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Making Change

Self-Service Coin Processing, the Future of Change

By Robert A. Allexon

Over 70 percent of us accumulate pocket change in some fashion. Whether it's stored in a "piggy bank," a coffee can, or a glass jar, industry sources say that there is \$7 to \$10 billion in coins collecting in people's homes across America. People tend to start each day with only paper currency, leaving behind the coins they have accumulated from the previous day. Some feel carrying excess coins is a "hassle" while others like to set aside a little "spare change," as a pain-free way to set aside a few "bucks." However, when it comes time to redeem these coins for cash or deposit them, the options are not very appealing.

One option is to buy coin wrappers from a retailer or obtain them from a financial institution; then manually separate the denominations, count, and wrap the coins before heading off to the bank. Another choice is to go to the supermarket, and use the self-service coin machine for a fee that is nearly 9 percent of the value of the coins!

Given these circumstances, many financial institutions who already specialize in offering quality services geared to the consumer are beginning to consider change. The change being considered by these institutions is the implementation of a self-service coin device to serve their customers' need to process, deposit, or redeem change for cash.

How Does Self-Service Coin Processing Work?

Tellers have no involvement in the actual counting of customers' coin. The customer sim-

ply puts their coins into the machine and presses the "START" button. The coins are fed and counted automatically. Once the counting process has been completed, the machine issues a receipt to the customer. That receipt is then taken to a teller for deposit or redeemed for cash. This provides the opportunity for customer contact and cross selling without the "dirty work" of handling the coins.

At your option, the self-service device can be set up to assess a service fee percentage that is applied to the transactions. Some institutions charge a service fee to non-customers and waive it for account holders. Others charge service fees to everyone, and some do not charge at all. You decide what program best suits your customer base and organization's goals.

Marketing and promotions are also popular. Examples include waiving the service fee for children under 12 for transactions less than \$10 and then matching the amount for the purpose of opening a new "Kid Saver" account. Another idea is to charge service fees and then donate all or a portion thereof to a local charity or community fund-raising project. In short, self-service coin brings you many exciting new possibilities to "look good."

What Are the Key Considerations?

This all sounds great so far... right? Our customers have found that before moving ahead with further investigation of equipment and supplier options, it is best to do some internal decision-making first. Here are the most important questions to be considered:

How Will Self-Service Coin Processing Be Marketed?

Is the goal to provide better service to present customers, attract new ones or both? If the goal is to attract new customers, are those target customers consumers or commercial accounts? What are the opportunities for community service? What marketing programs will be needed to achieve the desired outcome? You must also make a decision about whether or not to develop your own branding for the service. Some financial institutions have differentiated their "coin counting service" by simply giving it a name and have successfully gained prominence by promoting the brand. Suffice to say that it will be difficult to make all the other necessary decisions if there are no clear objectives and priorities in the area of marketing first!

To "Fee" or Not to "Fee"

The idea of any "fee for service" decision is normally enough for any financial institution to proceed with extreme caution. In this case, the local supermarket may have helped out. Because many supermarkets successfully offer self-service coin processing at a service charge of nearly 9 percent, financial institutions can take some comfort that there is a market for such services even at that rate. Yet care must be taken to formulate a strategy unique to your specific situation.

Consider the "non-supermarket" competition. Do they offer the service and, if so, at what rate? This could make your program look very good or very bad, even before you get rolling.

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There really is no standard. Some institutions do not charge a fee at all. This is very helpful for those institutions that wish to attract new customers, but this approach may also attract commercial coin depositors by the droves looking only for free coin processing, causing the customers you intended to serve undue delays. Others do not charge account holders, but do charge non-customers. While still others charge customers one rate while charging non-customers a higher rate. The possibilities continue with "transaction thresholds" under which there are no fees and over which a fee applies.

Time spent thinking this one through will be rewarded. Some institutions do successfully operate with service fees and earn significant income over and above their operating expenses while also satisfying customers. Others with less emphasis on fees attract the new customers they seek while solidifying their current customers. Most save significantly in the area of staff labor involved in the handling of coin transactions. In any case, your justification for a self-service coin processing system should consider potential fee income along with the other benefits. Saving teller labor is normally also a consideration, as is the theoretical value of landing a new account, and most importantly, not losing an established account to your competition who does offer self-service coin processing.

How Much Coin Handling Is Involved?

The short answer is, "it depends." In addition to the obvious direct relationship between the amount of coin handling required and the volume of coins processed, the amount of coin handling is also heavily dependent on the type of device used. There are a variety of devices utilizing different processing methods on the market. Some count the coins and also sort them by denomination. Others count the coins, leaving them mixed. One solution even does a combination of both!

Generally more staff intervention is involved in the devices that count and fully sort the coins by denomination. These are generally also the most expensive to purchase and maintain, but offer the best value if the coins received are to be re-circulated within the institution. They also normally offer the lowest third-party processing charges if an armored carrier is used to process the coins.

The mixed output devices are less expensive to own, maintain and generally require less staff involvement from an operations standpoint. However, they also offer the highest back-end processing charges, assuming again that you have an armored carrier involved in the processing.

One hybrid approach mentioned earlier leaves the "silver" coins mixed while separating

the pennies. The advantage to this is that the sorted pennies, which on average comprise two-thirds of the total number of coins input, can be processed by the armored carrier at a much lower cost than the mixed silver coins, resulting in lower total back-end processing charges. Otherwise, this penny separation device offers similar price/performance and maintenance costs to the mixed output device.

The Best Advice

Once you've thought through these key areas, the time has come to seek out alternatives. Since there are a wide range of additional considerations in operations, marketing, third party support, outside processing and security, our best advice is simply this: In trying to find the right solution, finding the right supplier is far more important than just searching for equipment. Time spent working with a supplier who will help you complete a full needs assessment is well invested. Look for one who is knowledgeable, professional, offers a full range of solutions, and above all, is interested in being a problem-solver more than just a product-seller, especially if change is in your future.

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