



# RETAIL BANKING TRANSFORMATION

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**3 ELEMENTS OF  
BRANCH TRANSFORMATION  
THAT ARE OFTEN OVERLOOKED**

# RETAIL BANKING REVOLUTION

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Financial institutions universally agree that retail banking faces bottom-line pressures today from both customers and regulators. Banks tend to respond to these pressures by initiating a branch transformation project, which is also often referred to using the language of revolution, not evolution. With the number of retail banks quickly transforming, banks embrace projects that shift their branches toward better operational excellence and a customer-centric banking experience. However, many of the decisions around branch transformation in the organizational context are distant from retail customers' everyday banking experiences.

## **What elements of branch transformation are we addressing?**

Branch transformation can take many shapes, based on the markets and customers served by banks. But no matter which market or customer segment banks find themselves in, they all aim to automate simple transactions, increase accessibility for customers, and strengthen the security of their financial ecosystem. When outlining the unique roadmap to success, it is crucial for banks to consider each of these vital elements separately, without overlooking the experiences of customers and employees. This paper will address the following three common elements that banks often disregard, when designing and executing their roadmap to retail banking transformation:

1. Bank Staffing
2. Technology
3. Currency Security

## **Did You Know? General Trends in Retail Banking**

- Customers want more convenience and better service across channels
- Characteristics of the branch and the role of the teller continually evolve
- Cash in circulation is increasing
- Manual cash handling costs (including security) are significant and increasing

# BANK STAFFING

## Process automation empowers bank personnel to deliver more value; outsource basic tasks to technology

Traditionally, simple transactions like cash deposits, withdrawals, and cheque-cashing required tellers to count, collect, and return cash manually. Not only did these transactions create longer queues at the teller line, but they prevented tellers from delivering better service. Thanks to the introduction of teller-assist units (TAUs) and higher-end ATM models, the time handling minimal transactions could be spent on more personal and sophisticated activities, such as selling high margin financial products or supporting new customer acquisitions.

The problem is that in reality, many of the existing TAUs are not fully equipped with coin handling functionality. Such functional limits become even more critical to teller productivity, considering the coin circulation growth at an accelerated rate of 163% since 2009 in the U.S. alone.



“In recent years, one of the most frequent topics brought up by retail banks is how to manage coins effectively while we refocus tellers’ time,” stated Stephan Rosseneu, banking sales director at CPI. Coins are not particularly favored by banks. Retail banks universally agree that handling coins should never be the priority of their tellers at branches. Yet, coin handling still takes up 50% of teller transactions that are carried out by tellers.

Coins are required for many of the transactions that were traditionally supported by tellers, such as:

- Giving change back on a bill payment
- Accepting coin as part of a bill payment
- Paying out a cheque to the last cent
- Collecting a transfer
- Depositing a “jar of coins”
- Exchanging foreign currency
- Closing a savings book
- Closing an account efficiency of other payment methods

One common mistake that banks often make is looking at coins against the associated costs of handling coins, or removing coins or coin-counting equipment from branches completely. The value of coins, inevitably, is much lower by nature than bank notes. Moreover, banks typically think of coins as being heavy and noisy. “The secret is that coins need to be valued by what they offer to a banking operation. Maintaining the service levels offered by a traditional teller is only possible if coin in and out is supported on the new generation of self-service terminals,” argues Rosseneu.

### **What is the common mistake here?**

Improving the staffing model of the branch is one of the most common topics amongst banks who are looking to adopt radical changes. However, banks lack understanding of the manual cost of handling coins.

### **How can this be executed better?**

Research shows that automating coin deposits can save banks up to 400 hours per annum of non-customer facing teller labor. Embedding a coin dispenser or recycler to the existing or new TAUs can simplify coin transactions for tellers, saving 5 to 8 seconds per cash transaction on average. As a result, banks reduce the need for coin replenishment and have faster shift changeover.



# TECHNOLOGY

## Customers interact with banks in many ways; don't stop at mobile when exploring accessibility

With mobile banking booming, it is very easy for banks to prioritize branchless strategies on the agenda. Not to dismiss the power of mobile phones, but it is also crucial to understand that banks are actively exploring various accessibility options outside mobile operations.

Multiple studies show that cash in circulation keeps increasing, despite the growth of mobile banking. In the United States, cash in circulation grew 42% between 2007 and 2012, and the amount of American money circulating in notes and coins is expected to grow by about 5% each year. This is why the self-service trend accelerates globally, as ATMs are installed in high foot-traffic areas where customers need to make manual transactions with cash in their hands.

As much as customers consistently prioritize having a choice of payment methods, they also appreciate having the options of both mobile and physical locations where they can make transactions easily. This customer may be a merchant who closes their store at the end of the day and looks to deposit end-day overflow cash to a nearby kiosk.

**CASH IN CIRCULATION  
GREW 42% BETWEEN  
2007 AND 2012**

They can also be a non-bank account holder who needs to pay for their utility bills with cash at hand. No matter who they are, it is crucial for banks to remain patient about rushing into futuristic formulas. Instead, banks should consider the customer pain points of today and match the right equipment with demands for accessibility.



## **What is the common mistake here?**

Tech-evangelists often get too excited about mobile banking replacing the physical transactions or the wholesome branch experience. However, the availability of mobile banking should be one of the options that customers have, and it should never be the end of the conversation when banks discuss how to improve overall accessibility.

## **How can this be executed better?**

Matching the right self-service equipment with various customer-friendly locations and their transaction demands can solve this problem. New self-service segments are emerging globally and banks must be agile about deciding which machines will fit their purpose most effectively.

When installing self-service kiosks, you may also consider the Cash-in-Transit (CIT) costs for handling bank notes and coin, which can be high. To offset these costs, banks have started to incorporate bank note recycling in self-service kiosks. It makes sense to recycle coin as well, creating a self-service ATM that supports many of the low value teller transactions. The coins used by one customer to pay a bill can be recycled and used for the next person who is cashing in a cheque.

Bill payment kiosks are one of the self-service machines that can enable a plethora of transaction services. These kiosks not only have the ability to accept over 1,500 payments made toward customers' utility bills per kiosk every month, but also increase teller efficiency by 30%. Installed in public locations such as shopping malls, community centers, subway stations, or in front of telecom retailer stores, this 24/7 kiosk greatly increases accessibility for banking customers, especially after bank operating hours.

**BILL PAYMENT KIOSKS**  
**INCREASING TELLER**  
**EFFICIENCY BY 30%**

# CURRENCY SECURITY

## The need for security is not limited to the digital world; combat fraud in every transaction

Lastly, counterfeit notes and coins are often left behind in banking transformation debates that only revolve around cybersecurity. Given that cash in circulation around the world is still increasing, establishing the right security-detecting features to ATMs or self-service terminals is vital. This is a common factor that banks often overlook when preparing for money crimes. Most banks invest into strengthening cybersecurity, while security and performance for financial services are not confined to the electronic world. This is more crucial for European countries, as utilizing the Euro as a stable currency across borders makes it even more attractive for counterfeiters. According to data obtained by the European Central Bank (ECB), over the past three years the circulation of fake euros has grown from 296,000 in 2011 to 331,000 in 2014, roughly a 10% increase in volume.

When discussing terminals operated by financial institutions, it is important to consider that there is often a regulation from central banks to detect or impound counterfeit coins. According to the PwC Banking 2020 Survey, regulatory compliance is the foremost challenge facing retail banks across the USA and Europe, followed by attracting new customers and increasing customer profitability. Counterfeit money not only causes a financial loss to individuals or businesses, but it seriously undermines public confidence that is essential to maintaining a strong economy. Thus, while banks continue with cloud data protections, the conversation about counterfeit money should never disappear from the retail banking transformation agenda.

### What is the common mistake here?

It is evident from statistics that security and performance for financial services are not confined to the electronic world. Yet, strengthening security of physical cash is often overlooked.

### How can this be executed better?

The governments around the world are imposing stricter policies and regulations to hinder the circulation of counterfeit cash. Working alongside consultants who have experiences in the field can greatly increase the speed of solving legal and security issues. “CPI has worked with major central banks and partners to obtain necessary certifications for the use of CPI coin recyclers in self-service terminals,” says Rosseneu. As banks face multiple priorities across operational capabilities, consumer convenience, and changing industry dynamics, working with the experts will ease the constraints that retail banks often struggle with.



# BRANCH TRANSFORMATION

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## EXECUTE IT DIFFERENTLY

As outlined above, a major issue for banks is their over excitement about future developments while forgetting the power of real cash. Improving frontline sales and achieving teller efficiencies should be a top priority in your retail banking transformation agenda.

The three elements of branch transformation mentioned in this paper all stem from banks overlooking the power of physical cash, while customers today actively continue to use it. The Psychologist Eric Uhlmann explains this may be because of the psychological feeling that people attach to physical money that is largely connected to feelings of ownership.

Retail banking transformation is a term that is open for misinterpretations and debates. Before adopting radical changes, banks may want to consider these three elements of branch transformation. This will help banks identify all the available options to improve front-line teller efficiencies and be ready to address customer pain points successfully.

### About CPI

CPI offers the most extensive range of premium bill and coin validators and recyclers, coin hoppers and dispensers, and software applications. All of our products and technologies offer the highest level of security and fast acceptance rates, with low maintenance and labor costs. Today, CPI works with global financial services partners to ensure that the industry is equipped with a high variety of applications to upgrade their customers' experiences.





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