

Salin saves cash with video tellers

Chris O'Malley

June 22, 2013

In what might be the strangest twist in banking technology in years, Indianapolis-based Salin Bank is the first financial institution in the state to install sophisticated, interactive video tellers. A customer rolling into the drive-up lane at Salin Bank's 11555 Allisonville Road branch will find a peculiar sight.

Missing is the pneumatic tube to whoosh his check inside the branch for deposit. Instead, the terminal outside the driver's window has a video screen, which flashes to life with the image of a smiling teller wearing a headset. Average transaction time on Salin Bank's interactive video teller machines is about three minutes. The bank is aiming for 45 seconds. Tellers in West Lafayette assist customers.

Pay no attention to the person behind the curtain at the drive-up window; there isn't one.

"Hello, this is Lorenzo," says the teller on the screen, who isn't sitting inside the branch but is 57 miles away—in West Lafayette.

In what might be the strangest twist in banking technology in years, Indianapolis-based Salin is the first financial institution in the state to install interactive video tellers, at least those with this level of sophistication.

Manufacturer NCR Corp. sees the devices partly as a way for banks to keep open branches at risk of closure because of the flight to online banking and banks' quest to slash overhead.

The biggest benefit for consumers seems to be the ability to do their banking outside of normal business hours, when the doors of the branch are locked.

Salin's interactive machines are "staffed" from 7 a.m. to 7 p.m. on weekdays and until 4 p.m. on Saturdays.

The bank also is deploying the machines inside branches, freeing up staff to sell lucrative products and services such as loans, investments and wealth-management planning.

Georgia-based NCR even envisions the interactive tellers as a relatively inexpensive way for a bank to enter a new market or location—such as a small town or at a corporate campus—without having to shell out \$3 million on a building and equipping a typical branch.

Since installations of the interactive tellers began last fall, the \$750-million-in-assets Salin has equipped about one-third of its 23 banking centers in central Indiana and surrounding areas.

Just how much Salin is spending is unclear. "It's a multimillion-dollar project but a fairly quick payback for us," said Robin Walker, Salin's executive vice president in charge of administration and retail banking.

Salin said it has not eliminated any jobs because of the technology, but some staff has been reassigned to the remote teller operation in West Lafayette.

Rise of the machines

Salin is the first but not likely the last to incorporate such technology in central Indiana.

NCR has been in talks with about a half-dozen financial institutions in Indiana, said Brian Bailey, a vice president at NCR in charge of its branch transformation unit.

Chase Bank, the largest bank in Indiana, is testing interactive teller machines in other states. Meanwhile, Bank of America rolled out units in Boston last April.

No word on whether Key Bank will deploy the interactive tellers here, but the Ohio-based bank is testing "video tele-presence" locations, said spokesman Dan Davis.

In this case, the bank is using teleconferencing equipment to put customers in touch with specialists in areas such as mortgage, investments and small business. The idea is to give them direct access to experts and resources they need.

But banks cannot completely take away traditional channels of communication, Key's Davis added, noting that "even tech-savvy GenY-ers, who embrace social media and technology, still want to go to a physical location to discuss money with bank representatives.

"People want to see the people who are watching their money."

For now, Salin is relishing its role as the first to roll out NCR's ATM-based interactive video technology in Indiana.

"First in the state of Indiana for credit unions or banks. That's something we're proud of because we're a fairly small community bank," Walker said.

She puts a finger on the device's touch screen, which brings up one of the half-dozen West Lafayette-based tellers—in this case, the affable Lorenzo. He knows Walker, so when she begins a

transaction, she doesn't have to provide identification. But when the remote tellers need to confirm identities, they ask customers to place their driver's licenses on the device.

Walker requests a withdrawal, some of which is dispensed in \$1 bills—something you'll never get from an ATM.

The interactive teller also dispenses coins. Customers can deposit checks and even feed a big stack of them into the machine at once.

Upgrades planned

The machines can handle most routine transactions but not all.

Obtaining a cashier's check is still something that must be done by branch personnel, although plans are to add such capability over the next several months.

A customer wanting to purchase, say, an IRA, would also have to deal directly with branch staff.

Salin's units also are not yet geared for handling mortgage applications, although Walker sees that happening in a year or two.

Technically, there's really no reason machines couldn't be accessed 24/7; however, that would require additional shifts of interactive tellers in West Lafayette.

"We'd like to be 6 a.m. to 10 p.m. Monday through Saturday," Walker said.

And while it's still too early to draw conclusions about usage patterns, Salin executives have seen use across all demographics, including that of the proverbial little old man driving up in his Grand Marquis.

"I thought for sure it would be [predominantly] the tech-savvy younger people," said Jim Badger, senior vice president and director of marketing. NCR's Bailey said he thinks acceptance reflects a broader pattern in society.

Consumers now expect the option of being able to obtain their boarding pass at a kiosk at the airport, for example, or to use a self-checkout at Home Depot.

In fact, an electronic kiosk down the street at the Fishers Jack-in-the-Box restaurant allows diners to order their meals without interacting with a human, pointed out Charles Gearhart, senior vice president and retail sales manager for Salin.

NCR's interactive tellers are operating in more than 20 states and provinces. NCR wouldn't say how much the interactive devices cost, but said they run about 30 percent more than a conventional ATM. In general, ordinary ATMs range from nearly \$2,000 for a free-standing unit at a convenience store to more than \$7,000 for a robust, high-volume unit at a drive-up lane.

Learning curve

So far, the average transaction time on Salin's interactive tellers is running about three minutes.

"We are working toward 45 seconds," Walker said.

"I think there's going to be a learning curve for the consumers a little bit," said Rob Lasley, vice president of products and services at the Indiana Bankers Association.

Lasley has seen some simpler variants of the NCR devices used at Salin.

A Kendallville bank tried a more primitive version of the concept but it never caught on, he said. One institution in Zionsville used a video system, but it required a person or two in the branch to run and didn't enjoy savings of a centralized, pooled teller center.

Another bank, in south-central Indiana, took a branch and essentially converted it to a "smart" ATM unit.

Whatever the variants, banks are feeling pressure to reduce operating costs, partly in reaction to increased federal regulation. And it won't be any easier going forward.

"There's a lot of talk about overhead and fixed expenses and how to minimize that," Lasley said.

As for keeping customers happy with technology, "it's a fine line," however.

The number of bank branches in Indiana grew 20 percent from 2000 to 2009, when it peaked at 2,107. Last year, the number of branches fell to 2,088, according to the Federal Deposit Insurance Corp.

With online banking, people are going to the branch less frequently than they used to. In fact, online banking accounts for 53 percent of transactions vs.14 percent for in-branch visits, according to Southfield, Mich.-based AlixPartners.

Last August, Evansville-based Old National Bancorp said it was closing nine branches in the Indianapolis area. PNC Financial Services Group, meanwhile, is closing 200 branches, including six in Indiana. And Key Corp. is mulling a closure of perhaps 5 percent of its branches.

Whether other banks adopt interactive teller machines and centralized teller locations remains to be seen. One challenge is that there's still a certain segment of the population who consider the ubiquitous ATM machines to be too impersonal.

But don't pine away for the days of the pneumatic tube, Badger said, noting hassles such as not being able to find a pen in one's car when trying to fill out a deposit slip in the drive-up lane.

But at least the pneumatic tube could carry a lollypop for the kids.

They're still working on that.