



ITMs: Bridging Digital and Physical Worlds

Industry Research and Insights for Banking Decision-Makers

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Executive Summary

As Interactive Teller Machines (ITMs) first began being deployed by banks and credit unions in 2010, their advanced capabilities piqued the interest of the industry. Promising convenience, efficiency and an expanded suite of services, this hybrid of technology and human staffing expanded institutional thinking about banking functions and formats. Yet, despite what could be game-changing technology, banks and credit unions have been somewhat slower to deploy the machines. As a result, consumer awareness and adoption have also been sluggish. To unleash the full power of ITMs, it's clear that FIs need more information and insights.

To answer some key questions for banks and credit unions, Adrenaline fielded two sets of original research. This white paper is the compilation of those two studies – first, a consumer-oriented survey on the attitudes and behaviors related to ITMs and then, industry-facing research that included surveys and interviews of financial services leaders deploying these hybrid machines.

The following findings provide banking leaders with first-of-its-kind data on how the industry has deployed ITMs to date; the challenges institutions have faced and what they've learned around best practices in implementation; how consumers perceive ITMs, and where, when and how they use them; and how ITMs fit into a broader retail delivery strategy. This report is not intended as a full advisory roadmap for ITM implementation, but rather delivers valuable research and insights that can support financial institutions' decision-making around ITM deployment.

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The Power and Potential of ITMs

When Interactive Teller Machines (ITMs) first hit the marketplace in the early 2010s, their advanced capabilities promised a great leap forward for banks and consumers alike. After all, from the consumer vantage, ATM technology was used exclusively for efficient transactions, something that had not markedly changed for decades.

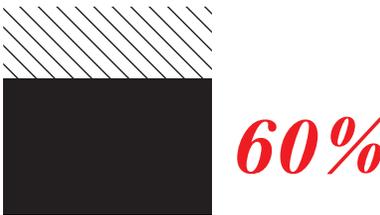
But now, this self-directed technology is poised to shift the landscape, fusing the self-service banking of the ATM with the consultative services of the branch, via real-time video-conferencing with a live banker. Providing more choice and flexibility for both the consumer and bank, this humanized technology allows financial institutions to shift up to 75% of transactions while meeting customers' needs more quickly, seamlessly and in more places than ever.

Gradually building momentum in the last decade, banks and credit unions of all sizes and across regions have deployed ITMs – inside and outside branches, in lobbies, drive-ups, and in free-standing kiosks. Often branded to consumers as “live” or “express” banking options, the technology has growing industrywide recognition and penetration, yet still remains largely underutilized by financial institutions. It's a channel with power that is on the precipice.

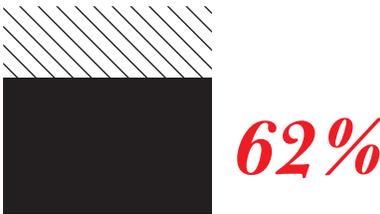
To provide data-driven context around ITMs, Adrenaline fielded two studies: a consumer-oriented survey in Q4 of 2020 and industry-facing research that included quantitative surveys and qualitative interviews of financial services leaders in Q3 of 2021. With a holistic picture of consumer perceptions of this relatively new banking technology and industry insights gleaned from real-world applications, financial institutions now have the benefit of research—an important tool for decision-making when considering ITM deployment.



of financial institutions
currently deploy ITMs



plan to include ITMs in their
networks in the next three years



*of FIs with ITMs plan to extend
deployment* across their full
network in the next three years

Chapter 1

What Does an ITM Deliver?

First, let's define this self-directed technology, both from a nomenclature perspective, as well as what the technology actually delivers.

This technology is known by many names: ITM; VTM (video teller machine); PTM (personal teller machine); and IBK (interactive banking kiosks). However, ITM (originally coined by manufacturer NCR), has become the industry standard to refer to technology that marries advanced-function ATM with an opt-in video teller capability. Because it echoes the 'ATM' language structure, ITM is the easiest for consumers to understand and works as a generic term for the evolution of self-service technology.

Generally speaking, from a pure hardware and software standpoint, ITMs offer everything advanced-function ATMs do – and then some. Importantly, ITMs have the capacity to do almost everything an in-person teller visit can accomplish, and in some cases, even more, including expanded account servicing.

A critical consideration with this self-service technology is its core integration. Across manufacturers, different types of ITMs and how they integrate with core technology allow for different capabilities for consumers – and different levels of investment and efficiency for the financial institution.

ITM Capabilities

Whether or not they integrate with core technology, ITMs expand the capability of what a user may accomplish in a self-service environment — in many cases, empowering transactions almost up to what a live, in-person teller visit can accomplish. For this reason, ITMs offer a true alternative to an in-branch visit for most transactions.

| ATM | ITM | IN-PERSON TELLER |
|--|--|--|
| <ul style="list-style-type: none"> • Cash withdrawals, with limited denominations (more choices on the near term horizon) • Check depositing* • Transfer funds* • Account information* | <ul style="list-style-type: none"> • Multi-denomination cash withdrawals, down to the penny • Consumer and business account access (pinless) • Loan payments* • Bill pay* • Issue money orders • Order replacement cards* • Limited same-day fund access* | <ul style="list-style-type: none"> • Multi-lingual teller choice • Investment account transactions* • Process savings bonds and redemptions • CD renewals • Open & fund new accounts* • Check balances* • Transfer funds* • Same-day funds (up to limit set by FI)* • Verify ID to allow account access |
| | | <ul style="list-style-type: none"> • Same day funds for check deposit (higher limit) • New loan application* • Rare denominations (ie: \$2 bills) • Coin deposits |

Chapter 2

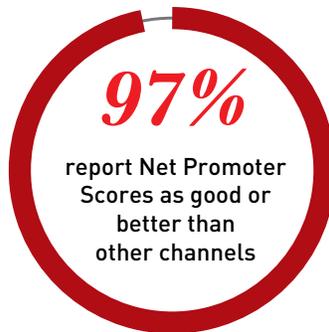
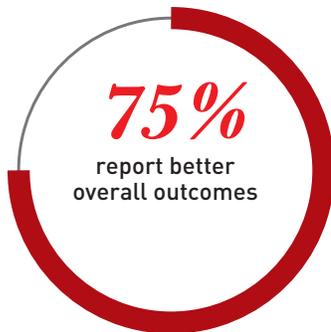
Is Self-Directed Technology a Good Investment?

Consumer and Financial Institution Research and Considerations

One of the most critical considerations for financial institutions looking to deploy ITMs is whether this technology is a good investment for their bank or credit union. The answer is highly variable, and depends on the individual institution's retail delivery and growth strategy. This research provides data-driven insights that shed light on this complex question by examining both consumer interest in and use of ITMs, as well as examining why and how financial institutions have deployed ITMs, and what they've learned in the process around adoption and ROI.

We must acknowledge that as with all innovation-based solutions, there will be a time when self-directed technology evolves and is perhaps leapfrogged in the future. Despite that probability, the research shows that ITMs appear to be a strong investment for most FIs looking to achieve competitive advantage through efficiency and market presence as well as delivering on high customer experience.

Of financial institutions that have deployed ITMs:



Specifically, data from NCR and QDS demonstrates that ITMs and other self-service technology are especially beneficial in delivering efficiency across the branch network.



Cost and Efficiency Considerations

For financial institutions, ITMs can drive dramatic improvements in efficiency. Detethered from local staffing constraints at the branch, remote tellers can simultaneously serve multiple ITMs across wide geographic areas with significantly reduced cost per transaction.

Despite higher costs for initial implementation, core integration and fully enabled video teller functionality, financial institutions realize immediate savings by turbocharging staff efficiency and enabling reduction of both cost-per-transaction and FTE costs.

“Our staff loves the ITMs because they can focus on bigger value sales. There are fewer people coming into the branch, so we need to make those individual visits count. The technology actually has the effect of elevating our people.”

CEO, Credit Union

1 to 2.7

Remote teller to ITM



<\$1
Per transaction



\$1-2
Per transaction



>\$4
Per transaction



In fact, when the ITM is fully integrated with core technology allowing users to accomplish tasks on their own with little or no video teller support, one FTE can support up to 20 machines.

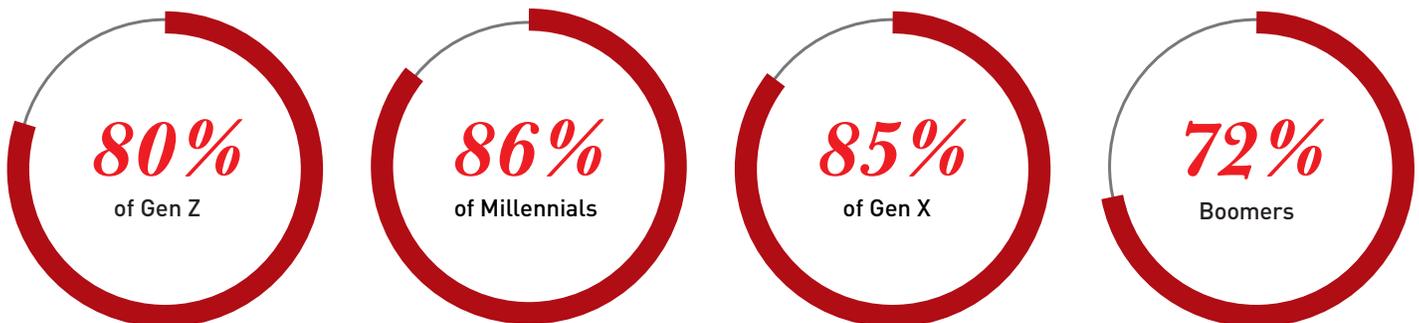
Costs vary by manufacturer and level of core integration, but generally are significantly higher than traditional ATMs, though maintenance costs are about the same.

| ATM | | ITM | |
|---|------------------|--|------------------|
| Cost to buy | \$15k-40k | Cost to buy | \$55k-80k |
| Annual cost to maintain | \$5k per | One-time infrastructure cost to deploy up to <i>*with core integration</i> | \$300k* |
| | | Annual cost to maintain | \$5k per |
| Source: ABA Banking Journal, March 2020 | | | |

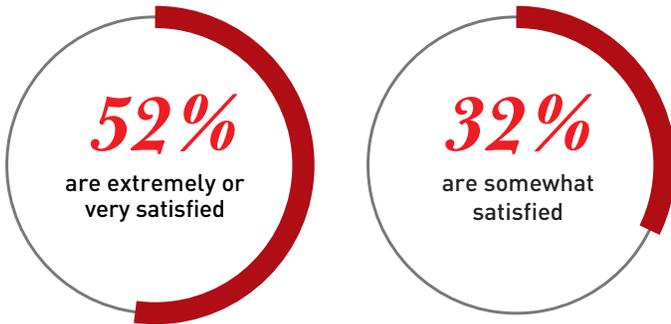
Consumer Interest and Satisfaction

From a consumer standpoint, the research shows that interest in using ITMs is high among all demographics.

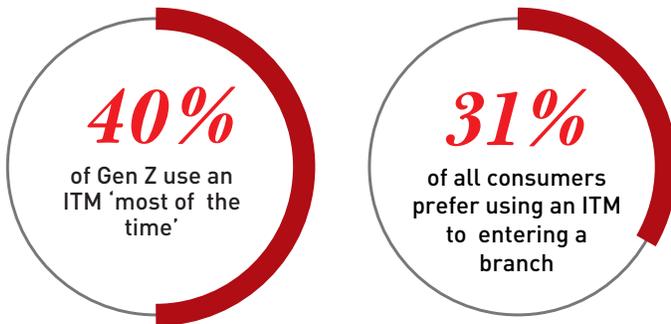
I would be extremely or very comfortable using this technology:



Current ITM users view their experience positively.



ITM users view the technology as an efficient alternative to going inside the branch, a time-saver and a self-directed tool allowing them to do their banking how they want.



“I think the innovation, ease and access [of ITMs] are much better for our talent and our customers.”

EVP, Community Bank

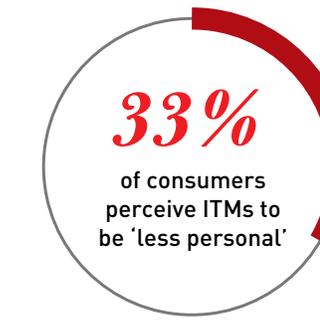
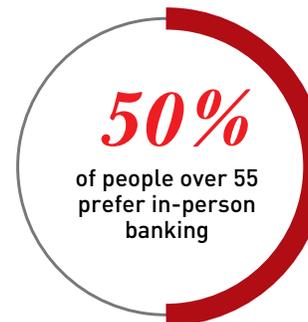
“The ITM has always met my immediate needs and fulfilled my request in a matter of seconds.”

Banking customer

Interest is also high among consumers who don't currently use ITMs. When told about ITM's capabilities, consumers surveyed report they'd use ITMs for a wide range of transactions and functions.



However, people who have never used ITMs report concerns around a loss of personal connection — an important consideration:

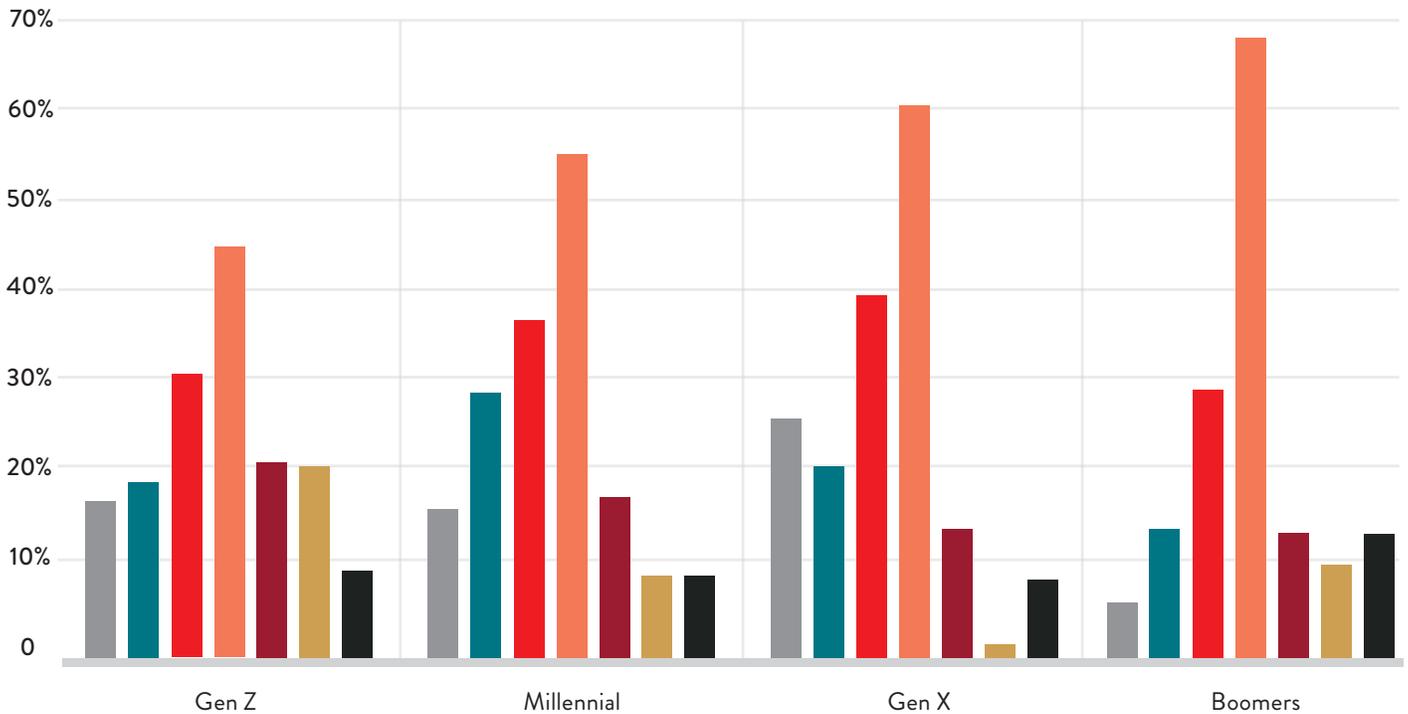


Utilization and Transactions

Consumers who do currently use ITMs report strong utilization across the full scope of the technology’s capabilities. Across all generations, uses range from routine to more complex transactions typically accomplished with an in-branch, in-person teller visit. The data clearly shows that ITM’s functional capabilities are well-utilized, and consumers perceive ITMs and use them as more than simply glorified ATMs.

What Have You Used ITMs To Accomplish?

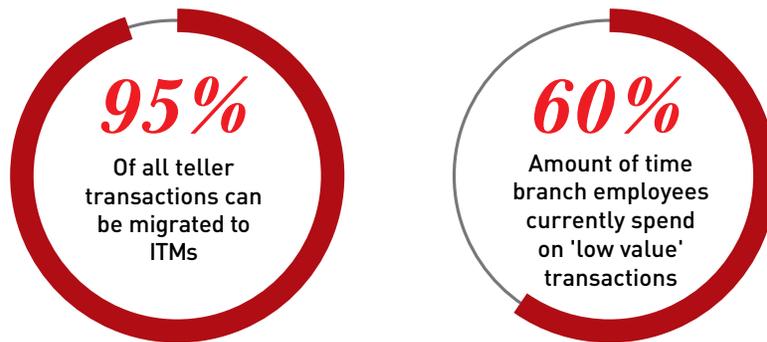
- Opened a new account (Checking/Saving, etc.)
- Applied for a new credit account (Home, Auto, Credit Card)
- Made payment to a credit account
- Made a deposit/withdrawal from an account
- Paid a bill via BillPay service
- Disputed a charge
- Got help managing my account



Institutional Deployment

On the banking side, ITM deployment is part of a range of digital transformation tools allowing financial institutions to rethink the way they serve customers or members.

Along with other current technologies, ITMs offer a path for migrating the majority of transactions, freeing up staff for more consultative engagements.



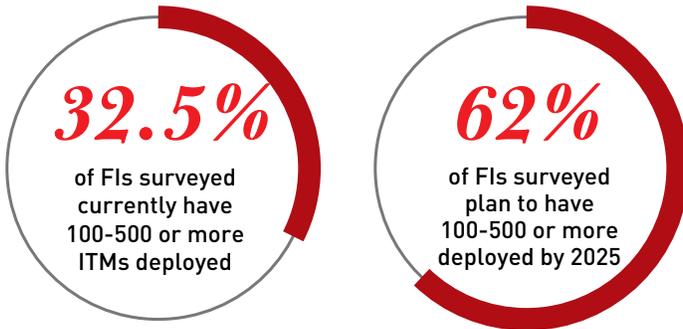
*NCR Data

Despite initially making its market debut in 2012, most ITMs have been deployed across branch networks within the last five years. In fact, according to the institutions surveyed, nearly 50% of ITM deployments happened in 2018 and 2019 alone.

While the number of current ITM installations is modest in relation to the size of institutions, research points to more widespread adoption over the next three years. Our study finds that by 2024, FIs will grow their investment and significantly expand ITM deployments.

It's also instructive to look at why financial institutions decided to deploy ITMs — and what their experiences have been to date.

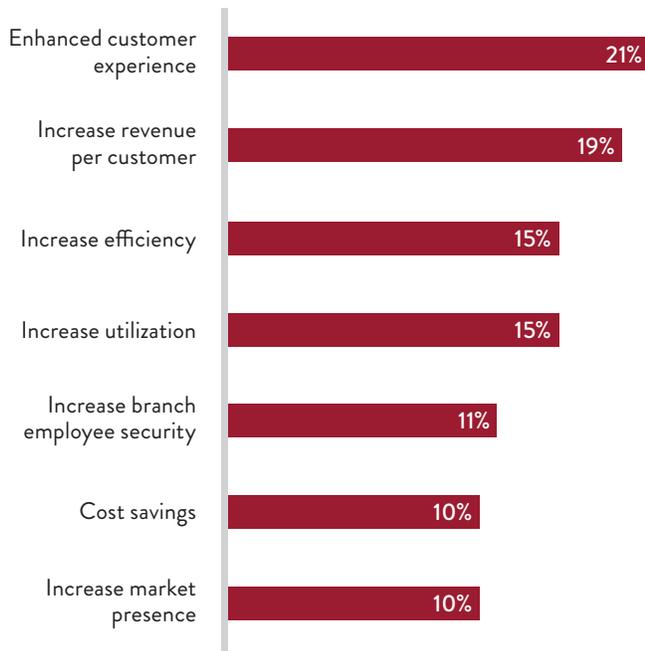
The data shows that improving customer experience and increasing revenue per customer are the top objectives that drive financial institutions to acquire and deploy ITMs. Market presence and efficiency are secondary goals. While ITMs may be a service solution and beacon in a market, that's not the principal reason banks and credit unions choose to deploy them.



“The effectiveness of the ITM in our network cannot be overestimated. It’s helped a lot in the discharge of our service.”

CEO, Credit Union

When ITMs Were First Acquired, What Was The Top Objective?



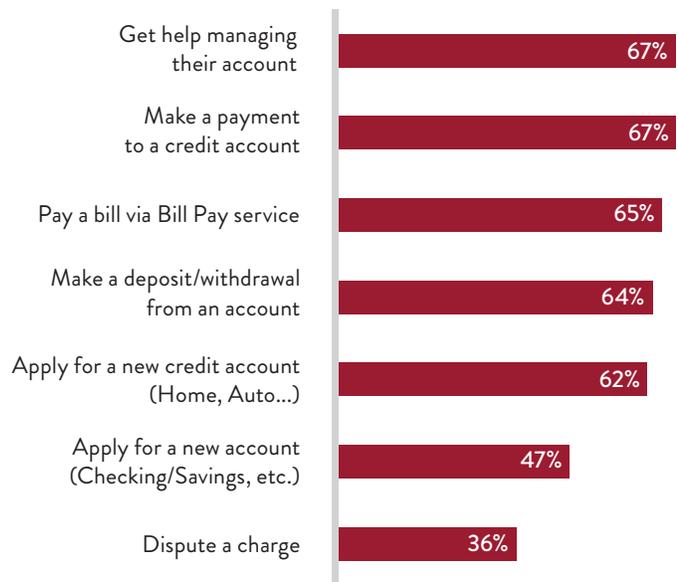
“The benefit of ITM costs lie in staff reduction. Almost every respondent using the technology cited an immediate ability to reduce overall staff levels, even net of any add-backs in the call center.”

ABA Banking Journal March 2020

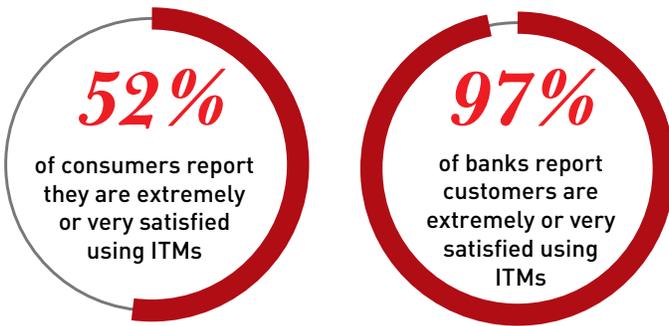
Financial Institution Utilization

Beyond the size and reasons for deployment, financial institutions using ITMs report their customers and members use them for a variety of transaction types, from account management and bill pay to applying for loans and opening new accounts — highly consistent with how consumers report their own usage. This data clearly shows that when deployed, ITMs are able to deliver on the promise of migrating many transaction types away from in-branch, in-person teller visits.

Customer ITM Transaction Types as Reported by FIs



However, financial institutions do tend to overestimate customer and member satisfaction with ITM usage. This over-calculation will likely be corrected once customers have more experiences with the technology as banks and credit unions roll out more self-directed banking machines.



“They’ve helped us right-size the network, because when we’ve had to close a low-opportunity branch, we leave an ITM to maintain our commitment and those customer relationships.”

*EVP & Chief Retail Officer,
Community Bank*

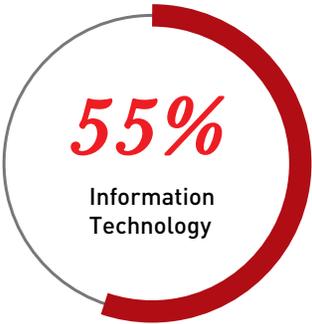
Financial Institutional Satisfaction

Leadership and employees at financial institutions are generally satisfied with ITM performance, specifically citing the customer experience they deliver.

Extremely satisfied, satisfied, somewhat satisfied with ITM performance:



Notably, IT departments’ satisfaction is reported as considerably lower than other staff members within banks. This finding is typically reported because of the complexity of core integration and ongoing maintenance requirements, a responsibility that falls predominantly on IT departments. While servicing is not necessarily more frequent, it’s more in-depth than ATM upkeep, especially with core integration . As more numerous and more frequent deployments occur – and as manufacturers continue to innovate and improve – we expect to see a positive shift in IT’s experience and perception.



Chapter 3

What are Key Considerations When optimizing ITM investments?

ITM Location

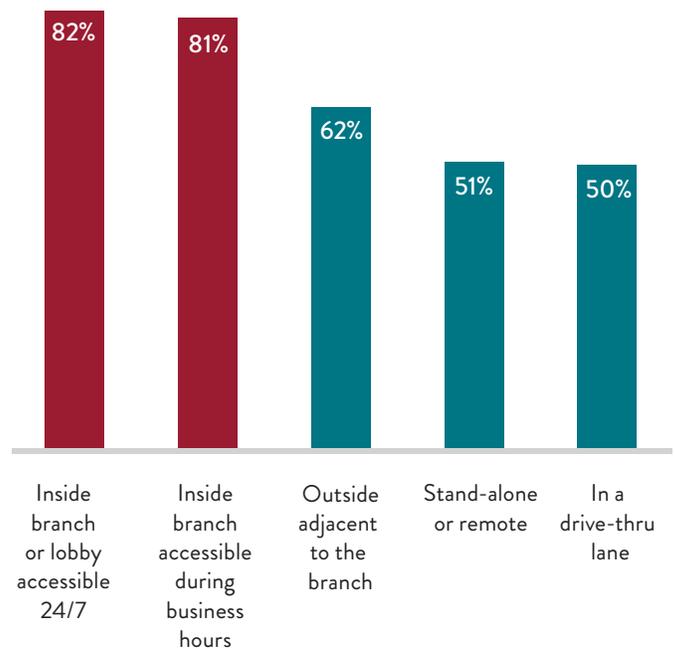
While ITMs promise significant efficiency gains that open up banking staff to deliver higher value, more advisory relationships for members and customers, it all comes down to execution.

The question of location is highly dependent on several factors: the institution's particular retail strategy, as well as the existing branch network and site-specific infrastructure. Currently—and perhaps as a function of staffing support needed for new technology—the data shows that most FIs have primarily located ITMs inside the branch.

But interest in extended access – a convenience for consumers – is starting to catch on, resulting in more ITM locations in vestibules or outside in adjacent areas and remote locations.

By moving ITMs outside, in the drive-up or adjacent to the branch, financial institutions can best meet how consumers want to use them – as alternatives to an in-branch visit. This convenient remote access delivers on the kind of efficiency consumers crave with newer technologies, like what we're witnessing with use of digital banking.

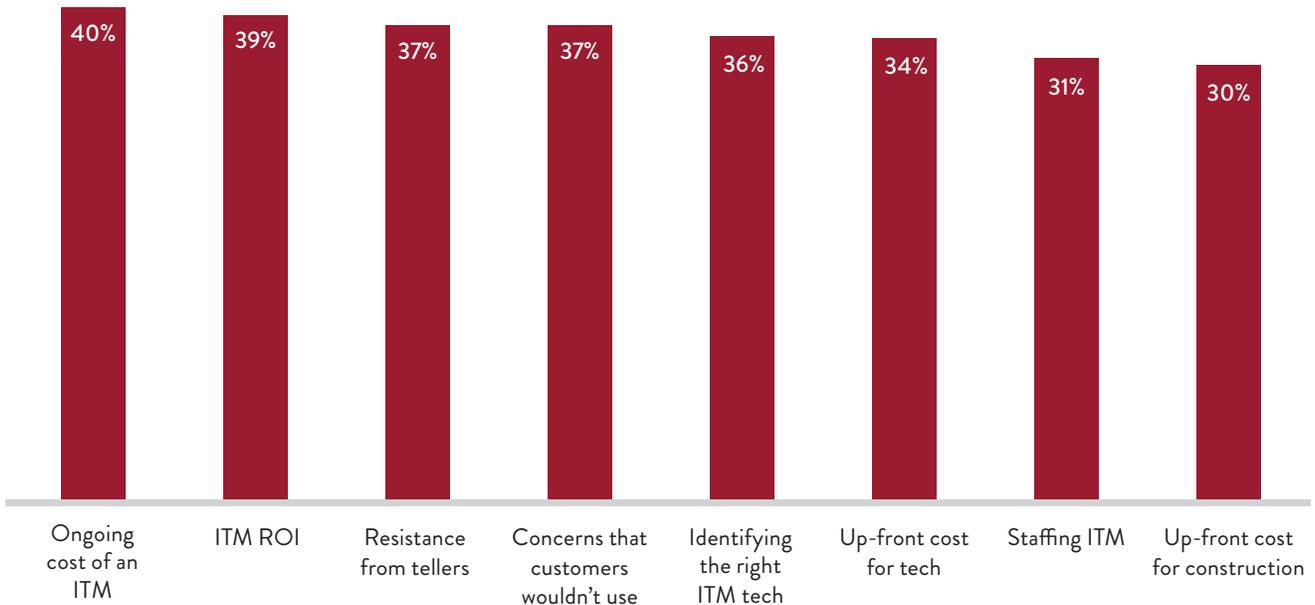
Where are your institution's ITMs located?



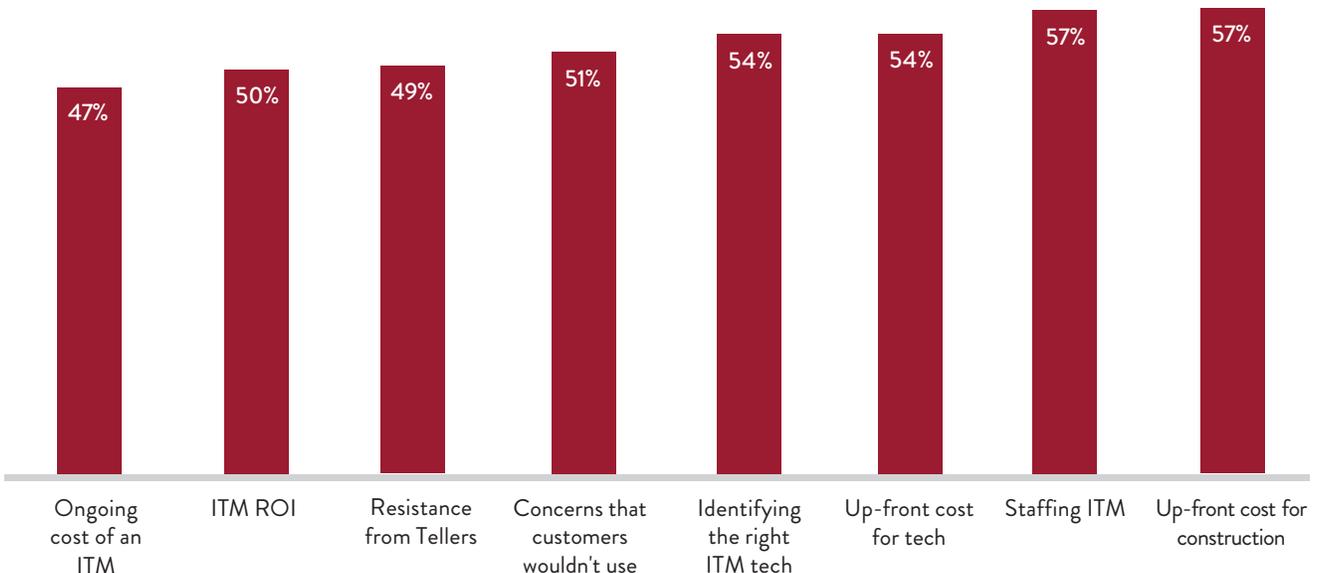
Deployment Strategy

With a relatively new technology, FIs initially have a number of concerns surrounding ITM deployment. Ongoing cost, return on investment and resistance from current staff top the list. However, within 12-24 months after deployment, those issues are seemingly resolved – especially those around cost. Any ongoing concerns may be addressed through a holistic ITM deployment strategy customized to achieve the individual institution's goals and to maximize adoption for both staff and consumers.

Initial Concerns About Deploying ITMs

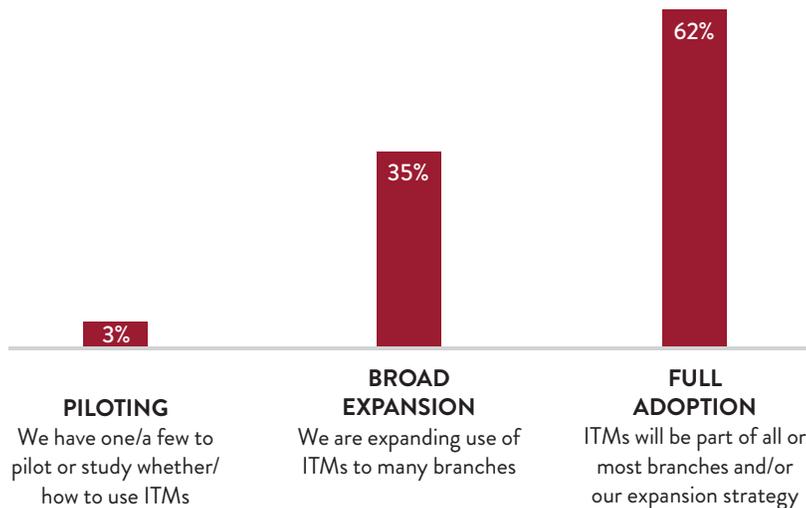


Resolution of Concerns Post-Deployment: (While we once had this concern, it has been fully addressed/reworked)



In fact, initial trepidation has seemingly been replaced with full buy-in, to the point that the vast majority of banks and credit unions currently deploying ITMs plan for full network implementation across existing networks and growth markets. As part of an expansion strategy, ITMs represent a critical component for how financial institutions plan to increase their influence.

Describe Your Adoption Strategy



Making the most of the investment in ITMs requires looking at the technology not only as an efficiency driver, but as part of the overall branch network and retail delivery strategies. ITMs are significantly lower in cost for financial institutions than a microbranch — in construction, maintenance and FTE — and investments are made especially effective when banks prioritize core technology integration that can expand and extend their functionality and ability to deliver on efficiency.

In terms of market presence, banks and credit unions use freestanding ITMs to connect larger formats. As part of a hub-and-spoke model, ITMs represent an important spoke.

And like microbranches, ITMs can also act as brand beacons that extend a financial institution's perceived community presence — a “network effect” that delivers on consumer preference for branches nearby, ultimately driving more deposit share.

“We’re not trying to replace human interaction. When a customer makes a decision to drive to us, get out of their car, and walk into the branch, why miss the chance to reinforce why they love us by pushing them to a machine? Put the machine where they’ve chosen a more convenient way to interact.”

CIO, Credit Union

Chapter 4

What Impacts the Success of ITM Rollouts?

Considering Implementation

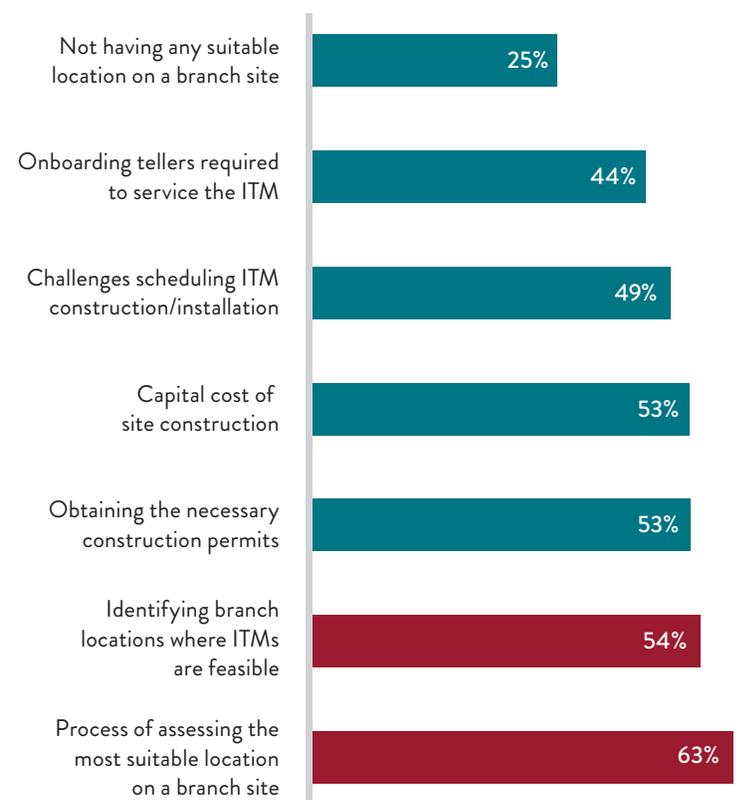
It's critical to note that there's no one-size-fits-all formula to successful ITM deployment. Key dependencies must be considered regarding everything from location, placement, branding, advertising, and signage; to aligning capital investments to market opportunities and consumer demographics within the overall branching strategy.

It's instructive, however, to look at what banks and credit unions that *have* rolled out ITMs have learned along the way, and how they've successfully met initial challenges.

FIs report that challenges are wide-ranging but focus primarily on optimizing location. These considerations include which branch locations should receive ITMs and where on each branch site they should be located. Construction costs also represent a significant concern, but one that's remedied by partnering with experienced providers.

An implementation strategy that considers best practice for ITM location combined with a robust staff education and communication program can help banks and credit unions address deployment challenges and support successful roll out.

ITM Implementation Challenges Reported by FIs



Consumer and Staff Adoption

Like the ATM roll out in the 1980s or retail self-check out lanes in the 2000s, the ITM may feel foreign to consumers right now because they haven't yet experienced one to know everything it can do. But like with the other examples, the more people become comfortable using ITMs, the more they will use them, following the innovation adoption lifecycle. Less a tool for transactions and more a teller or banker extension, ITMs bring important functionality not available with purely self-service options like mobile banking. The staffing element integrated in ITM means that customers can facilitate quick self-service transactions if needed or bring their complex requests and queries for a more consultative experience. This kind of self-directed banking is what consumers report they want out of their experiences.

Just as with ATMs, consumer adoption of ITM technology will require a strategy for awareness and education. As ITMs roll out in locations, banks will need to have a strong communication strategy and campaign to build on this shift in behavior.

For financial institutions that have deployed ITMs, a significant investment in training has proved critical to successful roll out and ROI.

Robust internal training programs can prepare staff to confidently support customer adoption of this new technology. Externally, consumer education programs are ongoing and iterative. Quick how-to videos online and across social channels, collateral, and even in-branch and on-kiosk signage can all focus on education on how people can use ITMs, and this education can become a key part of the new customer or member onboarding experience.

“Our members love the ITMs when they’re taught how to use them. You don’t have to be a digital native to use them. If you can use an ATM, you can use the ITM.”

CIO, Credit Union

“Our how-to videos were especially successful, but nothing beats experience. I’d tell banks considering it to double, triple what they think they’ll need to do in terms of ITM training of both staff and customers.”

*EVP & Chief Retail Officer,
Community Bank*

Chapter 5

To ITM or Not to ITM: Research-driven Considerations and Best Practices

Benefits and Challenges Recap

As discussed, the complex question around ITM deployment depends on the individual financial institutions' unique retail delivery strategy, and is dependent on a multitude of factors. That's why a clear-eyed review of the benefits and challenges of this technology is critical.

For consumers, the benefits are clear and immediate, centering around convenience and a better experience:

- Expanded banking hours, in line with consumers' 'on-demand' expectations
- Convenience and safety of drive-up banking
- Teller guidance for less tech-savvy customers
- Multi-lingual teller choice for an enhanced, inclusive experience
- Easy ID verification if card is lost or stolen
- Faster transactions — less waiting in line for a teller either in branch or in the drive-thru
- 'Closer-to-me' access with remote ITMs as part of the branch network

Core technology integration is a key factor in the level of efficiency the ITM delivers. When fully integrated with core, the technology becomes truly self-service, with customers and members able to complete most transactions on their own—but may choose to connect with a teller.

Without full core integration, ITMs still deliver high efficiency and customer experience, but require more FTE remote teller support since the video teller is completing the transaction on behalf of the customer.

The challenges around ITMs center around initial cost to deploy; locating for optimal use; and staff and customer training necessary to drive adoption.

Best Practices

For many banks and credit unions, ITMs align well with their retail delivery strategies, offering the ability to leverage self-directed formats that connect larger branches while delivering the experiences customers want with the efficiencies organizations need. For that reason, ITMs appear to be a strong investment. A custom ITM program purpose-built for the individual FI's retail delivery strategy that is also designed around deployment best practices is critical to ensuring success.

Knowing when not to deploy ITMs is equally important. If your financial institution has over-penetrated market presence; plans to ONLY enter a market with an ITM unsupported by other formats in a hub-and-spoke network; or is imminently switching core systems, now may not be the time for ITM implementation.

Your institution may be ITM ready if it:

- Needs to gain efficiencies in serving customers well while refocusing and optimizing staff
- Needs to grow current market presence to achieve the network effect or fair share
- Needs to enter a new market with a hub-and-spoke model and develop 6% penetration quickly and cost-effectively
- Needs to optimize its network and close branches in lower-opportunity areas but must keep a presence
- Needs to replace aging ATM fleet

ITMs are most successfully located:

- At the drive-up
- On premises in remote self-service kiosks with high visibility
- Inside 24-hour access branch vestibules
- Inside cashless branches
- In stand-alone kiosks in retail parking lots, on college campuses or job sites where customer privacy is possible
- In proximity to a recently-closed branch site
- Distributed widely across the network versus a few select locations

Maximizing the benefits of ITM requires:

- Clear, simple naming approach
- Pre-deployment, in-person customer education
- Post-deployment, multi-channel customer education
- Robust employee education, roll out strategy and support
- Marketing support across owned channels
- Multi-lingual tellers as appropriate per market (regulations permitting)

The future of self-service technology

While all technology evolves and is eventually replaced with newer, more advanced solutions, we believe that today, ITMs and other self-service technologies can play a significant role in branch transformation, shaping how customers interact with physical delivery channels and informing an FI's network strategy, including hub-and-spoke formats.

In branch design, ITMs' ability to detether transactions from a teller line — even moving to outside the branch or on the branch campus — free up retail design and site layout, so branches can become more centers of consultation and connection versus centers of transactions.

Like all self-service touchpoints, ITMs can also maximize the branch's role as a brand beacon within a community. Whether visible from the exterior of an urban branch vestibule or in a stand-alone kiosk in a rural community, ITMs can help increase perceived presence and access within a community, regardless of their size.

Looking ahead, the future of ITM design across all manufacturers will continue evolving to improve speed, operational efficiency, and cost per transaction, reducing the need for video tellers in favor of further automation. 'ATM as a service' is next on the horizon with manufacturers providing full outsourced management of ATMs and ITMs, that can lower capex.

For the near-term future, however, their collective benefits, and their ability to bridge the best of digital and physical worlds make ITMs a powerful tool. For financial institutions, ITMs can be a key component of a growth-oriented retail strategy that can unlock efficiencies while driving customer acquisition through delivering on a competitive customer experience and an expanded market presence. For consumers, ITMs are an innovative option in self-service that fuses the speed and access of technology while delivering on the enduring desire for human connection. For both, ITMs can be a way to deliver on the 'holy grail' balance of efficiency and experience that help future-proof successful banking relationships.

About Adrenaline

Adrenaline is an end-to-end brand experience company serving the financial industry. We move brands and businesses ahead by delivering on every aspect of their experience across digital and physical channels, from strategy through implementation. Our multi-disciplinary team works with leadership to advise on purpose, position, culture, and retail growth strategies. We create brands people love and engage audiences from employees to customers with story-led design and insights-driven marketing; and we design and build transformative brand experiences across branch networks, leading the construction and implementation of physical spaces that drive business advantage and make the brand experience real.

No matter where your institution is in the process of evaluating, defining, or implementing an ITM strategy, Adrenaline's experts can help you structure a comprehensive, tailored ITM program that addresses all these variables and aligns with your retail delivery strategy. Please reach out to info@adrenalineagency.com.

Footnote:

Research methodology:

Online survey Q3 2021

N=364 US Banking Professionals, comprising:

- **C-suite** - CEO, CIO, or CTO of a community bank or credit union who is the final decision maker on whether to use or deploy ITMs
- **Facilities Management** - involved in installing, operating, or maintaining ITMs.
- **Marketing Director or Manager** for a community bank or credit union that uses ITMs

- **Branch Manager or Member/CX Manager** - responsible for the customer's overall experience at the branch, including how the ITM impacts their banking experience.

- **IT teams**

- **15 one-on-one interviews** with US banking executives between 1-5 years into ITM deployment

Online survey Q4 2020

- N=500 US financial consumers, 18-65, customer or member in good standing of a financial institution; household financial decision maker



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