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## Introduction/Statement of the Issue

"It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most adaptable to change" (Darwin).

What will the branch of the future look like? Will there continue to be physical brick and mortar branches? Will the teller line be removed from the branch layout? Will tellers be universal or will employees specialize in specific job duties inside a branch? Will video tellers replace in-branch tellers? What part will the millennial generation play in the future of banking? What technology, marketing, and human resource strategies will credit unions implement to sustain their branches into the future?

Many financial organizations are in the process of evaluating their current branch model and determining if a change is needed and what their course of action will be to ensure their viability long term. As the cost to implement technology increases, more credit unions are finding that their ability to offer an updated way for their members to bank has increased. Growing organizations are quickly arriving at a crossroad where they need to make a decision soon. They need to determine if they want to continue to put resources towards their current branch model and culture or decide to implement updated solutions to attract more memberships, retain existing members, and deepen relationships all the while tightening efficiencies.

In this paper we will explore popular new branch model concepts and ideas that financial institutions are implementing. Some of the major concepts we will explore include; removing the teller line barrier, exploring video teller technology, employing a universal teller, and marketing to the millennial generation.

Financial institutions have been a staple in all communities since Alexander Hamilton wrote to Robert Morris in 1781 stating that America should have its own bank and convinced Congress to charter the Bank of North America (Sylla). With time comes change and evolution. How will the industry and the future of financial institutions evolve, who will it impact, and what will be done to keep financial institutions relevant?

One company that has evolved and remains relevant is Amazon. Amazon started in 1994 as an online bookstore with the idea that they could access large quantities of books at a wholesale price and pass on these savings to their customers. Today, Amazon provides not only physical books, but also electronic downloadable books to purchase or borrow. They have evolved to include movies, magazines, music, its own digital reader, the Kindle, and branched out into all sorts of retail products. Amazon has just celebrated its 20th birthday and has grown to an over $245 billion dollar empire. On the flipside, an established company, Blockbuster, once the leading movie rental organization, has filed bankruptcy after its failed attempt at online movie renting once companies like Netflix and Redbox emerged in the movie rental market.

This is only one example of how a company was forced out of business by not effectively marketing to the ever changing consumer. Now we need to take this lesson and apply it to credit union branches. Across the board, visits to financial brick and mortar branches are declining as more options to bank are transitioning to online and electronic means. For example, Greenville FCU has experienced a 14% transition of member transactions conducted in the branch to electronic means over the past 3 years. So does that mean credit unions should cease building and funding brick and mortar branches? No. Although the typical branch design has been around for decades and it showcases a traditional teller line, loan office, branch manager office, drive through, night drop box, and an ATM; studies show that even millennials overwhelmingly want to bank with an organization that offers a branch to go to and to speak with a representative if they need to apply for a loan or get financial advice.

> **Your future hasn't been written yet. No one's has. Your future is what you make it. So make it a good one.**
> **-Doctor Emmett Brown**

The decisions credit unions make today will impact what future branches will look like. In the movie *Back to the Future* Marty McFly, played by Michael J. Fox, traveled to the past and met his parents. The decisions he made while in the past almost erased his future and existence all together. Although this is just a movie, the lessons that we can learn are immeasurable. It is imperative that we decide not just what future branches will look like, but also the direction and strategic plan, as well as the impact it will make to staff, members, and future members.

Now, we will explore the research and strategies that credit unions and other financial institutions in the banking industry are utilizing when making decisions about the future of their branches.

## Research

### *Removing the Teller Line Barrier*

Let's take a look at the teller line. The traditional teller line provides a boundary between the tellers and the members they serve. The tellers complete transactions behind a counter that provides security for them and the cash being handled. If financial institutions remove this barrier, where would members be able to complete their transactions?

Some financial institutions have opted to replace the counter with what experts refer to as 'pods', 'dialogue stations', or 'financial capsules'. These stations break up the teller counter into an individual area where an employee can help members with a variety of financial transactions. The stations also enable employees to interact with their member by walking them to see another employee such as a loan officer or branch manager if necessary or simply greeting them at the door or walking them out. Most pod designs have rounded edges which encourage member and employee collaboration, therefore, you will see more employees standing so they can engage better with the member as well as work more efficiently.

Research shows that there are many reasons why a financial institution may want to replace its teller line with an alternate way of serving their members in the branch.

By removing the traditional teller counter and opening up the layout of the branch, credit unions are able to accomplish two goals. The first is the employees are now able to engage more with their members to build stronger relationships. Removing the barrier increases the ability for the member to collaborate and interact better with their credit union employee instead of the older traditional style setup where there is a counter or desk in the way. The University of Louisiana Federal Credit Union (ULFCU) is one of the financial institutions who has ditched the traditional teller line and replaced it with round teller stations as well as electronic cash recyclers instead of cash drawers.

Debbie Kidder, CEO at ULFCU, states, "The decision to remove the teller line and replace it with what we call teller pods was made to utilize the given floor space and make a more inviting atmosphere for our members." She goes on saying that, because ULFCU is located on the campus of University of Louisiana at Lafayette, "it just makes sense to bring this new technology to our members."

ULFCU likes this concept so much that they have plans to repeat it at their newly announced main branch that is scheduled to open in the spring of 2017.

ULFCU is only one of the financial institutions who have made the decision to remove its teller line barrier. "It was strange at first --- the members did not know where to stand," says Laura Johnson, Head Member Service Representative at ULFCU, "but they soon got used to it and love the new design and concept." Mrs. Johnson continues, "It has not been all positive feedback. Some of our members feel like there is simply no privacy and they worry that we are standing most of the day. What they don't realize is that we were doing that before, but they just didn't see it." According to Mrs. Kidder, "Although every privacy measure is in place at ULFCU, the members' perception is that, because it is so open, there is less privacy."

"Currently when a member expresses they would like additional privacy, they are brought into an office to discuss their account. This is something that will change with the design of the pod system at our new location. The pod will be designed specifically with more privacy in mind" (Kidder).

The second goal that is accomplished by removing the traditional teller line and opening the layout of the branch would be to attract the millennial market and embrace new technology.

Augusta Metro Credit Union has accomplished this. According to an article entitled "Branch Concept Features Café and Dialogue Pod" from *The Financial Brand,* Augusta Metro replaced its traditional teller line and redesigned the lobby with a more tech savvy, self-service location. This branch features two dialogue pods where employees can complete transactions ranging from a simple deposit to processing a new loan. The branch has also enhanced the way members can access their safety deposit boxes with the use of a biometric hand scanner. In addition to the dialogue pods, Metro's members can do their banking business at a walk-up remote teller station.

Another reason that financial institutions have ditched the teller line is so they can encourage dialogue banking (Solomon) (Koenig). This concept involves changing the traditional bank lobby into an environment where service representatives and their members can communicate both verbally and non-verbally. If a member should need to see information regarding their account first hand, the parties can stand shoulder to shoulder to review the information together. Dialogue banking is not a new concept; Town and Country Federal Credit Union has utilized it since 2007. Since that time, "the number of products and services transacted per customer is higher than at the credit union's traditional branches." (Better Connections).

In any industry, communication is key but when you are working with someone's financial well-being, it is important that each person involved in the transaction feels comfortable and confident with every interaction. Although change is difficult for what has been a very reserved industry, the banking world is learning swiftly that it needs to evolve with current trends in order to remain relevant.

***Enter the Universal Teller***

Another way for credit unions to transition into the future is by utilizing a universal teller, which is defined as an employee who not only completes deposits and withdrawals, but can provide more complex transactions. The key to the universal teller is in the training they receive. Universal tellers are trained to order checks and debit cards, open new accounts, process loan requests, provide financial counseling, set up an automated online banking system, and even balance an ATM. Although the training is extensive at the beginning of employment, it saves the financial institution from training individuals to specialize in one or more of these specific duties. In the long run, the financial institution is set apart by making all employees experts on all products and services.

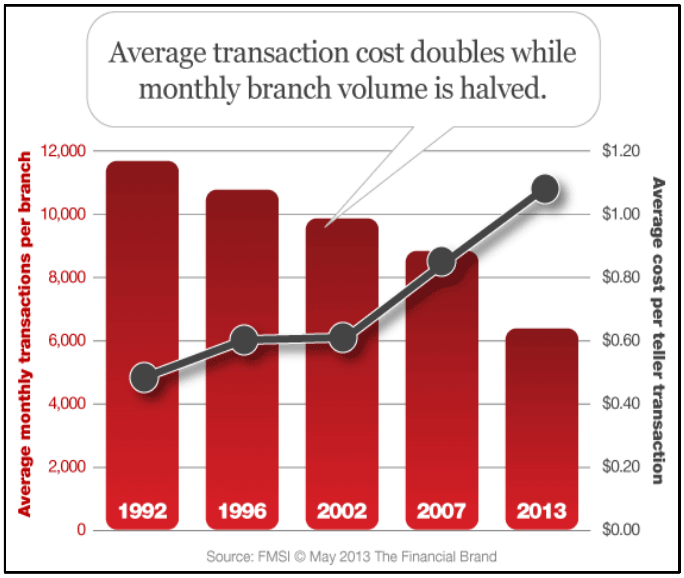
A traditional credit union lobby contains teller lines, chairs for members to wait, and member service representatives who assist members with more complex tasks, e.g., opening new memberships, loan applications, and account maintenance. Traditional tellers handle cash and check transactions, ATMs, and coin machines. This traditional method of handling members and conducting business has become antiquated. Is there a better way to serve our members? One possible solution is the implementation of universal tellers.

What is a universal teller and what do they do? Universal tellers are a combination of tellers and member service representatives. They are hired and trained to provide exceptional member service while conducting traditional teller transactions, opening new accounts, cross-selling ancillary credit union products, processing loan requests, and solving member issues with a smile. The universal teller was adopted as a way to create branch efficiency, increase the quality of member interactions, and boost sales through the branch network. All employees are trained to sell and answer any and all questions that a customer may have. The customers are not passed around to another ‘expert’ because all employees are experts (Kerstein).

By employing universal tellers, a credit union will spend more time training and investing in employees, which in turn creates more valuable assets to the institution. Training is more intensive, takes longer, and definitely calls for more refresher training. In every situation training is vital, but it does come with its costs, including but not limited to employees that are away from the office, bringing in additional coverage, and members’ wait time all come at a cost.

Research shows that there is a distinct difference in the efficiency and adaptability of employing universal tellers because they are so knowledgeable. When a universal teller is selected, consider hiring someone who is a critical thinker with good sales skills. Also, it is obvious that credit unions that employ universal tellers will pay a higher salary for these individuals due to the skills and expectations set before them. This would mean you are paying these employees more than a teller, which is more than most small financial institutions are willing to pay (Porter). In addition to paying more, credit unions will be challenged to keep employee morale up so they do not move on to larger financial institutions.

Why is there a need for a universal teller? According to a May 2013 survey completed by FMSI, teller transactions have continuously declined since 1992 from an average of almost 12,000 to currently around 6,000 monthly transactions per branch. With the decline of teller transactions, the cost per transaction has increased because of the traditional branch methods of employing tellers and member service representatives. In another article, 20% of branches having less than 4,000 teller transactions per branch have already combined the teller and platform positions into a single universal role. Since implementing this strategy, these financial institutions have seen a 50 percent improvement in handling teller transactions (Stewart).




Although universal teller is the position held, many institutions create unique job titles for these employees: member advisors, member relationship specialists, and universal agents are just a few. Bringing more creativity to the job title may be a way to achieve greater recruiting and retention to this demanding position (Sullivan).

To fully implement the use of universal tellers, credit unions will need to consider technology coupled with a revamped branch lobby. Mobility to meet and greet the members, fluidity amongst various locations determined by the members' needs, and the appropriate use of technology will provide the credit union with increased efficiency and a better member experience.

***Introducing Video Teller Machines***

Another product that is gaining popularity is the video teller machine, which brings up the question; will video tellers replace in-branch tellers? According to an ATM Marketplace blog, a video teller machine, also known as an interactive or personal teller machine, is similar to an automated teller machine (ATM). Both of these devices can complete deposits and withdrawals, however, they are different in the fact that video teller machines have check scanners, signature pads, and come complete with a microphone and camera which allows the member to speak with a live teller on the screen to communicate and complete more complicated transactions. Whether or not these futuristic machines will completely replace in-branch or in-person tellers remains to be seen.

We cannot talk about the future of banking without talking about technology, specifically Video Teller Machines (VTMs). This new way of banking relies on machines much like ATMs. Although they are both self-servicing for the member and can eliminate long lines, video tellers put the member in contact with a live teller. When the transaction is activated at its kiosk, a teller comes on the screen to help serve the member. Often times the teller is located in a call center or a different branch and can assist with whatever transactional services the member may need. For example, if they want to talk to a specialist; the teller can either transfer them to the specialist or add the specialist to the conversation.


Video Teller Technology is a rising trend in banks and credit unions around the world. Like call centers, many VTMs are being utilized to offer extended banking hours. Financial institutions, particularly smaller ones, are turning to video tellers as a means of enhancing their presence in areas where they do not wish to build new brick-and-mortar locations. For single or multiple Select Employee Group (SEG) based credit unions, this technology provides the opportunity to explore additional locations at a much lower cost. It can also be used as a mini branch to test the waters. If the transaction volume is high enough, the financial institution could transform it into a brick-and-mortar branch.

VTMs cost around the same as the newer ATMs, around \$50,000 to \$60,000; the difference comes in the operational costs to deploy the VTM system. Having one centralized call center or teller group that can work multiple locations of VTMs is an overhead cost savings. If a financial institution is planning on investing in ATMs; it seems appropriate to look into this option. The one true fallback to a VTM is if a member wants to open an account or apply for a loan, they may need to go to a traditional branch depending on the bank or credit union's policies and procedures.

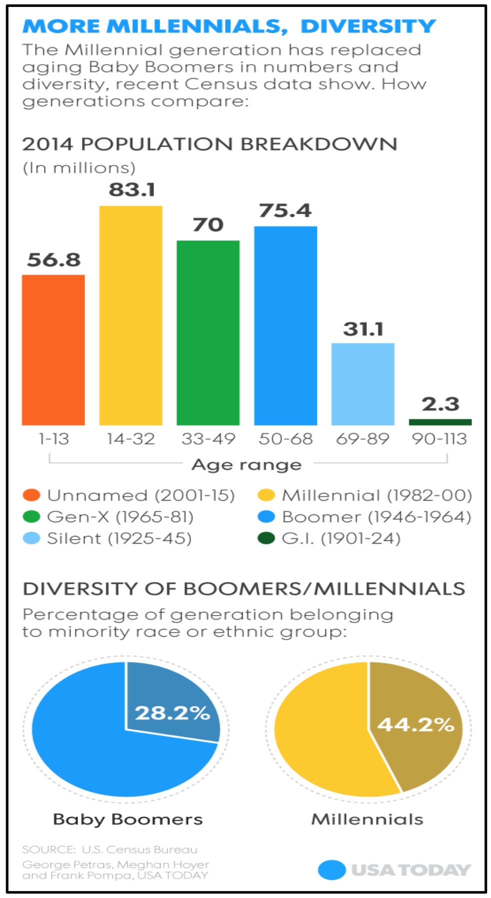
Another technology avenue being deployed is the use of tablet computers and/or iPads in branches. By having these devices readily available to perform transactions, it makes waiting in line unnecessary. Should a member need additional help, there is an employee who can do just that. This technology is different from the VTMs previously mentioned because this equipment works like placing an order online. Someone walks up to the technology station and places the order to withdraw cash, purchase a money order or deposit a check and then proceeds to the next station to finish the transaction.

For these services, being in a hurry or wanting autonomy is the driving factor. These trends are well accepted among the Generation X and Millennial groups, while the Baby

Boomers and Silent Generation groups are less enthusiastic about the new advances. Using these services takes away from the person to person interaction that older members grew up with and prefer to have when handling their personal business. Although lack of interaction can be viewed negatively by some members, financial institutions can create and offer a positive environment and personal interaction while maintaining the technology trends. This is created by the staff making sure that every member that enters the branch is greeted, offered assistance, and given personal attention to assist with their banking needs.

***The Millennial Factor***

One concern that has the banking industry on its toes, is wondering, what part will the millennial generation play in the future of banking? In the June 2015 population census, millennials were numbered at 83.1 million and represent more than 25% of the United States population, surpassing in number the generation known as baby boomers (those born between 1946 and 1964) which numbered at 75.4 million (White). The millennial generation has been negatively described as lazy, narcissistic and prone to job hop. They are also described as wanting flexible work schedules and needing immediate feedback from managers and mentors (Main). This generation is open-minded but seeks advice from their parents on big decisions. These types of choices will impact the future of banking, as the millennials are reaching the point in their lives that they are making their first real purchasing decisions.




In past decades, independence was measured by personal achievements like owning a home or a car, but today's younger generation has a much different perspective.

As financial institutions look into the future, they must take into account the millennial factor. A millennial could also be called Generation Y or the Net Generation. This generation consists of those born between 1982 and 2004. Today, millennial student loan debt is higher than it has ever been for previous generations. Due to this significant increase, substantial purchases like homes and cars are difficult for millennials to accomplish (Crichton).

The days of going to the bank with their parents and watching them discuss their accounts, investments, mortgages and other topics with their financial advisor is almost gone. Nowadays, these experiences are not as common for millennials to have in their lives; it is all about the simple and portable access for financial information.

In fact, TD Bank recently did a survey of millennials and came up with the following results:

> *90% of respondents said they bank online or use mobile devices for bank services more frequently than they use a bank branch.*
>
> *57% of respondents said they are using mobile banking services more this year than last.*
>
> *While 54% of millennials visited a bank branch for banking help, 62% said they go online to get banking advice or information.*
>
> *49% of respondents see their parents as their primary influencers in shaping their banking and financial views.*
>
> *40% of respondents say they turn to parents and family as a source for financial information.*
>
> *69% of respondents had received no financial education lessons at all.*

We also conducted our own survey of millennials on campus at the University of Louisiana Lafayette, asking some questions about banking, services, and usage. Here are our results for those surveyed:

> *52% of students said the ATM is the most used service, while 34% of students said they use online services the most.*
>
> *45% of students said the most common way they complete transactions is online via a computer, phone, or tablet and only 14% said they go into a branch.*
>
> *27% of students said they use a banking app on a tablet or phone as the most common way to complete transactions, while 14% said they use the ATM.*
>
> *41% of students said it is extremely important to have 24/7 access to their account via phone, tablet, or computer. Surprisingly, the same 41% said that it is very important to have access to a bank branch employee.*
>
> *17% of responses said that it is extremely important to have access to a bank branch employee, while a low combined 13% said that is somewhat important (10%) or not important at all (3%) to have access to a bank branch employee.*

Numbers like these challenge financial institutions to evolve and create the services most used by the younger generation (Rouse). Providing online financial tools and education options will attract and satisfy millennial needs, wants, and expectations for some financial services. Financial literacy is one example that is a need for those millennials that have never received any financial guidance.

The lack of personal interaction with millennials has presented a challenge for financial institutions because relations have not been built with this younger group. The key for institutions is to find a balance that will establish a personal in-branch relationship, while still meeting the technology demand of millennials. The ability to ask questions should be available at the touch of a button with instant access to a bank specialist. The ease of online banking systems used in the everyday lives of millennials is valuable and convenient. But without a branch connection, many millennials do not recognize all of the opportunities available to them, and, as a result, do not take full advantage of branch services (Crichton).

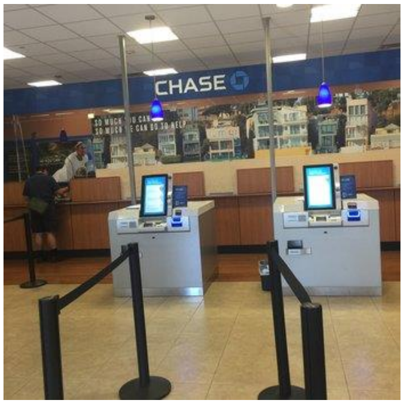
The bond that is developed with bank staff is important to consumers and creates a secure and reliable environment. It is considerably easier for millennials to apply for a personal or mortgage loan if a relationship is already established with a bank. Having that relationship gives the bank the opportunity to introduce millennials to new products or services that is specific to their needs.

Although millennials are the main focus of future banking, financial institutions have the opportunity to create mobile and banking app services. Access to these types of services is wanted by not only the younger generation, but by the majority of all consumers. Communication is still relevant, but only at the leisure of the customers, so the challenge for financial institutions is creating a consumer driven all-inclusive banking app without it being a potential security threat to the consumer's private information. Members want convenient and limitless access to their accounts, but some financial institutions are not willing to take on this task due to the potential risk. Simplicity and speedy service is the key for satisfying consumer wants and needs, however, there are some consumers that are willing to switch banking institutions in order to gain the services in the way they find most convenient (Cox) (Crichton).

The trend of future bank and credit union branches is shifting more towards technology based services. While larger financial institutions decide whether or not to take risk with developing or introducing new products, smaller credit unions are having a hard time keeping up with that pace. These organizations do not have the man power or resources to cover all of the expenses in developing advanced technology services. Although the month to month cost of these services may be manageable, the upfront one-time fee to implement is problematic for many smaller credit unions. Because of this issue, quality and not quantity of service is what these smaller banking establishments strive to give their customers. This kind of service goes a long way and means more to older generations. Keeping their head above water in this ocean of financial services is an important task, but how long will smaller institutions be able to survive.

*New Branch Models, Built for Speed … and Engagement*

As financial institutions begin to make a move from traditional bank branches into the future, two concepts have emerged.



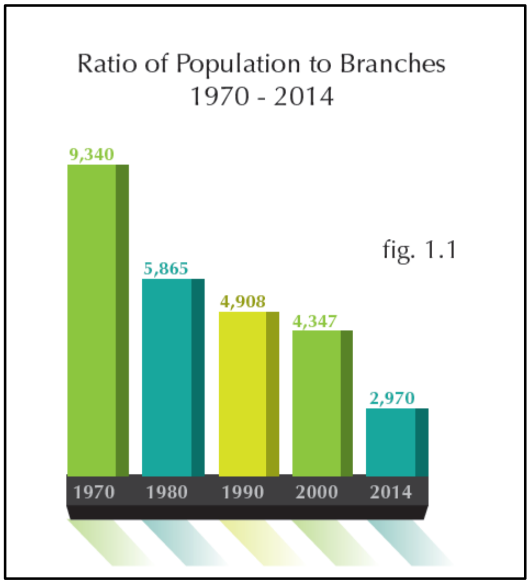

First is the concept of speed. Chase Bank has been implementing new branch lobby strategies that revolve around how quickly its customers can do their banking transactions. For example, the ATM has an iPad like display with enhanced features. A customer can withdraw money in a specific amount instead of in quantities of 10s or 20s. Customers are discouraged from going to the teller line because the tellers are located behind a glass security barrier. Instead, quick service stations are set up to help customers with transactions that they can take care of themselves with little or no assistance.

Next is the concept of engagement, where a financial institution like Umpqua Bank has rebranded its branches as retail stores. Yes, you read that correctly, Umpqua wants its customers to hang out in its facilities and engage with its employees rather than do their business and head out the door as quickly as possible. They have succeeded in this by making their branches look and feel like retail stores, similar to a Starbucks Coffee House. Coffee is readily available and Umpqua's customers can have that and their lunch in the branch's conference room.

Both the Chase and Umpqua concepts have proven to be successful according to their individual goals. They have combined technology and service to enhance their branches of the future. Chase has improved efficiency from 90% of deposits going through their tellers in 2007 to now 51%. This has helped them to save money on employees and branches and be able to reallocate spending on technology. Umpqua has grown from $150 million in 1997 to now over $22 billion.

But what about the rest of the financial institutions, that are trying to keep up with the Chases and Umpquas of the world. Do they shrink their branch or add more space? Do they allocate funds to technology, employees, training, closing branches or adding them?

The research is very clear that each year since 2009 there are less branches and teller transactions overall. So why are these things happening? One reason is due to mergers and acquisitions, according to Kerstein. A second reason is the increased development and use of electronics and mobile devices. While these devices are a




contributing factor to the overall decline in teller transactions and brick-and-mortar branches, having this type of service readily available to consumers, allows them to complete almost any electronic transaction, while on the go without needing to visit a branch location. Another reason is due to the shrinking population growth rate. "The ratio of population to branches has declined from 9,340 in 1970 to 2,970 in 2014" (Branch of Future). This should mean that the large bank branches should begin disappearing as well as the number of tellers so the financial industry can utilize these savings to invest in technology. But does this abandon and confuse those customers and members who want personal service?

When speaking to banks and credit unions who have implemented some of these changes to a more untraditional lobby style, some initially said that their customers and members were confused and concerned at the new layout (Kidder). But as the members and customers began to become more accustomed to the layout, they love the modern feel of the branch. Mrs. Kidder, CEO of ULFCU stated, "Our members not only love the modern feel, they love the personal, individual service that they receive as well as the confidence that they have in our credit union's future."

Greenville FCU launched its first branch of the future concept in June of 2015 (shown/pictured below) and plan to have all of their branches converted to an open concept with increased technology by the middle of 2017. Greenville FCU Vice President of Marketing wrote in the 2015 fall newsletter, "Our goal with this new service model is to provide more options and reduce wait times to create a better overall experience for all members and visitors..."

"Our branches' floor plans are being reconfigured into specific areas designed to accommodate various transaction types—allowing members to conduct their transactions more efficiently, whether simple transactions or in-depth consultations…
We want our members to not only visit our branch, but to enjoy their visit. Each branch will have a waiting area that will include interactive tablets to help people join the credit union, begin a loan application, or update account information. This area will also include free WiFi, water, and coffee. (And we believe our new coffee machines will rival any coffee shop in town.). Members will be able to listen to financial tips on our

Bloomberg Financial TV while they wait. And our younger members will find a Youth area with customized tablets to keep them occupied with financial education games and content" (Moving Beyond).

Both institutions are seeing growth trends and not the mass exodus of older, more traditional people that they were warned may happen. They are betting on the new look and feel of their open spaces and untraditional ways to continue to provide the individual service that their customers and members have become accustomed to.

However, according to Brett King, founder of Moven, "The biggest banks in the world in 2025 will be technology companies, and banks that grew through bank acquisitions in the 80s and 90s, will have a real problem." He believes that fewer, smaller branches will be the wave of the future (Rosenbaum). The article sites many sources that 'peek into the future' with limited access to tellers and branch locations and more online access in a do-it-yourself world.

## Recommendations/Solutions

Following solid research regarding options for the branch of the future; it is evident that credit unions have a steep climb ahead of them to remain relevant to their members. The banking industry with banks like Umpqua and Chase are leading the charge of making sure that they not only stay relevant to their customers, but that they stay true to their vision for what they want their bank to look like. With this in mind, credit unions must consider what their branch of the future will look like.

In order to do this, it is imperative that credit unions of all sizes have a solid strategic business plan.

### *Solid Strategic Business Plan*

A strategic business plan is a plan based on past trends defining an organization's overall direction. A solid strategic business plan will take into account the following:

1. Overall direction, philosophy and purpose
2. Current status in terms of strengths, weakness, opportunities and threats
3. Long term objectives
4. Short term tactics to reach long term objectives

When formulating the first step of defining the direction, philosophy and purpose, credit unions have a nation-wide philosophy – People Helping People. However, direction and purpose can be significantly different.

A credit union that serves a single SEG will have a very different purpose and direction than that of a community chartered credit union. By identifying what the credit union's purpose and direction are for the future, the credit union will be able to identify specific needs for the members they serve. Credit unions should utilize methods such as surveys and focus groups to speak to the current membership; then review what their membership wants. It is much less expensive to keep good quality members than to go out and look for new ones.

Ask them what the future of credit unions look like. Does it include products and services like Video Teller Machines and a robust online banking service? Or does it include products to enhance the member experience when they come to the branch to apply for a loan or open an account? Knowing the answer to these questions and what members are looking for is invaluable when implementing a strategic business plan. It will help to focus on the most important tasks to undertake.

Completing this type of research will help when defining what the credit union's strengths, weaknesses, opportunities and threats include. Identifying these categories will help the credit union board of directors and management team to take a hard look at what is working and what is not. By defining strengths of the credit union, it will become obvious what the credit union excels in. The board and management team can then decide how to utilize its strengths to better balance out the weaknesses.

If a goal of the credit union is to offer loans through an online application, but one of its weaknesses is an outdated computer operating system, then that weakness would need to be corrected before moving forward.

After strengths and weaknesses are defined, the credit union can move forward to identify opportunities and threats. Strengths and weaknesses are internal and opportunities and threats are external. If a credit unions weakness is that its membership is not growing due to a hiring freeze of their sponsor organization, an opportunity might be to expand its field of membership. While opportunities and threats are out of the credit union's control, they need to be identified because they can directly or indirectly affect its chances for either success or failure.

The next step in preparing your strategic business plan would be to identify long term objectives. This is where the credit union can really delve into what their branch of the future looks like. For example, if the credit union wants to implement hiring and/or training universal tellers in the next three to four years, they can then identify the short term tasks of hiring a different type of employee or begin training current employees with that specific skill set. They will also need to increase the salary budget since these employees generally are paid at a higher rate.

It is extremely important that a credit union implementing a branch of the future strategy has the desired outcome in mind. There is a huge difference between implementing a strategic plan focused on convenience than one focused on growth or efficiency.

Once the strategic business plan has been prepared, the credit union can look to the next step of implementing its branch of the future.

### ***Branch of the Future Plan and Implementation***

The fun part of any strategic plan is the implementation. To see all of the planning come together to reach a desired outcome involves a lot of moving parts; but when done correctly it can be viewed as effortless.

We will now discuss implementation of those strategies based on our research.

#### *Removing the Teller Line Barrier*

This strategy can be implemented utilizing a solid timeline. If the credit union has multiple locations; they must decide if they wish to implement one location at a time or all locations at one time. This decision will affect the length of the process and how long it takes for the entire project.

After completing research for vendors, hardware, and furniture equipment, a solid timeline should include an overall start date, when orders should be placed and received, along with the start and finish of the new equipment installation by vendors, and a final completion date.

Management must coordinate with their vendors to take into account the following:

1. Will the teller line become multiple pod systems?
2. Will the pod systems implement an electronic cash recycler?
3. How will the credit union inform its members of the changes?

Let's assume that management has decided to remove the traditional line and replace it with two pods and two electronic cash recyclers. The credit union would need to order the electronic cash recyclers, which usually ranges between $30,000 and $40,000 per unit, order the new pod system furniture (ranging anywhere from $10,000 to $100,000 depending on the materials chosen). The simpler it is, the less expensive.

The credit union would need to make any upgrades, if necessary, to its data processing and/or computer systems, and coordinate installation.

Implementation of the actual teller pod is quite simple. It takes only a couple of days to pull out the old teller line, replace it with a new pod system, and test all of the equipment. The final step to implementation would be training of employees and testing the system. By breaking this down into the steps needed, you can see how easy it might be to implement. The entire process should only take two to three months.

Implementation of the pod system has its advantages and disadvantages based on the size of your financial institution. A credit union with adequate cash reserves might have no issue with implementing this system. However, a credit union that does not will have more planning to coordinate the right timing for implementation.

A major advantage of implementing this system is that it will give a credit union's lobby a very fresh look as well as more space to implement other strategies. Their lobby will instantly become more inviting and modern looking.

Another advantage is that tellers' being out of balance becomes almost non-existent. It is similar to balancing an ATM. All of the cash cycles through this one system and spits out exactly what the employee asks it to. Errors are easily found and corrected.

Finally, heightened security is implemented automatically. These systems are implemented with special codes to help in the event of a robbery. The code spits out a pre-designated amount of cash and notifies police simultaneously that a robbery is occurring. Not to mention, when a 'would be robber' enters one of these updated branch lobbies; they are immediately engaged by an employee.

Disadvantages of implementing this system include two topics that we have already discussed; the cost of purchasing the hardware and furniture needed to install the new pods and the timing for installation. Both of these disadvantages go a little deeper than the cost and time for the equipment to be installed. The credit union will incur cost for training and will be determined by the number of staff that need to be trained. This may extend the time of implementation.

Another disadvantage of removing teller line barriers is confusion. The confusion can occur the first time a member comes into the branch lobby for service. This confusion can easily be fixed by taking the time to speak to each member and work through their first financial transaction using the new system. A little patience will go a long way.

*Universal Teller*

To implement a change in staffing requires a change in philosophy for some financial institutions. However, smaller credit unions have utilized this staffing model for decades. A credit union manager or branch manager of a 2 million dollar credit union may not be called a universal teller, but there is no doubt, that this is indeed what they are.

In this instance, smaller credit unions have an advantage as they may only need to change a job title of their few employees along with writing a solid job description that includes all of the tasks that their current employees complete. For larger credit unions, or those credit unions that have a true segmentation of duties, this will require a more elaborate and thought out plan that has its advantages and disadvantages.

One advantage of employing universal tellers is an upgraded member experience. A member will be served by one employee instead of being passed around to individual product specialists. Another advantage is that the credit union will get more bang for their buck if they have multiple locations because the universal tellers can be moved and shipped around where branches are short staffed.

To implement the universal teller, management must first assess their overall staffing budget. This is due to the fact that a traditional universal teller makes anywhere from $3 to $8 more per hour than a traditional teller depending on experience, according to the 2015-2016 CUNA Salary Survey. In addition to this, a new universal teller needs extensive training on all aspects of their job description. This will take additional time and resources than if a credit union hired an employee whose job is specific to withdrawals and deposits.

Next, management must assess its overall hiring process. If management is changing all tellers to universal tellers, then training must happen and management can expect some turnover as not all change is welcome by all employees. It is the job of management to implement this change with the sincere responsibility of making sure that its current employees understand the direction of the credit union and the expectations of its employees during this transition period while still maintaining the service expectation of the credit union's membership.

Once the implementation of the universal tellers is in full force, hiring of new and future employees will change. The skill set required for a new employee will be different than that of a teller. The time line for this change and process depends on how many tellers are staffed and how many will be trained as universal tellers, but should take roughly one to two months of training.

As with other new initiatives, management must weigh the advantages and disadvantages of removing the teller line barriers. The larger the institution, the larger the implementation costs. However, with a smaller institution, the cost comes in whenever a universal teller gets promoted or leaves. Management must be ready for each of these obstacles, but this change can save the credit union money.

*Video Teller Machine*

Finally, we will take a look at the implantation of video teller machines (VTMs). Similar to implementing the teller pods; there is a lot more to the cost of implementing a VTM system. In this paper, we will discuss overall costs that can be expected and cost savings in the long run.

First and foremost, management of a credit union must decide their implementation strategy. The following questions must be answered:

1. Will tellers be removed completely?
2. Where will the teller or call center be located?
3. How will the members be taught how to use the VTM?

For this paper's sake, we will discuss both remodeling a current branch as well as implementing a new branch or kiosk with this strategy.

For a current branch lobby, implementation would include: removing the teller line and tellers from the lobby, installing the VTM in the lobby and training the members to use it. The cost to implement this type of strategy would be approximately $250,000 and would include removing the teller stations, adding video teller equipment (which includes new cameras, video monitors, microphones, tube system and electronic cash recyclers), as well as remodel the lobby to accommodate this new setup.

If you only have one branch, then your tellers would be moved into another area within the building; similar to a drive-thru room utilizing cameras, not a window. Those tellers would work the drive thru as well as the lobby utilizing the traditional tube system or a Smart VTM which would allow the machine to take in the deposits. This tactic could be implemented as part of a long-term strategic goal.

The next step would be to initiate new branches or kiosks to increase your geographic and service footprint, but not having to hire any additional tellers. These new locations should include a Smart VTM. This upgraded VTM would be able to accept cash and checks without an employee being present at the location. The members would still use the VTM in the same way as the first one that was discussed.

A traditional VTM costs between $50,000 and $60,000; whereas a Smart VTM costs between $80,000 and $100,000. The cost of VTMs is rapidly decreasing as just three years ago, in 2013; the cost of a basic VTM was $105,000.

Management must weigh the costs of VTM implementation and staff training against the turnover and the cost of benefits of a traditional employee. The strategic plan will determine what is an advantage and what is a disadvantage of implementing this strategy.

Just like all of the strategies discussed here, no strategy should be implemented with a ‘let’s try this to see if it works’ attitude. Having a solid strategic business plan will avoid this mistake.

## Summary and Conclusions

“We can't be afraid of change. You may feel very secure in the pond that you are in, but if you never venture out of it, you will never know that there is such a thing as an ocean, a sea. Holding onto something that is good for you now, may be the very reason why you don't have something better.” — C. JoyBell C.

In this paper we have explored what the future of a branch may look like. Although there are many different aspects that will ultimately affect the branch of the future and what it means to the banking industry as a whole, we focused on only a few.

We discussed the advantages and disadvantages of removing the teller line. Conclusively, removing the teller line barrier, or any barrier, will open up the banking environment to help to achieve better personal relationships and interactions with members.

Next, we spoke of the universal teller. No matter what you call this unique employee; the concept can be utilized more efficiently by smaller credit unions because they are already doing this in their everyday credit union life. To implement the concept into a mid-sized to larger credit union will take a bigger plan. While employing these universal tellers comes at a higher cost; the level of productivity and member satisfaction surpasses any negative side-effect.

Finally, we acknowledge that technology will continue to change and enhance our credit unions. Implementing video teller technology is a sure way to introduce convenience to members while attracting the attention of the millennial generation. To keep up with the times and remain relevant in the industry; a solid strategic business plan is the key to introducing new branch model concepts.

For those financial institutions that are not ready to begin implementing any of these changes, we leave you with this:

“Look around you. Everything changes. Everything on this earth is in a continuous state of evolving, refining, improving, adapting, enhancing…changing. You were not put on this earth to remain stagnant.” — Steve Maraboli, Life, the Truth, and Being Free

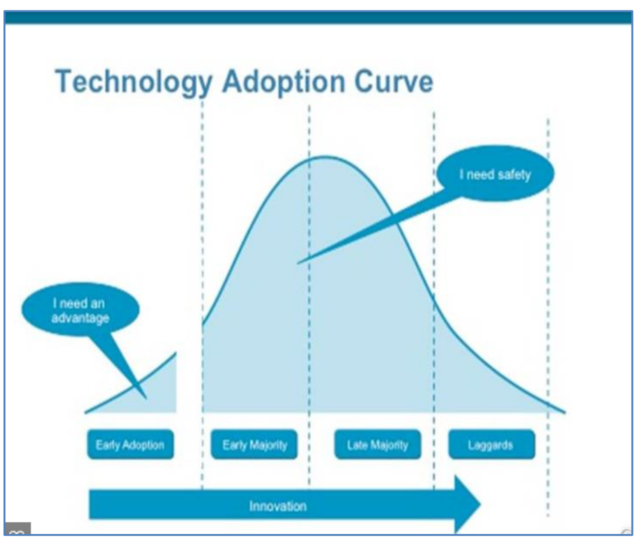
### *Summary of Insight – Tobisha*

I have been in the credit union industry for 11 years and being able to have an inside look at where the industry has come from and where it is heading is incredible. During my first 6 years in the industry, I lived, ate, slept, and breathed ATMs and VISA Debit cards. That service became my area of expertise and I thrived at assisting members while putting them at ease when faced with a product issue. Now, as the CEO/Manager of a three million dollar credit union, I’ve spent the last 5 years wearing every hat in the book, while being pushed and challenged to stay current with the forever changing rules, regulations, and trends of banking.

Participating in this research project has really shown me that financial institutions and the future way of banking is leaning heavily toward technology based services. That is not to say that brick and mortar branches will become obsolete by any means, but it does make me question how long a small credit union like mine, will be able to survive. My credit union does not have the monetary or personnel resources to comply with the industry changes, but however challenging it may seem, I do believe that we have a chance to stay relevant if we find and utilize the right tools for our credit union.

***Summary of Insight – Kaitlin***

Determining how your credit union will survive in the future is critical to the success of your organization. Different variables will influence your timeline to make some changes that match some of the new technology, marketing and training that we have discussed in this paper. Ultimately, it is not about if you will make the changes to move your organization forward and attract the largest consumer market, the millennials, but the real question is "when". All credit unions should be researching different options and discussing possible plans as part of their strategic planning. As time passes the costs for the technology will decline. The problem is if your organization waits too long for the price to be within your budget you may miss out on capturing and attracting the right market. It may be too late to make radical changes at that point and rebuild your reputation as being competitive and innovative. As stated before, Blockbuster was a perfect example of this. Competitors like Netflix, Redbox, Amazon and Apple found other channels to provide the same type of product – movies. The difference was that they were able to offer movies to their customers in a more convenient way and at a lower cost. When Blockbuster finally figured this out and tried to adapt it was too late. Now is the time to decide how you want your credit union to move into the future. The Technology Adoption Curve is a great illustration to show the different periods that businesses enter and adopt to change. Most of the branch changes addressed in this paper would still be considered in the early adoption phase. However, it is my opinion that we are getting closer to transition over to the early majority. Time is ticking. It is too late to think that the old branch model that has been around for a century designed before computers and the internet will continue to work for your organization.




Researching the branch of the future was an extremely interesting topic in my opinion. It is a challenge that will impact all credit unions no matter their size. The biggest challenge is budgeting for the technology piece and determining the timing that will work for your organization. Greenville Federal Credit Union, a medium size organization with $200 million in assets, started to convert their existing 4 branches over to a "new model" format which includes video tellers, employees in the lobby, teller recycle counters, member tablets, Wi-Fi, coffee bar, coin machine, safe deposit boxes with hand readers, and hotel style offices last year. The entire project should be completed by the spring of 2017. All of the issues that we researched and addressed in this paper were relevant to my job and my credit union. As the Branch Services Manager, my role in converting our branches requires me to implement the ideas and vision of our President and Senior Management team. This includes training, planning, observing, and coaching every day to make this project a success. I found the research on the millennial group as well as learning about the different technology and service model ideas that credit unions and banks throughout the world are using was simply fascinating.

***Summary of Insight – Alison***

As the CEO of Coastal Credit Union, a nine million dollar institution, one of my many jobs is to keep up with new products and service delivery avenues. Aside from compliance, technology advancement is the most intimidating and costly. I recognize to sustain and grow we must embrace the changing needs of the market. Seven years ago my credit union didn't offer checking accounts or cash services. Today, we have debit cards, internet banking and just launched our mobile app. The advancements and improvements that larger credit unions are implementing may not be attainable for Coastal right now. But, when it comes to the universal employee, I believe we are ahead of the curve. A universal employee, or a Member Service Representative (MSR), is common practice in small credit unions. One MSR provides the service of a teller, new accounts representative and loan counselor. We are already providing personal full-service banking.

Being a small credit union with a small budget, I have to prioritize the new products and services that I feel best serve our members. Do I need an espresso machine and tablets in the branch? Not right now. However, if that becomes the new normal I've got to be prepared to make those changes. Should applications like remote deposit capture and bill pay be in our near future? Yes. They are rapidly becoming an expected service. Our groups' prospective is unique because we come from two million to three-quarters of a billion dollar sized credit unions. Will our branches of the future be similar? Probably not. What I can articulate is that no matter the size of the credit union, if you aren't embracing new ideas and evolving, your branch may not have a future.

***Summary of Insight – Melanie***

Researching the branch of the future has opened my eyes to new possibilities for my credit union. After fifteen years in the industry, I am still amazed at what industry leaders can visualize. I was not a stranger to the concept of the teller pod, as we have recently implemented this strategy at my credit union; but I had no idea what a Video Teller Machine was and how it worked.

I am truly fascinated at the possibilities that this can have on the credit union industry. I am convinced that credit unions can and will survive as new technology invades the financial institution industry. Credit unions simply need to decide on a strategy and implement it. I know that this seems simple; in reality, it is. If a credit union wants to create a larger footprint, there are many possibilities they can choose to do this.

As the Business Development Manager for my $45 million dollar credit union, my main job is to find ways to increase our footprint, become more efficient and continue to reach our members. After completing this project, I know that my credit union can continue in the path that we are on. We update our strategic business plan annually and utilize this document to make sure that our board of directors and senior management team are working together to implement the strategies within it. We realized some years ago that having a strategic business plan that looks at five years down the road is not always practical. This project strengthened my resolve that the future is bright for our credit union as long as we continue to research future opportunities like those presented in this paper.

***Summary of Insight – Andrew***

I am currently employed at a three-quarter of a billion dollar credit union. I serve our members from a back-office department, which supports our very traditional seventeen branch network. My day-to-day tasks do not lend themselves to focus much on the branch network besides the support my group provides. As I have seen a decline in the number of checks processed in our branches and frequently hear of the decline in teller transactions, I have often wondered what will happen to these branches. Will there be a need for them? At what point will members cease using the branch network for our online or mobile products? I have held an opinion that our credit union should invest more in our online/mobile presence to ensure we are offering a product worthy of capturing the millennials business.

Through our research, I now see there are alternatives we can implement to transform our branches and attract new members. There are also many cost-saving options to implement regardless of whether we change our branch layout. Advancements in technology, while sometimes requiring costly initial investments, enable us to save money over the long term. Which path or approach will my credit union take? It will be interesting to watch and see. I fully believe we could implement the use of universal tellers, which would create a more utilitarian benefit to our members, staffing needs, and credit union bottom-line. Our research shows that are branches can remain relevant in our constantly evolving environment. The traditional branches may just need to be remodeled and updated with more technology and sales-oriented individuals to provide our members with a unique experience. Let’s not lose focus of our members’ needs or where the industry is heading.

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