NU TELLER

CONCEPT DOCUMENT

filene F3
IDEAS · INNOVATION · IMPLEMENTATION

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THE OPPORTUNITY

With ballooning operating costs, squeezed margins and ever present competition, financial institutions need to be able to address high volume, low value transactions generated on teller lines. Even though over the past decade, financial institutions (FI) have increased the number of channels through which consumers can conduct their business (which include online banking, ATMs, kiosks, mobile banking, check scanning), many consumers are still reluctant to use technology and would prefer face to face contact with the FI representative.

Financial institutions stand to gain significant efficiencies and reduced operating expenses by either transitioning these consumers to self serve/assisted self serve options, or creating an experience which produces more value from the interaction. Financial institutions that can successfully transition their operating model to either higher touch or higher tech will be well positioned for the long term. Those who can leverage both a high touch and high tech model will win the day. Migrating to a high touch and high tech model will result in a win for both the consumer and the financial institution.

Financial Institution
- Increased share of member wallet
- Reduced operating expense
- Efficiencies gained
- Member's preferences captured

Consumer
- More personalized interaction
- Interactions are fast and informative
- Improved experience resulting in increased satisfaction

THE SOLUTION

Eliminate the physical barriers of a branch which detract from the ability of an FI representative to build rapport, earn trust and deepen member relationships. Credit unions can leverage the latest developments in retail to enhance service to members while creating experiences where members will purchase products and services. By leveraging the same concepts and hand held technology used by Apple, Microsoft, and now even Nordstrom stores, an FI representative can come from behind their desks or the teller line to immediately greet and interact with members.

The latest trend in the financial service delivery is tablets. Tablets are sophisticated devices that are equipped with the tools an FI representative needs to open membership and accounts. For many credit unions access to a customer relationship management (CRM) system is also available. By utilizing a tablet at the initial point of contact between the FI representative and member, the interaction is quicker and more engaging. Both the member and the FI representative work collaboratively to fulfill the member's needs. Upon greeting the member at the door of the branch the FI Representative will invite the member to sit at a small table with two chairs. Upon sitting down the employee authenticates the member, scans the checks and hands the member the receipt. The employee has the opportunity to review the member's account and suggest additional products for the members' consideration. Additionally, given the more intimate setting, framed around the member's needs, the FI representative has built trust faster and can uncover any unperceived concerns with using remote technology solutions to access the credit union. Please refer to Appendix A that illustrates the member experience.

While tablets have online web applications, making it easy to acquire new members and loans, not all of

the necessary platforms exist in tablet format yet. In the near future credit union's data processors will support core debit/credit transactions via tablets. The data processor Symitar indicated they would be looking to support tablet usage in 4th Quarter 2011. Once data processors can support tablet functionality the use of tablets in financial institution branches will accelerate quickly.
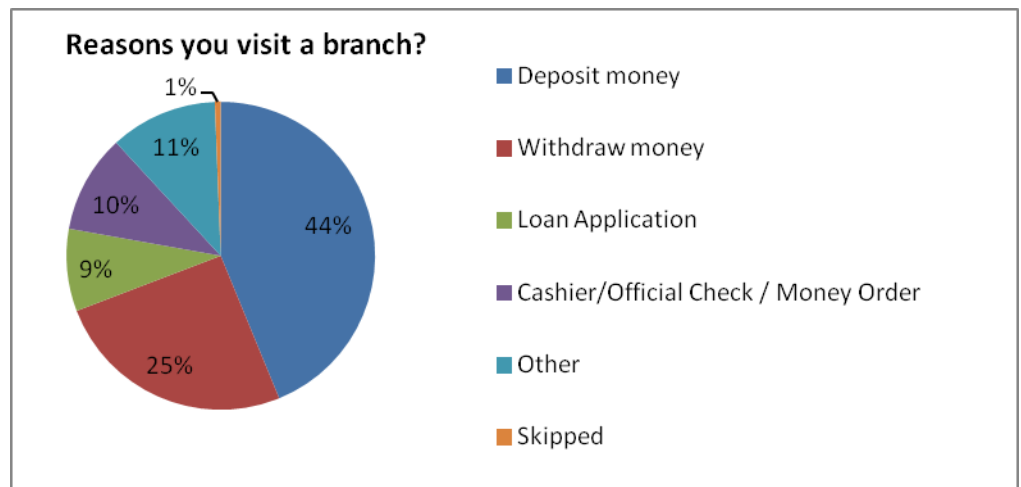
TARGET MARKET

The target for the tablet device is a member who wants that one-on-one experience with their credit union; they want to be informed of products, services, and promotions that will more positively benefit their financial situation. They also tend to be the member that still prefers to visit their local branch because they are hesitant to embrace technology, but want the convenience of less wait time for conducting their transaction.

A survey was conducted at four participating credit unions in an effort to determine the best potential audience for implementing a tablet device. The participating credit unions included Educators Credit Union (Wisconsin), Interior Savings Credit Union (British Columbia), University Federal Credit Union (Texas) and BECU (Washington). A total of 1,337 individuals completed the survey with the following results.
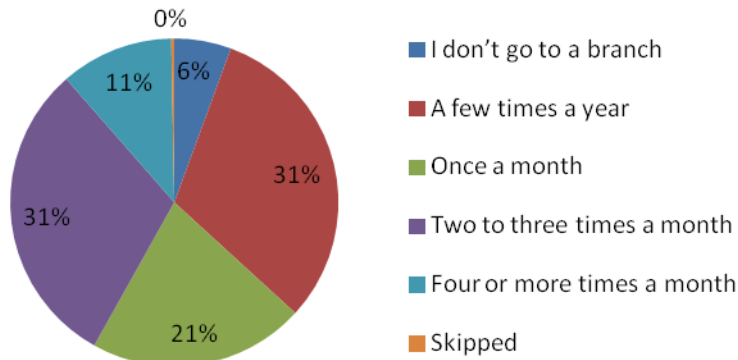
CREDIT UNION SURVEY RESULTS

Reason to Visit a Branch. 69% of the respondents answered that the main reason to visit a branch was to either deposit or withdraw money. This would enable staff to quickly take care of the member's need and enable the staff the opportunity to interact on a personal level with the member to cross sell a product or service and to establish a rapport and

build a long lasting relationship without the barrier of a traditional teller line present.
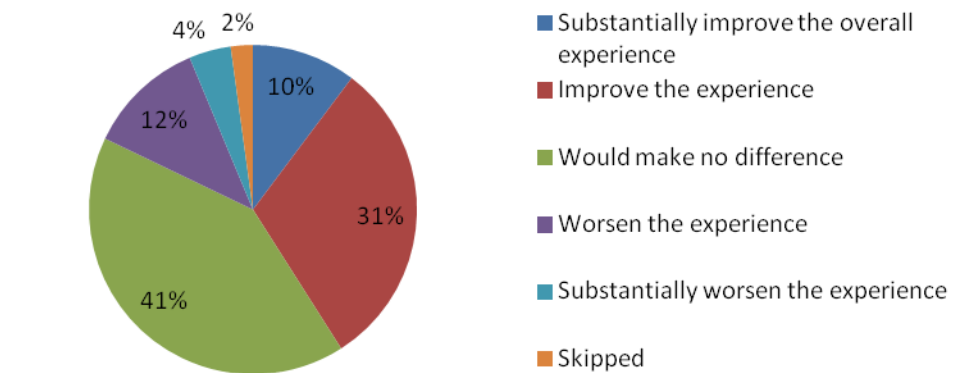
Frequency Visiting a Branch?

- I don't go to a branch
- A few times a year
- Once a month
- Two to three times a month
- Four or more times a month
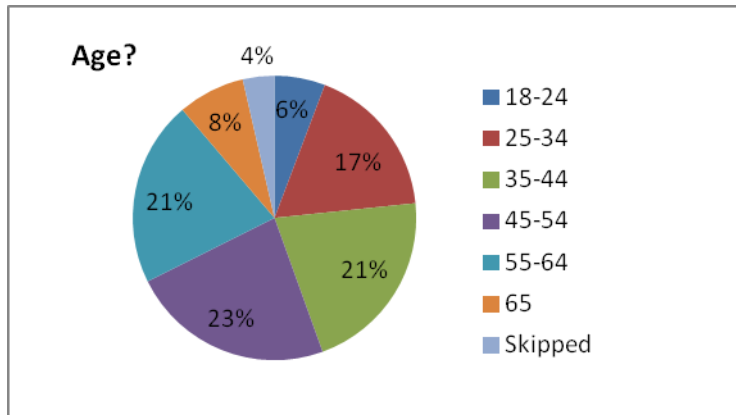- Skipped

0%
6%
11%
31%
31%
21%

Frequency Visiting a Branch. Although consumers are on the go and most prefer the convenience of conducting their banking via online channels, of the respondents, 63% said they visit a branch once a month, up to four or more times a month. The tablet could prove to be a viable option that would engage its technology with the personal connection of people.

In Branch Experience Change. When asked if during an in-branch visit a teller were to greet you at the door and address your transaction with a handheld device, 41% of the respondents said it "would make no difference," and 31% said it would "improve the experience." It is thought that the staff helping the member has the opportunity to change that member's reaction based on the one-on-one attention given during that service encounter to improve the experience.

Change your in-branch experience?

- Substantially improve the overall experience
- Improve the experience
- Would make no difference
- Worsen the experience
- Substantially worsen the experience
- Skipped

4% 2%
10%
12%
31%
41%

Age. It was thought that younger consumers would be most receptive to use the handheld device, but the largest demographic group of respondents was in the 45-54 age range with 23% in the 55-64 and 35-44 age range, both with a 21% response rate. This tells us that members 35+ will be receptive to using this type of device and that it will not be only a device that the younger generation embraces.

CONSUMER BENEFITS

The tablet device will bring benefits to the member and their "member experience" at their credit union. First it's going to bring a more in-depth personal experience to the member. The member will receive a one-on-one transaction that will be used to share detailed information regarding products and services that are beneficial to the member's overall personal financial needs. It will be used to create trust, credit union knowledge, loyalty and overall member satisfaction. Secondly, the tablet will bring an additional option of convenience. Some members would prefer to visit their branch but make it a quick and smooth process, without a lot of waiting time. The tablet could provide a faster option without the user having to be overly savvy with technology become comfortable with the system. By combining these features of first class service and convenience, members will feel that they have additional options to their branch experience.

CREDIT UNION BENEFITS

There are three main benefits to credit unions for using the tablet device. First is convenience. In today's hectic lifestyle, consumers (members) are always looking for their banking to be fast, efficient and informative. The tablet device could help assist in that process by creating faster in and out times; shortening the wait in line times or waiting in the branch lobby. The second benefit is relationship building. If the tablet device is being used by a trained FI representative, then they will be able to focus on a member's personal financial needs and help explain other products and services. This will also be an opportunity for the representative to educate and advise (cross sell) products, services, and promotions that could help fulfill the member's overall financial needs. Third, by creating a smooth and informative process of convenience and relationship building, it will create a more positive member satisfaction level, ultimately making the member more loyal and happy to be banking with their credit union.

PILOT RESULTS

We were able to pilot an iPad with BECU's dedicated events team staff at the State Fair in Puyallup, Washington and received mixed reviews. The events team was selected to pilot the iPad as they are very skilled at building rapport, gaining trust while excelling in cross-selling and closing business. The

State Fair offered a very diverse demographic to test reaction and acceptance to the iPad. Additionally, this location was off-site and exposed staff and the iPad to anticipated challenges (i.e. printing, hand-offs) of a new technology and process. It was important the setting for the pilot be taxing so the barriers to successful implementation could be identified.

Positive Feedback
- Carrying the iPad in a messenger bag over the shoulder made it extremely quick to access when setting up new membership.
- The iPad's processor was faster than the traditional laptops and PCs used. This allowed the user to launch the .org website and load pages much quicker than normal.
- Individuals that are technologically friendly appreciated the fact that we had the iPad. It made us seem like the "cool" place to bank. It gave us a little bit of an edge over the competition.
- By setting the iPad on a desk, the members enjoyed being able to see what was on the screen. It was more like we were walking through signing up together as a team, step by step, instead of them waiting and guessing what my next question was going to be.
- One of the advantages of walking individuals through signing up for membership on our .org website on the iPad was the seamless introduction to online banking. This process instantly makes the member comfortable with our remote model and helps them to be more self sufficient.

Challenges
- The iPad wasn't integrated with all systems; therefore, cross selling and trying to deepen the relationship with new and existing members was challenging.
- The .org platform was designed for individuals signing up for membership on traditional computers. This posed a problem for the iPad. When walking an individual through signing up for membership it wasn't user friendly. For example when entering your phone number into the online application normally you could just tab to the next box after entering your area code but with the iPad you had to click back on the screen which would close the virtual keyboard then move to the next box and wait for the virtual keyboard to pop back up. This added about two minutes to the overall process.

Member Reaction
- The majority of people were apprehensive to sign up for membership on the iPad. When probed further, it became clear it was fear. With all of the stories in the news about RFID scanners and "Sniffers" getting your information out of thin air, people are hesitant to put their information into an electronic device with which they were not familiar. This might also have had a little bit to do with the demographics of where we were testing. Puyallup tends to be a little more rural then, let's say, Seattle.

Staff Reaction
- 25% of the time the staff liked using it and 75% of the time they didn't due to technical difficulties. As with anything new, time helps smooth the transition. With the integration of the credit union systems, the iPad will become a viable tool when interacting with members.

OPERATIONAL AND OTHER CONSIDERATIONS

Staff will need to be trained on using the tablet device so they can service the member. They will need

to know how to use the web interfaces to existing applications so they can service the member accordingly. There will also be soft-skills that will be required which are different from those today's member service representative is used to. There will be no barrier between the member and representative, which will take some getting used to by both parties. They will also have more time to spend with the member, so they will have more of an opportunity to cross-sell other items which the member can benefit.

Using the solution will be limited to non-cash transaction functionality such as depositing checks, balance inquiries, change of address, etc. Initially, the solution will require the use of existing web interfaces to service the members until the core vendors implement a tablet interface, which will vary by vendor. Some credit unions may be able to overcome this if they are already set up with an open environment without a teller line to include cash dispensing machines which the representative can use to withdraw money for the member. Another option to cash transactions is if the credit union has an ATM in the lobby, they can direct and/or assist the member to it for cash transactions.

The credit union will also have to invest a small amount of money for a tablet that the representative can use. These can be any of the tablets that are supported by their existing web interface, however, they may want to contact their core vendor to determine which tablets will be supported with a direct interface to the core system when the vendor releases an updated version.

FINANCIAL PRO-FORMA/ROI

This project will not have a direct revenue stream, but an expense component. This solution is about providing an alternative service channel to our members and potentially reducing wait times. The expense incurred will be for the purchase of a tablet, staff training on how to use the tablet, and additional costs for an interface to the core processor. This expense will vary depending on how many tablets you want to deploy and the strategy that you implement for your credit union. There would potentially be indirect revenue if you can service the member quicker; you will have more time to discuss cross-sell opportunities to increase loans or other products. Also, if members are serviced quicker, they will be more satisfied members and potentially bring more business to the credit union. There will also be indirect savings in the sense that if you serve the members quicker, you will potentially need fewer staff serving them. Finally, if you use the solution to educate the members on how to do more self-service items and not have to come into the branch, it will reduce the amount of traffic coming into the branch which could reduce the amount of staff required.

RESOURCES

Likely several of a credit union's business partners will be very helpful in identifying whether a tablet would be a viable option. A credit union's core data processor will have insights on the platform's functionality on a tablet. Based upon Team Insight Miners experiences, data processor readiness to support a tablet varies greatly. If a credit union has any part of their web site or online banking hosted or supported by a business partner then definitely leverage their expertise.

Finally, there are several credit unions throughout the country who have piloted a tablet to gain their insights and best practices. The Insight Miners team knows of two credit unions that are using tablets:

Unitus Community Credit Union, Portland, Oregon and BECU, Seattle, Washington.

GETTING STARTED

1. Determine whether adding self serve functionality via a tablet is in alignment with strategic objectives.
2. Contact business partners.
3. Data processor.
4. Website provider/host.
5. Online banking provider/host.
6. Assess organizational readiness.
7. Contact us if interested at innovation@filene.org.