



Self-Service Coin Processing: Value Revisited

Beginning in the late 90s, financial institutions began to realize that offering customer coin processing service had potential value. Awareness increased as bankers learned of Coinstar's success placing machines in retail outlets, mainly grocery store chains.

Many institutions did not offer coin service of any type. "Coins are just too hard to handle and process and they have little to no value." was the thinking. Consequently, a majority of institutions required customers to put coins into rolls before accepting them or required them to leave the coins behind for processing sometime later on at a central site. Both approaches drove their customers to the supermarket to pay 8.9% for the convenience of redeeming their coins for cash.

Institutions that did offer coin service did so with back office coin equipment that required staff involvement in a non-customer facing process. While the customer realized some value with this approach, the institution did not because the staff was continuously burdened with the need to leave the front line, often at peak times, to handle these low value transactions.

Initially, institutions embarked on a search for customer self-service alternatives to meet the need to provide coin service to its clientele. Those decision processes were often driven by traditional priorities typical to financial institutions such as reducing staff labor and providing a fee for service income generator. After all, if the grocery store was charging nearly 9%, and customers were flocking there to process their coins, banks could certainly do the same thing for a lesser percent, look like the *good guy* and drive top-line revenue at the same time.

The most progressive institutions sought alternatives that would provide a needed, valuable customer service while also supporting other strategic objectives of the institution. Commerce Bank of Cherry Hill, NJ (recently acquired by TD Banknorth) was and is the recognized pioneer in self-service coin with their acclaimed *Penny Arcade*. This approach has become the industry 'best practice' as things have evolved. Commerce, along with many other adopters, has elected to offer the service 'free of charge' to both customers and non-customers.

So where is the real value of self-service coin processing if it is not in labor savings and fee for service income?

Industry leading organizations have weighed in on this as follows:

"On the bright side, turning coins into less-bulky cash is not as tough or as costly as it used to be, said American Bankers Association spokesman John Hall. A dozen years ago, banks were taking change machines out of their branches or charging customers to use them because the machines were costly and the process required precious teller time, he said. But now they're bringing the machines back as a marketing tool."

"There's a movement to provide coin-counting machines as a selling point," John Hall said. "The market has become very competitive." (John Hall, American Bankers Association Spokesperson, October 2006)

“[self-service coin technology]...provides a needed service and brings the customer experience back into the branch, creating a ‘launching pad’ for marketing initiatives, relationship-building and cross selling.” (CUNA White Paper entitled “The New Marketing Launching Pad,” September 2006)

While it is certainly true that implementing a self-service coin solution will impact staff labor involved in processing coin and that the opportunity exists to generate fee income from the service, it is the marketing value of self-service coin that really drives implementation decisions for the more progressive institutions today.

So it’s about Marketing Value...

It is a well established fact that the branch is the main sales platform for financial institutions. The branch is where new accounts are opened and additional products are sold to existing customers more than any other channel. It is also true that innovations over the years like ATMs and online banking have meant infrequent branch visits by many customers. As a baseline, self-service coin impacts branch foot traffic. Customers must lug their coins to the branch in order to redeem them for cash or to deposit them.

The self-service coin reality is this, “self-service coin processing is not entirely self-service in most cases!” These machines typically automate the coin counting process, which is performed by the customer without the need for assistance from bank staff. The machine then issues a receipt that is taken to a teller for processing. That simple element provides a customer (or potential customer) interaction that holds great potential value for financial institutions.

Putting self-service machines online for deposits eliminates this interaction for those who choose to deposit their coins. Most institutions who have implemented self-service coin machines will tell you that less than half of the customers who use the machine will actually deposit the coins in their account. Most folks who bring their coins in are on a ‘mission.’ That ‘mission’ is to redeem those coins for ready cash! Suffice to say that most of these self-service machines are installed off-line to force that face-to-face encounter.

The table below demonstrates the number of staff interactions with customers and potential customers over a five year useful life of a self-service coin machine based on the following assumptions: 1) 16 transactions per day; 2) 224 business days per year; and 3) a mix of customers and non-customers using the machine of 75%/25%; 4) No fee charged to either customers or non-customers.

	Number of Transactions (each day)	Number of Business Days (each year)	Number of Interactions (per year)	Number of Interactions (over 5 years)
Current Customers	12	224	2,688	13,440
Non-Customers	4	224	896	4,480

One way to look at this opportunity is to think about what other Marketing initiatives will put more than 13,000 customers in your branch with the opportunity to cross-sell them other bank products? What other Marketing initiatives will attract more than 4,000 prospective customers to your branches? Bankers ask themselves, “What is the cost of our current initiatives aimed at bringing customers and potential customer into our branches?” and “How successful are they?”

What Marketing Initiatives?

So if it's about the Marketing Value, what are some initiatives that make sense to actually deliver the value?

Self-Service coin is an enabling technology. Without customer acquisition and cross-selling strategies that are effectively executed at the frontline, little value will be realized from these incremental staff interactions. Fortunately, many institutions have already invested heavily in staff training, CRM systems, and the development of a 'sales culture' to support such strategies.

Innovative Marketing programs can also drive incremental traffic to your lobby.

Self-service coin machine deployments can tie-in directly with kid-focused saver or educational programs. Use in community oriented charitable or fund-raising events can help you attain your goals in this area plus provide positive visibility in the community.

Institutions can also use a self-service coin machine deployment to extend the visibility of their brand or even build a new one by giving the machines a name. As mentioned earlier, Commerce's *Penny Arcade* is the most visible example of an institution that has done both!

Most institutions also have customer service level goals that are aimed at effectively delivering a full range of services to its clientele. Slogans like "Improve the customer experience" or "Delight our customers" and other service-related statements show up in the mission statements and priorities of many institutions. The 'win' for those institutions that do this well is 'stickier,' more enthusiastic customers who will recommend your institution to others. The obvious question here is, "How can you be full-service without offering coin service?"

Another Thought...

While not specifically in the Marketing realm, one additional possibility is to include your self-service coin machine deployment in your CRA compliance strategy. Under the Service Test, examiners consider how you are serving your communities with branch locations, business hours and ATM locations. Why not also consider self-service coin machines? To the extent to which you make these machines available to the un-banked and low/moderate income individuals, self-service coin can also occupy an important niche in your overall compliance strategy.

It's Time to Consider Change...

Institutions that have already deployed or are considering the deployment of self-service coin equipment consider a wide variety of potential benefits. Included are: reduced staff labor, and the potential for fee for service income. Many, however, have not considered the real marketing value that can result in low-cost core deposit growth, increased customer wallet share, new customer acquisition, better customer satisfaction and retention, and brand prominence.

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Talaris is a global leader in branch cash automation equipment including a full line of self-service coin machines, branded QuickChange™. Along with the QuickChange line-up, Talaris offers a complete Marketing package to help customers realize the true value of a self-service coin deployment.