bankers] want to do is close branches."

When it comes to technology in the branch network, "the single biggest sea change I see in branch technology... is the image-enabled ATM," says Kevin Travis, managing director at New York-based bank advisory firm Novantas. Unlike a traditional automated teller machine, these ATMs scan images of customer deposits, whether cash or check, speeding the process for bank staff and providing confirmation to the customer that the deposit was accepted accurately. Image-enabled ATMs have been around for about a decade, but adoption has



not been universal by the industry so far. Celent estimates that about 1,300 banks and credit unions in the U.S. use them—about 10 percent of the industry.

In 2005, Kennebec Savings Bank, a \$792-million asset financial institution headquartered in Augusta, Maine, was just the third bank in the U.S. to deploy image-enabled ATMs, by Duluth, Georgia-based technology firm NCR Corp. In addition to four traditional branches, two 24-hour unstaffed electronic banking centers with image-enabled ATMs allow the bank to reach communities within its geographic footprint in a more cost-

effective way, processing transactions at about 10 percent of the cost of the bank's full-service branches, says Andrew Silsby, the bank's president and chief operating officer. He says that the bank's 12 image-enabled ATMs handle about one-third of its deposits.

Despite the success of its electronic banking centers, Kennebec Savings Bank is still on the fence when it comes to virtual tellers, which allow consumers to interact with a member of bank staff operating from another location. According to Celent, as few as 150 banks in North America use virtual tellers—a small fraction of the industry.

"I think it's going to take another couple of years for the vendors to work out the kinks," says Meara, and video tellers may not be the right solution for all banks. Unless the bank wants to extend service hours or geographic reach, many don't see a need for a remote teller.

Conestoga Bank, with \$679 million in assets in Chester Springs, Pennsylvania, uses virtual tellers, also by NCR, at two locations in the Philadelphia area. Transactions at these branches are handled entirely by virtual teller machines, so branch staffing at those locations is minimal. "Anything that a traditional teller could process through the teller window, the machine can handle," says Lori Adamski, chief operating officer at Conestoga Bank. In addition to deposits and withdrawals, customers can make loan payments and print certificates of deposit and cashier's checks.

Conestoga CEO Richard Elko says sales have increased at these branches. The office on Walnut Street in downtown Philadelphia, once a traditional branch, now opens two-to-three times more accounts each quarter with virtual tellers than with live ones, enabling branch staff to handle more complex services. And while the bank has yet to see a significant cost savings, Elko says that expansion of the new concept by one or two additional locations without hiring additional remote staff will generate the efficiencies that the bank is seeking.

Banks should take a careful look at how self-service technology is deployed within the bank, says Cris Gunter, director at Seattle-based architecture firm Callison. He recommends moving technology to the front of the office. "Make technology the first step available to the customer," he says.

Extraco Banks, a \$1.2-billion asset finan-

cial institution headquartered in Temple, Texas, locates cash recyclers, which automate cash handling by branch staff, at the front of the branch. Transaction times have been reduced by half, according to Vice Chairman James Geeslin. Extraco designed branches to be "open and flexible, and they went all-in in terms of automating routine transactions as much as possible, whether it's check cashing or cash handling of any sort or even opening modest loans," says Meara. Extraco also uses machines to issue debit cards within minutes, and image-enabled ATMs account for 20 percent of bank deposits.

The successes seen by banks like Kennebec Savings, Extraco and Conestoga reveal that community banks might actually have an advantage in implementing new branch technology. "Smaller banks have been more radical," says Travis, because they aren't hampered by extensive branch networks and are well-connected in their communities. "When you go to make a radical change, you're less likely to lose customers if your customers are already highly loyal to you."

Technology is not limited to transactions. It can also help familiarize customers with a bank's many products and services.

"The typical bank has 50, 60, 70 different products, but how do you convey that? How does the customer actually discover that you offer all those different things?" says John W. Smith, CEO at DBSI, a branch design firm. "One of the things that work is interactive digital." Marketing messages can be quickly updated and even customized to educate consumers on the bank's products and services.

Customers scan their ATM cards to access the electronic banking center at Kennebec Savings Bank, which not only gives them a sense of security, but allows the bank to exper-

iment with digital signage. "We actually display a personalized message up on the digital signage welcoming that particular customer," says Silsby. The bank has future plans to tailor the messaging to target the right products and services to the customer.

DBSI worked with \$14-billion asset Rabobank N.A. to transform the bank's Roseville, California headquarters, focusing on the bank's client base in the agricultural community. The centerpiece of the branch is a table with an embedded interactive touch screen. While the table brings back the nostalgia of a farmer meeting his banker in his kitchen, the modern interactive screen provides information about the bank's products, including how to open an account and sign up for online banking.

With the continuing evolution of technology, one of the biggest challenges for banks is deciding what technology to adopt. JPMorgan Chase & Co. plans to introduce palm scanners, a type of biometrics, in branches later this year, according to Chase spokesperson Trish Wexler. The palm scanners not only examine the vein patterns in the customer's hand, but a personal identification number is still required, adding another level of security. And in the near future, it's likely that smartphones or wearable devices could identify customers who enter a branch. "A banker could understand in an instant who it is that walks through the door ... and be alerted to sales opportunities," says Meara.

In an industry with few innovators, "if you can differentiate yourself, if you can align yourself to your target market more effectively, you have a massive opportunity to win," says Smith. Banks that find and implement flexible and efficient solutions that please the consumer will be the winners. [BD]

# DBSI<sup>INC.</sup> CONTACT INFO

TEL (855) ASK-DBSI

FAX 602.264.5633

WEB [dbsi-inc.com](http://dbsi-inc.com)

REQUEST MORE INFO

TOP 5 BEST  
PLACES TO WORK



TOP PRIVATE  
COMPANIES



TOP 1% FASTEST  
GROWING IN THE U.S.



VOTED BEST  
OF THE FUTURE



RECOGNIZED  
BUSINESS LEADER



TOP 10 EMPLOYEE  
GROWTH IN THE NATION

