

# CUSTOMER MIGRATION TO ALTERNATIVE BRANCH CHANNELS

With a focus on assisted service



BRANCHES NCR FINANCIAL NCR

An NCR Consultative Guide

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# Introduction

The strategy for customer migration to alternative delivery channels requires to be operationally successful in order to support any branch business objectives.

A wide range of imperatives continue to drive retail banks to encourage more of their customers to use both existing and new alternative channels. These needs typically include:

- Cost reductions achieved through reduced branch headcount and more efficient use of staff operating from call-centres
- Differentiate on service by offering extended hours operation and reduced customer wait times
- Free up customer facing staff from transactional activities to focus on maximising customer holdings and growing relationships

This paper describes a proven practical series of steps to determine and prioritise alternative branch channel requirements followed by a discussion on "How to migrate" branch customers from fully manned positions to self-service and assisted-service alternative channels.

These methods have been refined and successfully deployed in NCR's Branch Effectiveness Modelling (BEM) Consultancy engagements delivered to leading retail banks globally since 1999.

The first step is a prioritisation methodology which is illustrated with two examples; migration to existing self-service channel and the introduction of a new assisted-service channel.



# Customer migration prioritisation methodology

A comprehensive understanding of customer behaviour is the foundation that any successful branch transformation exercise is built on.

A clear view of existing customer behaviour is required to identify which opportunities are available for transaction migration. This view determines which customer behaviours can be performed on the existing alternative delivery channels and clarifies if there is a need to enhance or to replace the current portfolio.

Customer behaviours which typically receive a high priority “low hanging fruit” are those:

- Most easily migrated e.g. can be replicated on existing alternative channels with little additional investment.
- Interactions with longer average durations and which occur with the highest frequency.

Quantified customer behaviour is typically used in BEM Consultancy engagements for a multitude of other purposes out with this discussion e.g. identify branch processes that may have to be re-evaluated or handled in a different way.

Customer behaviour is the most important input into the prioritisation process, others include:

- The client’s objectives with existing and future customer migration.
- Benchmarking the proportion of customers migrated in similar financial institutions both in the same country and wider region, is used to prioritise migration opportunities.
- The volume and duration of various customer behaviours combined with current trends e.g. expected increase or decrease over medium term.

## Customer centric view

Customer behaviour is different from a transactional view e.g. the management information delivered by transactional analysis regularly fails to record behaviours such as; transactions which have to be abandoned before completion or where the customer is sent to another branch position. Transactional analysis regularly fails to distinguish between one customer performing several transactions and the same transactions being performed individually by several customers. Tellers may process more than one transaction in order to service a client’s single activity. Branch processes which the customer is unaware of, often find their way into Management Information based on a transactional view e.g. transfers from the customer’s account to a branch account for transactional fee payments are often indistinguishable from regular customer transfers when viewed in management information.

NCR’s BEM team use a range of tools and techniques for branch data gathering which enable an accurate quantitative picture of customer behaviour to be established. Dedicated software, originally designed for industrial data gathering, has been customised for use in BEM engagements. Typically this software is further customised for each engagement prior to visiting the client’s branches, based on the client’s objectives and previous experience to reflect the country or region in which the branch network is situated. A third iteration of customisation takes place during the initial phase of data gathering to reflect the processes and customer behaviours observed in the client’s branches.

BEM consultants ensure that the information they provide is based on data which is accurate and relevant to the questions being answered. A representative sample involves collecting data in such a way that ensures an un-biased sample which accommodates various factors:

- Differing proportions of customer behaviours associated with different demographic area.
- Different branch types (e.g. Mall branches, e-branches, sub-branches, high street branches, industrial area branches) can vary the proportions of different types of customer behaviour.
- Variations in customer behaviour at different times of the week and month.

As part of the data gathering process and subsequent analysis phase, consultants define which customer behaviours are "easily migrateable". They filter out customer behaviours that are "not easily migrateable" e.g. transactions that require manual branch based input or occur very infrequently.

Different sub-sets of behaviours are created to suit differing capabilities of alternative channels in the context of the individual bank rules and restrictions. To illustrate customer migration this paper will introduce two subsets of "easily migrateable" behaviours; existing self-service channel and the introduction of a new assisted-service channel.

Further examples would be the definition of migrateable customer behaviours which can be completed via phone banking or via internet banking (utility bills payments, funds transfers, credit card payments, account balances or statements, PIN generation etc). This sub-set is reliant on no physical cash being involved.

Thanks to advances in technology such as NCR's suite of interactive services, many more transactions can be migrated from the teller than previously. For example, Interactive Teller Machines can accommodate up to 95% of teller transactions by leveraging the call centre and provides the option of adding in hardware modules such as coin dispense.





## Migrateable customer interactions

Two examples of the sub-set of customers who could be most easily migrated to alternative delivery channels will now be examined in more detail. Customers who are defined as being "easily migrateable" to existing self-service channel will be covered first, followed by examples of customers capable of being easily migrated to new assisted-service channels.

### "Easily migrateable" to existing self-service channel

BEM Consultants use dedicated software to analyse complete interactions between customers and tellers which involve payment or deposits to determine which are "easily migrateable" to the existing self-service channel

It is common that customers, who come to the branch to deposit funds or to make a bill payment, bring the account number to which the funds are to be paid in some form: whether on a scrap of paper, printed slip or some other format. Those who do not come with their account number or an ATM card would be an example of an exclusion from the "easily migrateable" definition.

The Client Bank will typically have limits for deposits above which an authorisation is needed or a paper form has to be completed. These rules are either imposed internally for security or to ensure external compliance e.g. following central bank directives with regard to anti-money laundering regulations. Amounts above this limit represent a barrier to migration and an exclusion from the definition.

The number of notes included in a deposit is analysed. The latest technology can accept 200 notes in a single deposit. Consultants may decide that a conservative limit of 100 notes for "easily migrateable" customer behaviour is appropriate. Deposits comprising of more than 100 notes would therefore be excluded from this definition.

Customers who perform an interaction involving activities that cannot be completed on the same or a proximate alternative delivery channel would also be excluded from the "easily migrateable" definition.

In societies where cheques are in common usage there are two broad classifications of cheque deposits that must be considered; "on-us" (cheques issued by the client bank) and clearing cheques (cheques drawn on another bank's account). "On-us" cheque deposits are typically handled very differently from clearing cheques as the funds involved in "on-us" cheques are usually available to the recipient immediately.

Clearing cheques may represent an opportunity for migration as these can be accommodated by deposit accepting units Opportunities for "On-us" cheque deposits will be discussed in the following section.

The latest technology can handle a maximum of 30 cheques in one transaction (or up to 50 items if cash and cheques are deposited together) Deposits exceeding these limits would be excluded from the definition of "easily migrateable" teller credits.

## "Easily migrateable" to new assisted-service channel

A second example category of "easily migrateable" customers, are customers who are easily migrateable to the new assisted-service channel or the Interactive suite of products.

In the past, only customers making a withdrawal using an ATM card and PIN, and who withdraw less than the maximum daily withdrawal limit could be migrated to the ATM. Now with advances in technology, more customers can be migrated to alternative delivery channels. New assisted-service devices allow branch staff, via an application installed on a tablet device or PC, to authorise customers to exceed their maximum withdrawal limit. Once validations have been performed to meet the bank's requirements, such as ID validation, the staff member providing the assistance can instruct the machine to dispense amounts of cash above the self-service maximum withdrawal limit.

Interactive Teller Machines provide more functionality allowing customers with no ATM card or who are not signatories on one of the client bank's account to make encashments

When analysing "easily migrateable" teller encashments, it is regularly found that there are a majority of customers coming to the teller who perform a withdrawal who do not use a magnetic stripe card. In societies where cheques are in common usage, cheques are often cashed by people who are not the drawer on the cheque and who often do not have a relationship with the bank.

The bank's processes for handling withdrawals made by customers exhibiting this type of behaviour, or for handling deposits involving "on-us" cheques, typically require a trained teller. Customer signatures on the debit instrument are validated against the signature held in the system, or against the provided ID (or both).

Account signing rules, withdrawal limits, signature authorities, number of required signatories are all things which require a trained teller to validate them.

Interactions with customers performing encashments typically take up a large amount of the teller's customer facing time. In the past these have been not been able to be performed at an alternative channel.

Interactive Teller Machines allow customers to video conference with live, remote bank tellers directly from the terminal. This remote trained teller (often located in the client's call-centre) has the ability to take control of the machine e.g. to retain the cheque in the machine or to reject it and give it back to the customer. The teller in the call-centre can lift the image of the user's ID and use core banking in the same way as a branch teller would to validate signatures and verify account signing limits. The teller can return the debit instrument (e.g. wages cheque) to the person using the machine if does not comply with the teller's validations.

BEM consultants work through data and take into account a wide range of variables to ensure that all appropriate exclusions from the "easily migrateable" definition are accounted for. BEM Consultancy engagements typically combine various categories of customer behavior with a range of other branch factors as inputs into a mathematical modelling process. Modelling delivers distinct answers which both isolate and quantify the effects of various customer migrations. This analytical mathematical modelling approach quickly predicts for management teams the impact of branch changes without disturbing either customers or branch staff.





## Staff involvement in migration

### Staff selection and training

All branch staff must be prepared for the new channel. They must understand what the benefits are both for the customer and for the business. It is best to involve all branch staff including sales and teller staff.

It is important that a mobile meeter-greeter style role is set up in preparation for the migration activities. The meeter-greeter is instrumental to successful adoption of new in-branch channels. This role often doubles as front end to selling and smooth branch journeys so correct staff selection and training are required.

Key behaviours and training required for this role include:

- Must have understanding of functionality on offer
- Assess whether customer activity can be migrated
- Must have performed activity for themselves e.g. depositing own money into self-service device
- Know how customers behave and move around in the branch
- Be assertive not aggressive
- Avoid technology terms e.g. don't say "new" or "machine"
- Get the customer to operate; do not do it for them

Staff must invite customers to use the new channel. Our experience is that migrating customers requires them to be shown inside the branch how to use the new channel. The following 'Technology assisting migration' section will cover device placement in more detail.

Assess if customer activity can be migrated, as you should only take customers where the complete activity can be fulfilled. Customers resent being asked to queue twice especially if previously fulfillment was obtained at one location. In alternative channels, maximum fulfillment should be provided with proximate functionality.

An upgrade of the Client teller systems to accept cards and issue cards may already be on the roadmap. The ability to use cards at the teller for typical transactions can be used as an intermediate step for the migration of customers. Tellers should be trained to ask customers to bring their cards with them and to enter their PIN. When customers are accustomed to doing this, the next stage of migration will be easier.

Ensure cards are not only issued with all new financial products e.g. personal loan, accounts etc. but demonstrated as part of sale. Train sales staff to demonstrate use of alternative channels at the time of account opening. Selling combined with a demonstration of the alternative delivery channel encourages migration. If not immediately possible, issue temporary cards or at least have working "supervisor cards" which enable operation to be demonstrated.



## Technology assisting migration

### Background

The main difference between success and failure when migrating customers to alternative channels is the staff in the branch. Whilst technology may not be the most important factor, customers need to be comfortable and confident using it. Therefore, particularly in the early stages of adoption, it needs to work. Staff should be familiar with FLM (First Line Maintenance) process to ensure that when devices stop working for any reason, they are returned to full operation as quickly as possible.

The most effective technology to migrate customers provides functionality based on existing customer behaviour as previously discussed.

### Device placement

Correct placement of the new self or assisted-service channel is important. Our experience is that migration requires customers to be shown inside the branch how to use the new channel. Consideration of the following can improve rates of migration and boost customer satisfaction:

- Majority of self-service should be placed within the branch to make demonstration easier
- Must be clearly visible to allow demonstrator to show customer (good sight lines)
- Placement must take into account privacy of customer
- Devices with different functionality should be clustered together to provide maximum fulfillment in one area

# Customer incentives supporting migration

## Customer incentives

Customer incentives support migration to alternative branch channels. The most effective in purely migration terms is mandating (providing no choice).

Some of our clients have made the decision to not accept certain transactions at the teller and only provide this service via self-service technology. This might not be applicable to Client Bank at this stage as it can be incompatible with objectives to differentiate on customer service and maintain high levels of customer goodwill.

Mandating is often introduced successfully after significant customer migration is in place.

## Differential charging

Differential charging is normally based on frequency of use.

Typically after the customer has exceeded some threshold (e.g. 5 or 10) transactions/month at the teller, a fee is applied to every subsequent teller transaction.

Being the first in a market to introduce the differential charging of fees at a level which can be effective can cause public relations problems.

## Differential service

Some retail banks deliberately degrade teller service to speed up customer migration (increase difference in service). This can be done by reallocating tellers to different tasks. Service can be degraded at the teller by introducing more stringent controls and procedures.

Typically the self-service performs the transaction following less stringent rules.

A method of illustrating the difference in queue waiting times between the teller service and the alternative delivery channel is to use a queuing device e.g. Qmatic. The meeter-greeter could offer the customer the choice of a longer wait at the teller or a shorter wait at the self or assisted-service area.

## Loyalty

Often through points for frequent use of card based alternative channels. In these schemes customers earn points for use of self or assisted-service channels, which can then be used for discounts on partner websites, offers on financial products, monetary reward etc.

An extension of loyalty schemes is a process known as "gamification" which increases consumer satisfaction and fun through game playing and rewards associated with meeting certain targets e.g. achieving and exceeding thresholds.

# BEM Consultancy

## Branch Effectiveness Modelling (BEM) Consultancy

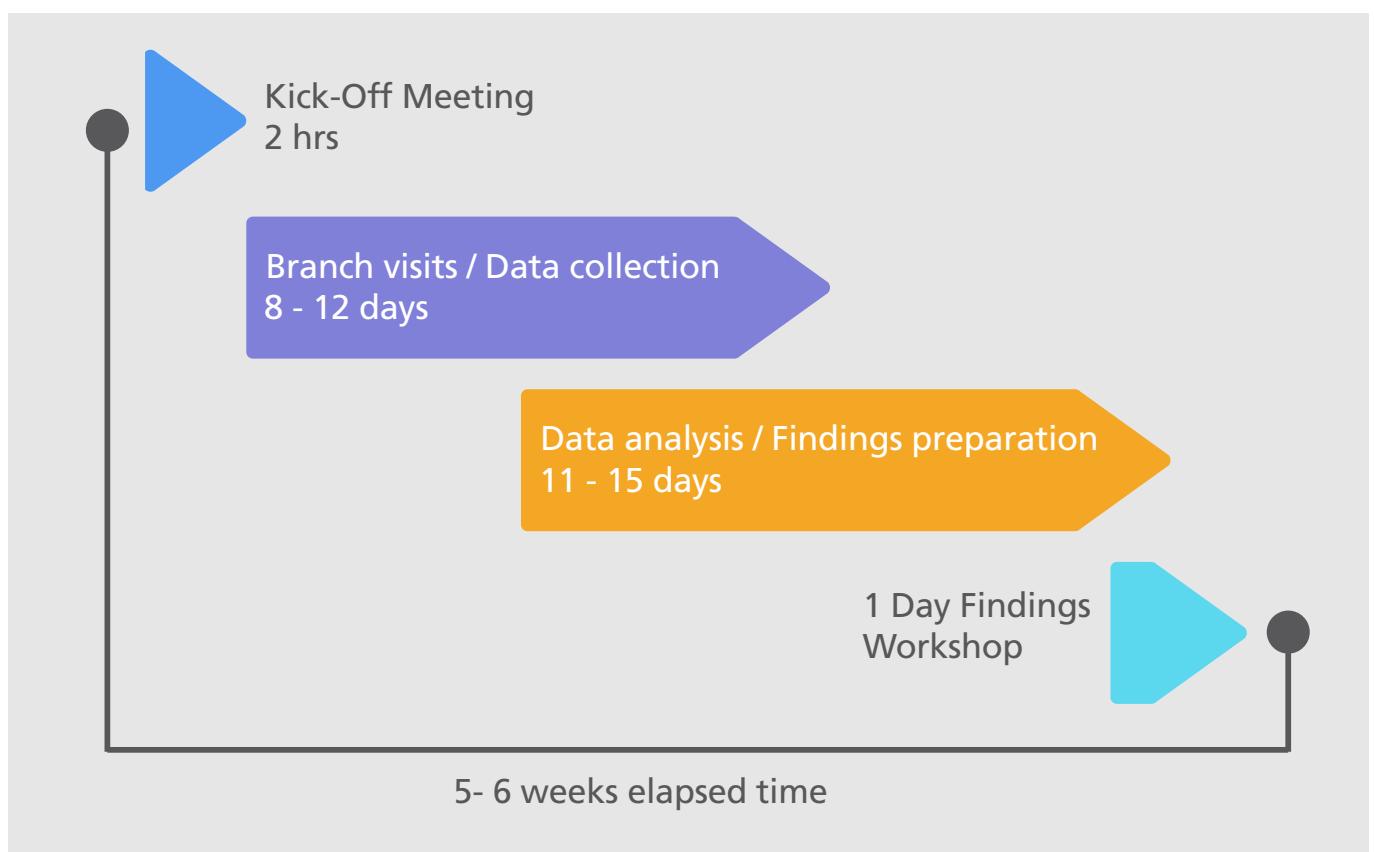
How to migrate customers is commonly delivered as an integral component of a BEM Consultancy engagement. Such an engagement typically includes the Customer migration prioritisation methodology described along with a range of client specific branch transformation findings and recommendations.

How to migrate customers to alternative branch channels is also delivered as a half day workshop. This is a self-contained activity which will support the client maximise returns from existing and future alternative retail banking channels.

The Workshop begins by sharing branch trends and “what’s new” in branch models and service point use globally. The workshop then proceeds to share management tools and techniques to drive the migration of branch customers. In order to maximise the return on investments made in these channels.

The migration tools and techniques worked through in the workshop are illustrated using pictures and videos from branches around the world. The interactive workshop format used ensures that customer migration methods are rapidly and fully understood. Almost 30 proven practical and cost effective methods of migrating customers will be worked through. These methods will make the client’s staff more effective at managing and driving customer migration

## Typical BEM engagement process



# Why NCR?

NCR Corporation (NYSE: NCR) is the global leader in consumer transaction technologies, turning everyday interactions with businesses into exceptional experiences. With its software, hardware, and portfolio of services, NCR enables more than 550 million transactions daily across retail, financial, travel, hospitality, telecom and technology, and small business. NCR solutions run the everyday transactions that make your life easier.

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