

Concept Document



Team Chainsaw on a Stick (CoaS)

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Problem Definition:

Boy does it feel like a Monday! There is more on your to-do list than kids on Santa's Nice List! Somehow in-between dropping the kids off at school, punching the clock for 8 hours, returning your unwanted Amazon orders, and getting the kids to their 20 after school activities you also need to get your banking accomplished. You know you need to get a stack of one dollar bills for your yard sale this weekend, get a cashier's check for the contractor, and replace your debit card since your phone demagnetized yours last week.

You envision that typical long line at the credit union, and wonder how you'll ever have time to fit it all in! There's got to be a better way. If you can pre-order and pay for your coffee at Starbucks, why can't you do the same thing with your banking needs? Even the local Urgent Care has an app that will tell you what the wait times at each of their nearby locations. You can call ahead to most restaurants and at least get your name on the list. And, who doesn't like the Disney Fast Pass concept. All over America, consumers are skipping the line! When is banking going to catch up? So we asked ourselves –

How might we reduce the wait times for Members coming into the branch?

On average, it takes 3 minutes to complete each teller transaction. Across all operating hours, Members will spend 5 minutes 8 seconds waiting to be helped in a branch.¹ This may be reasonable some of the time, but when three-fourths of the credit unions surveyed reach peak wait times of 11 minutes or more, consumers have less of a tolerance.

Wait times for a teller have increased 49% between 2011 and 2015², and are unlikely to get any shorter as financial institutions strive to increase efficiency and reduce expenses.

You already use the technology provided by your credit union for day to day transactions. However, transactions like issuing a cashier's check, money orders, or a replacement credit/debit card all require you to come into the branch location. Other transactions such as a request for a specific currency distribution cannot be handled at the ATM.

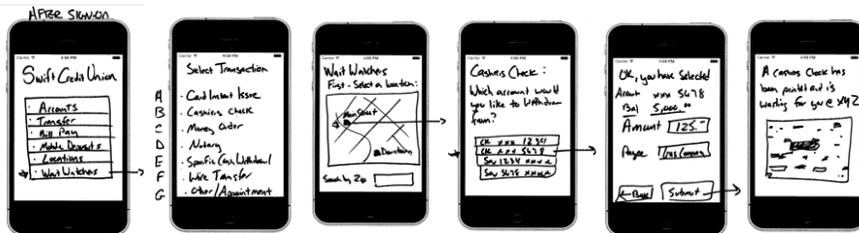
Innovative Solution

The **Bank Ahead** solution is an integrated mobile application that adds functionality to your existing mobile offering. Through use of SDKs, or commitment from the mobile FinTech industry, an additional selection will be added to your mobile menu via SSO or API – **Bank Ahead!**

Once the user selects **Bank Ahead** on their mobile device, a credit union defined list of transactions will display for the Member to make their selection. A list of locations nearby that provide the requested service will display for the Member to choose where they want to complete their transaction. The default transaction set includes Card Instant Issue, Cashiers Check, Money Order, specific withdrawal denomination, wire transfer and set an appointment for an MSR. Upon completion of the transaction, the Member is given a list of requirements necessary to bring to the branch. Upon arrival at the credit union, the Member will present their photo ID at the Express Line where the transaction will be right there waiting for them. No more waiting in line – Members can now **Bank Ahead.**

Prototype

Our concept was outlined to dozens of Credit Union professionals. Their comments and responses to survey questions were incorporated into the development of our prototype. Sketched screen progressions were then presented to Members for feedback, and recommendations were incorporated into the mock-up.



Once the Member submits the transaction on their mobile device, the credit union will either utilize automated processing of the request, or in other cases, manual processing may be necessary.

Members will advance to the Express teller station when they enter the branch. They will then be assisted either by a dedicated Express Line teller, or the next available teller will move to the Express Line window after completing their present transaction.

Testing Results – Insights from Credit Union Survey

To make certain the problem we identified was widespread enough to have backing by the Credit Union industry, we relied on the responses of 51 Credit Union professionals. Every credit union experiences peak times when lobby traffic is heavy, especially at the teller window. But, did it happen often enough to warrant technology enhancements to mobile applications, automation of transactions, and dedicated staff?

Here are the key take-aways from the survey:

- 73.92% of Credit unions experiences wait times of 11 minutes or longer.
- 78.26% reach peak wait times 4+ work days each month
- 82.61% said Members complain about wait time in branches
- 82.61% said a wait time of 10 minutes or longer would trigger their use of the service

Which transactions take the longest to complete, and therefore make the most sense to include in the prototype?

<u>Transaction</u>	<u>Percent for inclusion</u>
Instant Issue of Debit/Credit Cards:	65.22%
Notary	56.52%
Cashier Checks	52.17%
Cash Advances	39.13%
Money Orders	34.78%
Specific denominations for W/Ds	17.39%

Wires were added to the final slate of services. Of our original set, notary services were removed because only about one-third of the states permit e-notarization and our solution is not primarily for scheduling.

Credit Union's support by dedicating valuable resources demonstrate this is a viable solution.

- 73.91% were willing to commit staff for an Express Line window.
- 69.56% were willing to pay for this service, either through an annual subscription, or a one-time fee with annual maintenance costs.

Testing of our prototype was conducted by showing hand-drawn prototype screens to Members and soliciting feedback. While Members liked the idea, they warned it must work smoothly. Other feedback was either addressed in the final prototype, or can be addressed during implementation.

Business Model and 3-Year Financial Performa

The problem statement focuses on time savings for the consumer; however, there are also financial benefits to the credit unions that participate in the **Bank Ahead** solution. The assumptions in the program will aid the credit union in efficiency and increased Member satisfaction by incorporating a modern way to bridge the gap between the brick and mortar and technology service channels. The revenue is generated primarily through fees charged for the service, in addition to expected increased share of wallet.

The vendor revenue is generated through a one-time set up fee, in addition to a monthly revenue/contract which is a set fee. One major assumption in the vendor model is reinvestment into the product in the form of research and development to keep the application relevant as this space continues to evolve. For example, if notary services evolve to be allowed through electronic channels in the majority of states, the application will need to be adapted to include notary service as a standard offering.

See Appendices for 3 year Financial Pro-forma.³

Comments, Next Steps, and Call to Action

With branch wait times heading in the wrong direction, there is little debate that something needs to be done to provide a solution to our Members. Innovations in the digital space have addressed time to delivery issues in many other industries. Now, it's time the financial industry apply these lessons to their own service delivery. Buy online and pickup in store is a proven and expanding concept that can be retooled to solve the problem of branch wait times.

Enter **Bank Ahead**.

By analyzing the specific transactions that are continuing to require Members to come into the branch, we have conjured a vision of a day with better service interactions for our Members. We allow a transaction to be initiated by the Member, at their convenience, with flexibility on the timing of completion. This gives the power back to our Members not only with how they complete transactions with us, but also putting time back in their pocket.

To make this dream a reality, further development needs to occur. Not all Credit Unions conduct business in the same manner, so flexibility in implementation is critical to success. As we drive the product development, integration into multiple different types of platforms is critical as well as configuration of the services to be provided. Building a solution that can be quickly and easily incorporated into existing services with minimal effort required will be part of our deliverable.

Finding a champion to partner the delivery of this service will also be critical in making this real.

We are looking for 10 credit unions to invest in the development and initial product roll-out of **Bank Ahead**. Participating credit unions will get the first shot at making an immediate impact to the Member experience by decreasing wait times for teller transactions required to be completed in the branch.

Will you join us? Contribute to a solution that will give back your Member's most valuable asset, their time!

We'll be right here waiting for you!

¹ Deen, Meredith. "Reducing Wait Times For Branch Efficiency". *Bai.org*. N.p., 2017. Web.

² "FMSI 2016 Retail Branch Lobby Study". *Kronos.com*. N.p., 2017. Web.

³ Callahan & Associates - Peer to Peer NCUA data as reported in the 5300 for all Credit Union.

ABOUT FILENE

Filene Research Institute is an independent, consumer finance think and do tank. We are dedicated to scientific and thoughtful analysis about issues affecting the future of credit unions, retail banking, and cooperative finance.

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. Since 1989, through Filene, leading scholars and thinkers have analyzed managerial problems, public policy questions, and consumer needs for the benefit of the credit union system. We support research, innovation, and impact that enhance the well-being of consumers and assist credit unions and other financial cooperatives in adapting to rapidly changing economic, legal, and social environments.

We're governed by an administrative board made up of credit union CEOs, the CEOs of CUNA & Affiliates and CUNA Mutual Group, and the chairman of the American Association of Credit Union Leagues (AACUL). Our research priorities are determined by a national Research Council comprised of credit union CEOs and the president/CEO of the Credit Union Executives Society.

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—Edward A. Filene

Appendix 1

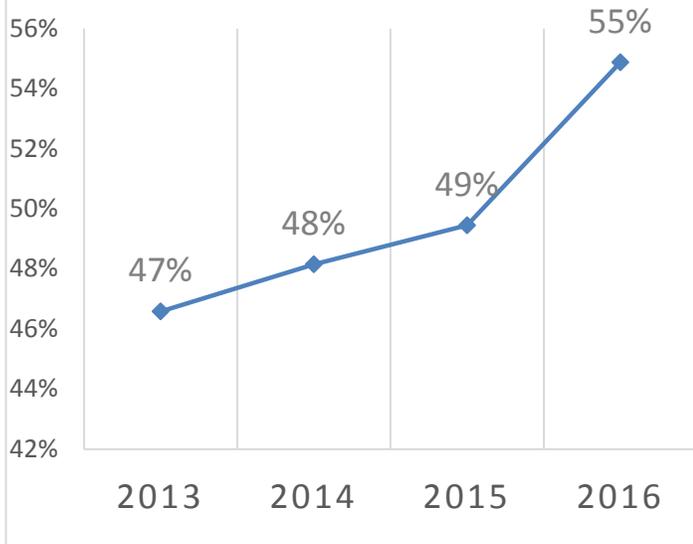
Business Model and 3-Year Financial Performance

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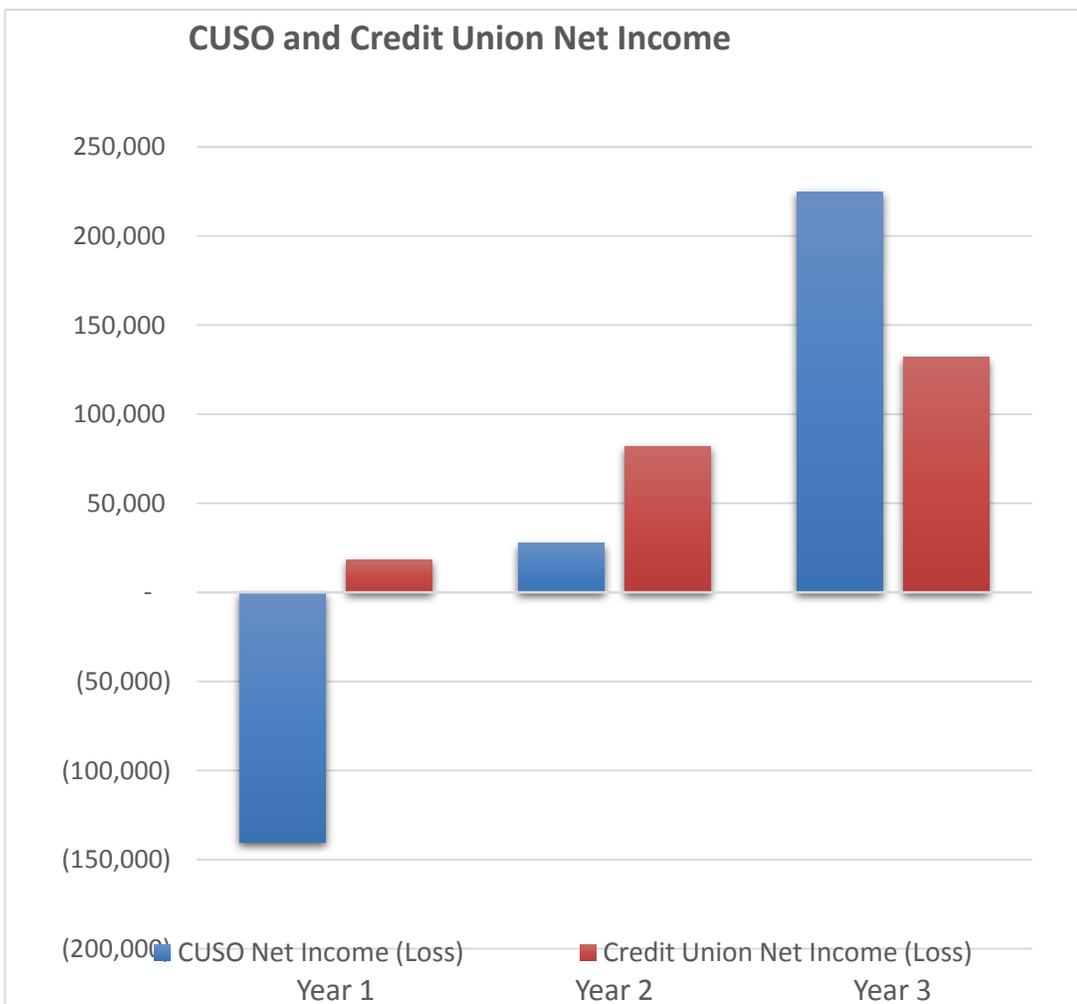
CUSO/Vendor Performance	Year 1	Year 2	Year 3	Total
No. of CU's	10	25	50	
Ongoing Monthly Revenue	30,000	75,000	150,000	255,000
One Time Set Up Fee Assumption	75,000	187,500	375,000	637,500
Total Revenue	105,000	262,500	525,000	892,500
Expenses				
Application Development	50,000	20,000	20,000	90,000
Research and Development	5,000	10,000	50,000	65,000
Bank Ahead Website Development	20,000	5,000	5,000	30,000
Updates Maintenance	20,000	20,000	20,000	60,000
Cuso Marketing	50,000	30,000	30,000	110,000
Overhead/Admin	100,000	150,000	175,000	425,000
Total	245,000	235,000	300,000	780,000

CUSO Net Income (Loss)	(140,000)	27,500	225,000	112,500
Credit Union Performance	Year 1	Year 2	Year 3	Total
Credit Union Members	165,000	173,250	181,913	520,163
Mobile Banking Penetration	85,000	92,650	100,989	278,639
Number of Bank Ahead Branches	4	8	12	
Fee Drivers (Monthly from Bank Ahead Feature)**				
Card Instant Issue	60,000	120,000	180,000	360,000
Cashiers Check	14,400	28,800	43,200	86,400
Money Order Specific Cash	14,400	28,800	43,200	86,400
Withdrawal	9,600	19,200	28,800	57,600
Domestic Wire Transfer Intangible (Appointments/Usage Lift/etc)	48,000	96,000	144,000	288,000
Total Annual Fee Revenue	232,800	465,600	698,400	1,396,800
One Time Set Up Fee	2,500	2,500	2,500	7,500
Monthly CUSO Fee	3,000	3,000	3,000	9,000
Additional Staffing	182,000	364,000	545,000	1,091,000
Marketing Branch Configuration	25,000	10,000	10,000	45,000
Teller Line	2,000	4,000	6,000	12,000
Check in Kiosk	4,000	8,000	12,000	24,000
Total Operating Expenses	214,500	383,500	566,500	1,164,500
Credit Union Net Income (Loss)	18,300	82,100	131,900	232,300

CREDIT UNIONS WITH MOBILE BANKING TREND

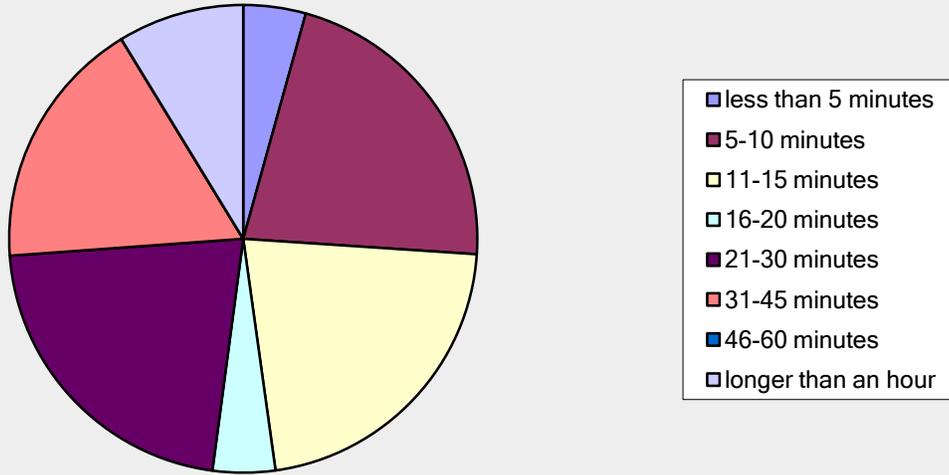


CUSO and Credit Union Net Income

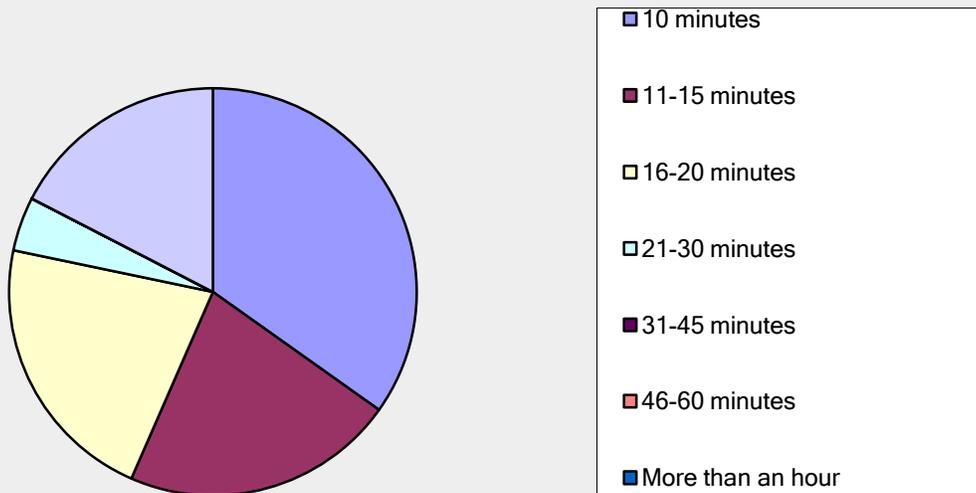


Appendix 2 – “Wait Watchers” Credit Union Professionals Survey Results

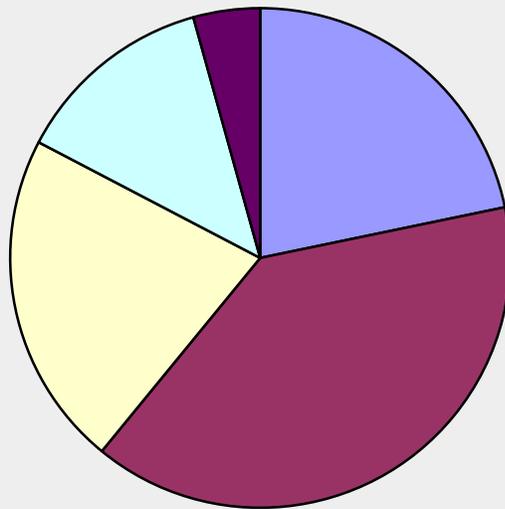
What is the longest wait time your Members experience in any of your branch lobbies?



Our solution would be an integrated app that Members can use to schedule transactions ahead of arriving at the branch. At what teller wait time would you see this adding value to your credit union?

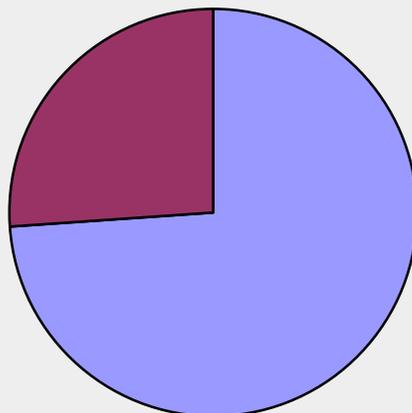


How many days each month do you reach your peak wait times?



- 3 or less
- 4-5 days
- 6-10 days
- 11-15 days
- Most days

Would you be willing to allocate a teller window/employee to a dedicated express line during peak wait times? We would also consider an employee giving priority attention to the express line Members as a dedicated employee.



- Yes
- No

Would you prefer an annual subscription cost based on asset size or a one time fee with annual maintenance charges to receive updates or enhancements? (check all that apply)

