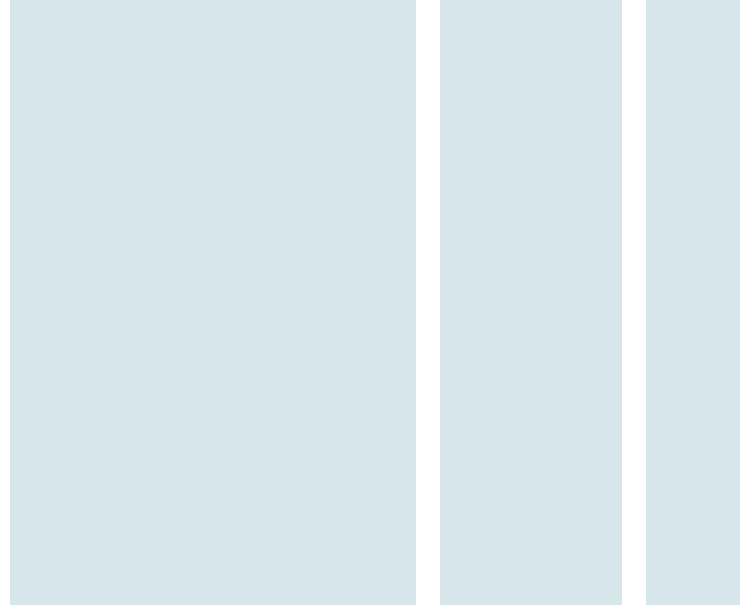


ADOPTION MARKETING FOR DEPOSIT AUTOMATION



A Guide to Effectively Preparing Consumers for Deposit Automation

Scope of Paper

Diebold, Incorporated has developed this white paper on adoption marketing for deposit automation to serve as a fundamental reference tool for financial institutions preparing to pilot or deploy automated deposit technology in the self-service channel.

This paper highlights the importance of leveraging adoption marketing to support the roll out of automated deposit technology and presents best practices from implementations around the world. Diebold has found that such approaches can significantly increase the rate of consumer acceptance, which is a key driver of the business case.

This paper is global in nature and applicable to financial institutions in all markets. While the composition and nature of the industry may vary from region to region, the most effective adoption marketing techniques and the need to use them in support of deposit automation are consistent.



We won't rest.

Introduction

Financial institutions seeking to realize the full potential of their self-service terminals are exploring deposit automation technology. A survey of the top 25 global markets published by Retail Banking Research Ltd in September 2004 revealed that the majority of markets are in the process of piloting or initial rollout of deposit automation. The “early adopters” are leading the way. The “fast followers” are monitoring the results and are formulating their own deployment strategy.

Much has been written over the past few years about the benefits of deposit automation, various technology solutions and how it impacts ATM deposit and check processing operations. The accelerating pace of deposit automation rollouts seems to indicate that the industry has taken this material to heart. However, more often than not, one of the most important aspects of an effective strategy is not given sufficient attention: the impact to the consumer. Deposit automation significantly changes the deposit transaction from the consumer’s perspective. And unless consumers choose to adopt the ATM as a preferred channel for making deposits, the full deposit automation business case will not be realized.

Diebold recognizes the importance of including adoption marketing as part of an overall deposit automation implementation strategy. It takes time for consumers to adapt to new technology. Adoption marketing is as important now as it was 30 years ago when the first ATM was introduced and 15 years ago when on-line banking was introduced. Our experience with deposit automation deployments around the world

confirms this fact. The intent of this white paper is to provide guidance to financial institutions in this area so as to increase the probability the full benefits of deposit automation will be realized.

Consumer Behavior

Experience shows that consumers use the delivery channels that are the most convenient and offer the desired level of service for a given transaction. ATMs have historically been underleveraged from a deposit transaction perspective. In many cases consumers have tended to choose a less convenient delivery channel. This often translates into a higher cost alternative from the financial institution’s perspective. There are many drivers attributable to this behavior. Many consumers have a higher level of confidence and trust with deposits presented over-the-counter. The funds availability policy is typically different. The branch may have a later cut-off time for posting. Some are not aware of the capabilities of the current ATM system. All of these issues can begin to be addressed with technology that is properly positioned with the consumer.

Eliminating the envelope from the deposit transaction raises the quality of the transaction such that consumers will be more comfortable choosing the ATM when making a deposit. For example, it is possible to show an image of the check and itemized cash deposit details on the screen for consumer verification (Figures 1 and 2). This same information may be printed on the consumer’s receipt. The MICR line can be “masked” to provide an additional level of security.

Defining Deposit Automation

What is deposit automation? In simple terms, deposit automation is the utilization of technology to automate the process by which consumers deposit currency and checks at the ATM. The envelope is eliminated from the deposit transaction.

How Deposit Automation Works

Integrated ATM modules are available that accept bulk cash, immediately authenticate, verify and itemize the deposit note-by-note, and print the deposit details on the receipt. Intelligent check handling modules are available that capture the image of the check (which is inserted without an

envelope) and provide for the display of the image on the terminal screen for consumer verification.

The check image then is printed on the receipt along with the transaction details. As an option, the financial institution may elect to gain further processing efficiencies by transmitting the digital image of the check and the related data record to a server that will initiate the check clearing process prior to the arrival of the physical check or substitute check in the processing center. Cash recycling modules are available in many regions of the world. These modules allow for more efficient handling of cash through re-dispensing of deposited cash that has been sorted into the designated cassettes.

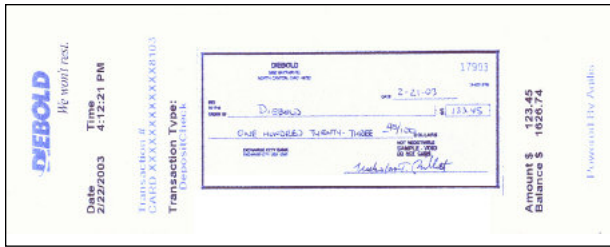


Figure 1

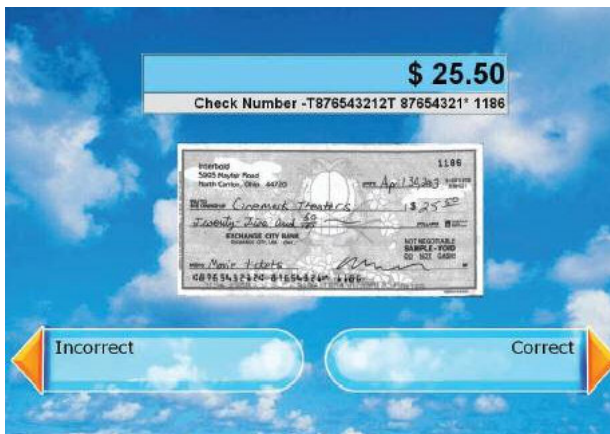


Figure 2

However, despite the fact that deposit automation raises the quality of the transaction, consumer acceptance is not automatically guaranteed. Existing ATM deposit users and those who prefer to use the teller will need to change their behavior. People are creatures of habit and generally tend to resist change. Early adopters, by their nature, will require very little enticement to accept new ways of conducting a deposit transaction. Making other consumers comfortable enough to consider stepping out of the teller line, however, will require more effort and resources.



Figure 3

To understand the marketing challenge, it is useful to review how deposit automation changes the transaction from the consumer's perspective.

How Deposit Automation Changes the Transaction

Deposit automation significantly changes the manner in which a consumer conducts a deposit transaction in the self-service environment. Envelope deposit technology has been around for a long time and regardless of whether or not a consumer currently uses it, that consumer has expectations about how an envelope deposit works. Eliminating the envelope may seem like a simple concept, but it involves meaningful changes from the consumer's perspective (Figures 3 and 4).

Here are some examples:

- With an envelope, the consumer may have been required to include a deposit slip or write the deposit amount on the envelope. These steps are no longer required.
- Cash and checks are now deposited separately, rather than together inside the same envelope.
- The role the ATM plays in the transaction changes with deposit automation. It shifts from simply accepting an envelope to actively performing such functions as reading a check courtesy amount and counting currency.
- The consumer is also now more actively involved with the deposit transaction. An image of the check and courtesy amount read from it may be displayed on screen for verification. Likewise, an itemized breakdown of the cash deposit may be presented for verification. The consumer has the option to cancel the deposit transaction if the totals presented on screen do not match expectations, something which was not relevant with an envelope.



Figure 4

- The ATM now recognizes and validates deposited cash. Incorrect currency or denominations and unrecognized notes are returned to the consumer. In addition, deposited notes cannot be folded, strapped or held together with a paper clip. This is in stark contrast to an envelope deposit where all notes were accepted by the ATM regardless of condition or how they were presented.
- Since it is possible some notes will not be accepted by the ATM, the consumer needs to check the cash input area before completing the transaction. Again, something which was not required with an envelope.

Deposit automation raises the quality of the transaction, but it is only meaningful if consumers perceive the benefits. Consumers must be comfortable interacting with the ATM in a new way and have a favorable experience during initial trials. Otherwise, financial institutions will not achieve their goal of giving consumers an alternative choice to the teller line for deposit transactions.

Adoption Marketing Best Practices

Adding deposit automation technology to the ATM requires a renewed emphasis on some of the practices that were implemented in the early years of ATMs to change consumer behavior. This is especially true with bulk cash deposit technology, since it introduces the greatest change to the ATM deposit transaction. Diebold has worked with financial institutions in markets around the world and has identified four key elements of a successful adoption marketing program.

Employee Preparation

Financial institutions generally agree that the branch plays an important role in the delivery of information and introducing deposit automation technology to consumers (TowerGroup, November 2004). In order for branch staff to perform this function effectively, they need to be trained on how to use cash and check deposit modules before they are introduced to consumers.

Successful approaches in this area include holding a "technology forum" for branch staff during lunch or in the morning and encouraging branch staff to conduct live transactions on their own accounts. Unless branch staff understand and have interacted with the new technology, they will not be comfortable explaining it to consumers. Nearly all successful programs involve dedicating a concierge employee to work with consumers. This employee is responsible for assisting consumers as they complete a deposit transaction, both

by being on hand to answer questions and by showing how to interact with the ATM. Special attention must be paid to ensuring these employees are fully prepared. They should be prepared to present this new functionality from the perspective of the consumer. What are the advantages to the consumer? Increased convenience? More choices? Better funds availability? Better audit trail? Enhanced level of service?

Consumer Education

The key to a successful adoption program is education. There are two primary areas of consumer education: awareness that a change has been made, which is especially important for non-users, and understanding how to interact with the ATM.

Awareness

Existing ATM deposit users primarily need information about the transaction itself to ensure the shift away from the envelope goes smoothly. Successful financial institutions place signage at the ATM announcing that changes have been made. The message tends to focus on basic instructions such as the fact that an envelope is not required and that folded or banded notes cannot be deposited.

Non-users are the primary audience for adoption marketing. This group has chosen to interact with a teller and likely has the least experience with ATM deposits. Effective methods for communicating with non-users include signage or a brochure at the branch counter, teller "ask me about" buttons, and teller speaking points. Tellers can initiate a conversation with a consumer who is making a deposit by asking "Did you know you could make this deposit at the ATM?" Tellers should refer interested consumers to the branch concierge employee for assistance as discussed in the Employee Preparation section.

The brochure used at the branch counter should show an automated deposit ATM with call-outs for the cash and check modules. It should also include sample transaction screens and receipts and explain the steps involved with the transaction. Such an approach supports a financial institution's branding efforts in addition to providing information about the ATM deposit transaction.

Transaction Support

As was previously mentioned, dedicating a concierge employee to help consumers complete an ATM deposit

transaction is a key element of a successful adoption marketing program. This is especially beneficial for consumers who are accustomed to making deposits at the teller station.

However, the power of today's ATM technology enables the terminal itself to play a role in educating consumers. Digital images and video clips can be displayed on screen to show consumers what needs to be done and how to do it. It has been said that a picture is worth a thousand words. The same applies in this situation. Visual aids have been successfully used as a "welcome" screen and during the transaction itself to provide a live tutorial. Images and videos are best used to support the primary points of consumer interaction during the transaction. Prime examples include inserting cash or a check, removing unrecognized notes, or canceling the transaction. If desired, a voice over may be used with the images or video to clarify instructions. For example, "Please insert the check face up" or "Please remove clips or straps before inserting cash" (Figures 5 and 6).

Experience shows that enhancing the automated deposit transaction with descriptive visual and audio elements significantly improves the consumer experience. Consumers report greater satisfaction with the transaction and avoid making simple mistakes such as attempting to deposit an envelope or leaving returned notes behind in the cash input area.

Consumer Incentives

For some consumers, education will be enough to encourage them to try an automated deposit transaction. Others may need a little motivation. Offering structured incentives has been shown to be an effective way to generate trials.

As a lesson learned for the very first deployments of ATMs, a "grand opening event" can bring attention to the change and will allow both the branch staff and consumers to become engaged in the process with a higher level of awareness. This is again an opportunity to re-introduce the ATM as truly an "automated teller machine" capable of a lot more than most consumers are currently aware of. This provides a window to attract new consumers as well as solidify the relationship with current customers.

At the same time as the "grand opening" a promotional campaign can be used to sign-up new relationships and encourage use of the advanced functionality. Give-aways, dispensed coupons, contests, and drawings are all ways to increase awareness.



Figure 5 – "Please remove unrecognized bills."



Figure 6 – "Please insert your cash."

Some other techniques that have been used with success include offering an additional credit for every deposit made at the ATM during the month, up to a maximum amount. Another technique is to enter all ATM deposits into a drawing for a deposit match by the financial institution. Specifying a maximum payout amount is advised with this promotion. Other financial institutions have sent consumers 3 checks for a small amount (\$2 - \$5) which can only be deposited into their account at the ATM on three different occasions. The theory behind this promotion is that after 3 successful check deposits, the consumer has gained the confidence to make future deposits at the ATM.

Defined Goals and Tracking

The final component of a successful adoption marketing program is setting goals and incorporating performance metrics into existing branch performance reports. It is

important to leverage existing performance reports to ensure the goal is taken seriously and is very visible to branch staff. One aspect that is being discussed by some of our financial institution customers is to begin to tie the goals of the self-service channel to the branch channel now that the technology is in place to actually migrate more routine transactions from the branch. The goal for the percentage of deposits which should occur at the ATM rather than the teller line should match the assumption used in developing the deposit automation business case. The intent is not to encourage branch staff to force consumers to use an ATM for deposits. Rather, it is to raise awareness of the adoption program and ensure branch staff is having a dialogue with consumers, as described in the Consumer Education section.

An associated benefit of tracking and reporting performance is the development of a friendly competitive spirit among branches, especially when results are shared openly with all participating branches. A competitive spirit will encourage each branch to identify local activities to support and enhance the corporate adoption marketing program. The branch plays a key role in introducing deposit automation technology to the consumer and answering questions. An energized and motivated staff is much more likely to avoid letting the day-to-day operational pressures of the branch distract it from fulfilling its adoption marketing responsibilities.

Summary

Diebold anticipates a fundamental change in the way financial institutions and consumers view and use the self-service channel. The ability to accept bulk note deposits and to image checks will have a dramatic impact on the cost structure, performance and level of service provided by the ATM. An important underlying factor of the deposit automation business case is a willingness of consumers to choose the self-service channel for deposits instead of the teller. Deposit automation technology raises the quality of the transaction from the consumer's perspective, but at the same time fundamentally changes how the transaction is conducted. As was the case 30 years ago when the first ATM was introduced, simply deploying the technology does not ensure consumers will adopt it.

Developing and implementing an effective deposit automation strategy requires a significant investment of time and resources. It is easy to see how actions to prepare the consumer may get lost amidst all the planning. However, savvy financial institutions recognize the importance of preparing the consumer through adoption marketing as part of its overall strategy. Diebold has seen consistent success among customers that utilize the elements described in this white paper. Customers that devote energy and resources to introducing deposit automation technology to consumers and ensuring a positive experience during initial trials report high satisfaction rates and a meaningful migration of deposit transactions from the teller line to the ATM.

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