



The Business Value of Branch Modernization with Fiserv

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BUSINESS VALUE HIGHLIGHTS



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5:1
five-year ROI

12 months
to payback

10% faster
onboarding for new
accounts

20% more
productive bankers

49% reduced
branch wait time

34% more
productive tellers

20% reduced
branch physical footprint

\$4.6 million
additional revenue gained

28% improved
member/customer
satisfaction

38% faster
onboarding for new
loans

36% improved
employee satisfaction

Executive Summary

The retail bank and credit union branch has served as the face of most financial organizations since the concept of providing financial services was developed. The ability to serve customers/members in a personal way and assist them with their financial needs is at the heart of every financial relationship. With advances in self-service and digital technologies, many bank and credit union executives are reimagining the role of the branch and how they must create experiences that blend the digital with the physical for customers and members alike and provide their employees with modern tools to support the changing preferences and requirements of their account holders.

Fiserv offers a set of technology solutions designed to help financial institutions optimize and support branch modernization. Fiserv technology offerings are geared toward improving the digital experiences of customers/members and empowering staff in these organizations to deal with more complex consumer issues and business opportunities while leveling the playing field with respect to the larger financial organizations they typically compete with. To evaluate the real-world effectiveness of the Fiserv solution set, IDC conducted research that explored the value and benefits for organizations in using an array of solutions specifically geared for supporting branch modernization efforts.

Through a series of in-depth client interviews and a methodology for determining business value, IDC's analysis found that these companies realized significant value from Fiserv technology solutions by:

- ▶ **Improving branch operational productivity for bankers and tellers**, leading to more streamlined financial services and better customer/member and employee satisfaction
- ▶ **Optimizing key aspects of branch operations**, including reductions in wait times and faster onboarding of new accounts and new loans
- ▶ **Garnering substantial additional annual revenue**, as a result of the aforesaid improvements

Situation Overview

The retail bank and credit union branch will need to evolve now and into the future to remain relevant, but it really is much more than simply adding a piece or two of technology into a branch and calling it transformed and modernized. It will require a strategic approach that is endorsed at the highest level within the organization and a willingness to think differently about how we serve our customers in our branch networks. The objective is to align the physical space with digital, not the other way around—to actually build the branch around having digital at the center to improve customer, member, and employee experiences and to deliver a more efficient operation. This requires investment in branch redesign, upgraded telecommunications and network infrastructure, new key performance indicators (KPIs), and a retooled staff that can be more consultative and less transactional while building out long-term relationships.

Financial institutions that take the right approach to branch modernization are far more likely to reap the benefits than those that simply approach this challenge by adding more digital tools in the branch. As the research shows, the value proposition of branch modernization can provide more revenue; faster onboarding; improved customer, member, and employee satisfaction; better access to specialists; and improvements in overall operational efficiencies.

Overview of Branch Modernization with Fiserv

Fiserv is a global leader in payments and financial technology, is a member of the S&P 500, and was recently recognized by IDC Financial Insights as the largest global solution provider in the IDC FinTech Rankings Top 100 program. Fiserv has nearly 10,000 financial institution clients across the globe and has been in the industry for 35 years.

Fiserv has taken a five-stage approach in helping financial institutions modernize their branch networks.

▶ **Stage 1: Market discovery and performance assessment.**

During this first stage, Fiserv will work with the financial institution to better understand and capture its goals and objectives while sharing market intelligence and trends regarding branch modernization. The outcome of this first stage is to capture, categorize, and size the opportunities and challenges that the institution is facing for its modernization strategy and to establish governance models and start identifying resources required to begin the project.

▶ **Stage 2: Network strategy and road map.**

The next step is to begin to assess, benchmark, and create scorecards for the institution looking across multiple factors—the institution itself, its current branch network, its existing technology, its people/employees and, finally, its processes. Using this information, a gap analysis is developed, and prioritization of opportunities is discussed and outlined. Options are provided regarding branch redesign and opportunities for more self-service technology. This stage is where new KPIs are developed to properly track modernization performance.

▶ **Stage 3: Format design and technology road map.**

At this stage, Fiserv will present to the financial institution the reimagined target state for the branch network with options for branch configurations, network enhancement recommendations, use of new technology, modifications in processes and workloads, and new staffing models. The objective is to deliver digital and self-service customer/member journeys and branch flows based on the bank or credit union's prioritization of opportunities presented to them. Returns on investments are calculated and pilot branch/branches are identified to begin evolution.

▶ **Stage 4: Pilot and rollout.**

Teams are created and mobilized to the pilot branches to execute the plan in an agile approach. Some tweaking of road map execution may be likely as additional things are learned and inefficiencies identified. During this phase, the branch employees become crucial and will need to be trained and educated regarding the new technology, new design, new processes and, in some cases, new branding initiatives. During this phase, opportunities to scale will begin to surface to allow for more streamlined implementations as more branches are transformed. An important part of this phase is to measure and track the benefits to ensure that they are in line with expectations and make adjustments as necessary before completing the broader transformational project.

▶ **Stage 5: Measurement and optimization.**

The final stage ensures that the targeted vision is being achieved and identifies any bottlenecks or backlogs preventing optimization of the branch modernization project. During this phase, various branches will be at various states of transformation; so training and education will need to be tailored specifically based on where each branch is in the cycle. At this stage, the financial institution can feel confident to begin a more robust marketing and client communication campaign to discuss the enhancements made at the branch.

The Business Value of Branch Modernization with Fiserv

Study Demographics

IDC conducted research that explored the value and benefits of using an array of Fiserv technology solutions to support and optimize the branch modernization efforts of banks and credit unions. The project included 13 interviews with financial institutions that had experience with and knowledge about the benefits of the Fiserv portfolio. Companies were asked a variety of quantitative and qualitative questions about Fiserv's impacts on their IT operations, branch modernization efforts, core businesses, and costs.

Table 1 presents study demographics. The banks and credit unions that IDC interviewed had an average base of 300 employees and managed \$2.7 billion in assets. On average across all companies, this workforce was supported by an IT staff of 10 engaged in managing 48 business applications on behalf of 55,900 customers and members.

TABLE 1
Firmographics of Interviewed Organizations

| | Average | Median | Range |
|---------------------------------|-------------------------------|----------|--------------------|
| Number of employees | 300 | 150 | 7 to 1,850 |
| Number of IT staff | 10 | 9 | 0 to 50 |
| Number of customers/members | 55,900 | 42,000 | 3,400 to 200,000 |
| Number of business applications | 48 | 35 | 5 to 180 |
| Value of assets managed | \$2.7B | \$840.0M | \$30.0M to \$25.0B |
| Type of financial institution | Credit union (8), bank (5) | | |

Source: IDC interviews, October 2021

Selection and Use of Fiserv Branch Evolution Products

The organizations that IDC interviewed described typical usage patterns for Fiserv products. They also discussed their rationale for choosing Fiserv as an optimal means of implementing their branch modernization projects and initiatives. Study participants cited a variety of reasons for their choice, such as the need to attract new account holders and improve the experience, satisfaction, and retention for their existing account holder base. Incorporating more branches into the communities they served and improving their ability to compete with larger financial institutions were cited as other key factors. In some cases, selection hinged on the need to simply create more efficiencies in their overall financial operations.

Study participants made detailed comments on these benefits:

▶ **Attracting new customers, Bank:**

"We identified a need to cater to different customers, so we needed new technology. We were hoping to achieve an increase in customer satisfaction, retention, and growth."

▶ **Incorporating more branches into the community, Credit union:**

“Our background going into the branch transformation was that we were partnering with a local community health center. It’s a non-profit but they’re in a location that’s considered a financial desert right now, so we’re putting a micro-branch into their facility. Of course, that sparked a discussion about how to cost efficiently do it. It’s probably not going to be a big money maker for us but it’s the right thing to do and fulfills credit union principles as well. While we were doing that, it became more cost efficient to integrate other technologies at the same time rather than just doing one branch.”

▶ **Competing with larger financial institutions, Credit union:**

“We’re a one location, small credit union. By partnering with Fiserv, the hope was that we would be able to compete with some of the larger organizations out there with the offerings that we have and the technological programs.”

▶ **Looking to build a better customer experience, Credit union:**

“We wanted a better way to serve our members in more convenient ways. When the pandemic hit, it forced a need to do things outside of the standard branch operation. We were hoping to deliver automated processes.”

▶ **Trying to create more efficiencies, Bank:**

“Transforming branches has meant that we’ve gone to a newer staffing model. We’ve implemented some equipment, and what we were hoping to achieve were efficiencies, lower cost, and better customer service.”

Table 2 provides a snapshot of the usage of Fiserv solutions for branch modernization efforts across all interviewed companies. At the time of interviews, these companies were in various stages of their branch evolution efforts. 52% were already in the process of undertaking evolution projects, while 38% had not yet begun their efforts. 10% had successfully completed all their branch evolution projects. Especially noteworthy is the fact that 88% of all revenues were touched by the Fiserv solution set. Additional metrics are presented.

TABLE 2
Branch Modernization Environment of Interviewed Banks/Credit Unions

| | Average | Median |
|---|---------|--------|
| Number of sites/branches | 24 | 11 |
| Branches already undertaken/completed modernization project | 10% | 0% |
| Branches in process of undertaking modernization project | 52% | 29% |
| Branches not undertaking modernization project | 38% | 0% |
| Number of transactions per month | 28,100 | 6,000 |
| Revenue | 88% | 100% |

Source: IDC interviews, October 2021

IDC evaluated 10 Fiserv offerings that had been deployed by interviewed organizations to advance their branch modernization efforts. **Table 3** shows rank-ordered usage of these offerings across all companies. Self-service engagement using either ATM and/or Interactive Branch Kiosk (IBK) was used by 85% of companies surveyed. Teller, workflow, and origination systems and card issuance and shared branch services also had the greatest levels of usage, at 85%. Additional metrics are presented.

TABLE 3
Product Usage for Branch Modernization Efforts

| | Organizations Deploying Any Solution | Organizations Deploying Fiserv Solution |
|---|--------------------------------------|---|
| Self-service engagement (ATM and/or Interactive Branch Kiosk) | 100% | 85% |
| Teller, workflow, and origination systems (account opening, cash recyclers, etc.) | 100% | 85% |
| Card issuance and shared branch services | 100% | 85% |
| Content management (document and check imaging, workflow, statements, etc.) | 100% | 77% |
| Deposit solutions (remote deposit capture, teller deposits) | 100% | 77% |
| Biometric authentication (employees or account holders) | 69% | 69% |
| Branch infrastructure (supplies, hardware management, network supplies, etc.) | 100% | 46% |
| Collaboration and scheduling (DocuSign and appointment scheduling) | 69% | 31% |
| Marketing and CRM | 54% | 31% |
| Advisory services | 31% | 31% |

Source: IDC interviews, October 2021

Branch Modernization with Fiserv: Business Value and Quantified Benefits

IDC's Business Value methodology quantifies the benefits for companies in adopting Fiserv solutions as core elements of their branch modernization efforts. After adoption, interviewed companies were able to improve branch operation productivity for bankers and tellers—leading to more streamlined financial services offerings along with improved levels of customer/member and employee satisfaction. Another key value proposition for these Fiserv clients was the ability to improve key aspects of branch operations, including reductions in customer wait time and faster onboarding of new accounts and new loans.

These operational improvements in turn helped Fiserv clients garner substantial additional annual revenues. Study participants commented on these and other benefits:

▶ **Better customer service, more revenue opportunities, Bank:**

"We're seeing increased customer service and efficiency with our branches with better speed and ability to complete transactions. It's saved on staff needs with more people to complete the same tasks. Now there are more specialists available, and they can handle more volume. In terms of additional revenue, I'd say we're gaining 20% or more. It's a substantial change."

▶ **Improved customer satisfaction, Credit union:**

"Customer satisfaction and ease of engagement has improved. We have an actual number on that: 99.5% uptime. Before I started here, it was something like 70%, really bad."

▶ **Employees can focus on members and more projects, Credit union:**

"The sales culture for us has greatly improved along with the intimacy. From an operational standpoint, our IT staff now is able to focus on projects rather than just maintenance."

▶ **Upgraded customer experience, Bank:**

"Undergoing a branch transformation makes us a lot more efficient. It cuts down on wait time for customers and it gives people more flexibility in how they do their banking."

▶ **Smaller institutions can be more competitive with more services, Bank:**

"Branch transformation has given us benefits from a strategic standpoint. We can compete with the bigger boys because now we offer more competitive services."

▶ **Ability to bring in better talent, Credit union:**

"There's revenue opportunity because of the quality of employees we're able to bring into the branch that we wouldn't typically have in other branches."

Operational Benefits from Branch Modernization

IDC predicts that by 2026, enterprises that successfully generate digital innovation will derive over 25% of their revenue from digital products, services, or experiences. The financial services industry is no exception. Delivering innovative digital products through branch modernization can help banks and credit unions create stronger competitive differentiation. Organizations that work to transform their digital resources will create additional business value through data monetization, new partnerships, entrance into new markets, and other approaches.

Although many consumers already use digital banking resources, branches will continue to be an important option for many customers/members going forward. Accordingly, banks and credit unions need to steadily advance their branch modernization efforts. Fiserv products are designed to provide advanced technology deployments that fully support branch modernization by streamlining and automating branch operations and providing in-branch self-service options that enhance account holder experiences while lowering operational costs.

In their comments to IDC, study participants noted that Fiserv branch evolution solutions freed up their bankers and tellers to focus on other more complex tasks above and beyond basic customer/member transactions. They commented on how the various Fiserv solutions they chose (refer back to **Table 3**) helped them reduce brick-and-mortar footprints with new technologies such as cash recycler. In addition, study participants noted that Fiserv adoption led to more seamless customer/member onboarding.

They offered the following comments:

▶ **Staff freed up to take on other tasks, Bank:**

“A transformed branch allows bankers and tellers to focus on other things besides teller transactions. They are able to open accounts. They couldn’t do that if they were doing normal teller activities. I’d say that tellers and bankers are 15–20% more productive.”

▶ **Employees can handle more complex customer needs, Bank:**

“It has increased the ability to promote staff because we have more positions that require specialization. Regarding things like call centers, there are more knowledgeable employees that can handle more complex situations. Previously, they weren’t available but now frontline employees can complete more complex tasks.”

▶ **Improving time to market, Credit union:**

“I think that using Impact Marketing has helped with some of the products we roll out, along with having access to other material we can use. We launch faster because some of the marketing materials are already created. We can have something done, in some cases, in around a day. Before, without these tools, 5 days.”

To evaluate and quantify these benefits, IDC looked at key areas of performance starting with the impacts of Fiserv adoption on banking operations. Interviewees told IDC that, after adoption, bankers gained access to newer technologies that helped customers/members with their more complex account or loan issues and questions. This, combined with other improvements, helped them be more productive.

Table 4 (next page) quantifies these impacts. As shown in **Table 4**, banker productivity improved 20% after adoption, which indicates that these existing teams of 65 bankers can now work at the equivalent levels of 78 bankers without having to add any resources.

TABLE 4
Bankers Impact

| | Before Branch Modernization | With Branch Modernization | Difference | Productivity |
|--|-----------------------------|---------------------------|------------|--------------|
| Banker — productivity impact (equivalent FTEs) | 65 | 78 | 13 | 20% |
| Salary cost per year per organization | \$4.6M | \$5.5M | \$901,700 | 20% |

Source: IDC interviews, October 2021

Study participants reported that their tellers became more capable and service centric after branch modernization technology was implemented. This happened in part because financial organizations had more technology tools to help customers/members learn about and sign on to additional services. These tools moved them beyond routine lower-value work, thereby enhancing their value to the organization.

Table 5 quantifies these benefits. As shown in **Table 5**, after adoption, average efficiency increased by 34%, which translates to 56 tellers can work as well as a team of nearly 75 tellers. This productivity boost translated into an average annual salary savings of \$1.3 million for each organization.

TABLE 5
Tellers Impact

| | Before Branch Transformation | With Branch Transformation | Difference | Productivity |
|---|------------------------------|----------------------------|------------|--------------|
| Finance-related teams (equivalent FTEs) | 56 | 75 | 19 | 34% |
| Salary cost per year per organization | \$3.9M | \$5.2M | \$1.3M | 34% |

Source: IDC interviews, October 2021

Fiserv branch evolution solutions are designed to help financial organizations downsize to physically smaller, more operationally efficient branches and remote locations. IDC evaluated solution impacts on branch facility footprints and associated costs. Study participants reported that they were able to reduce their physical footprint by incorporating more self-service technology such as Interactive Branch Kiosks. As one study participant working in banking noted: *“We can have a smaller size branch, at least 30%. The new branch is around 700 sq ft. That was possible because of the IBKs and the cash recyclers. They take up less space because you don’t need a vault ... the cash recycler acts as your vault and bank vaults take up a ton of space.”*

As shown in **Table 6**, after adoption, average branch size benefitted from a 20% reduction. IDC calculated that after adoption of Fiserv solutions, total average annual rental costs were reduced by \$196,500 for each financial institution. To determine this value, IDC used external research from Statista, which set out the average retail real estate price in the United States as an estimated \$21/sq ft.

TABLE 6
Branch Facility Size and Cost Impact

| | Before Branch Modernization | With Branch Modernization | Difference | Benefit |
|--|-----------------------------|---------------------------|------------|---------|
| Average branch size (sq ft) | 3134 | 2511 | 623 | 20% |
| Annual rental cost per branch | \$65,900 | \$52,800 | \$13,100 | 20% |
| Total annual rental cost per financial institution | \$988,500 | \$792,000 | \$196,500 | 20% |

Source: IDC interviews, October 2021

IDC then shifted the focus of the study to customers/members. Study participants reported that staffing improvements led to better customer/member experiences. With more available options to get desired services, customers/members spent less time waiting at branches. As shown in **Figure 1**, after adoption, average wait times decreased from 6.5 minutes to 3.3 minutes, a 49% reduction.

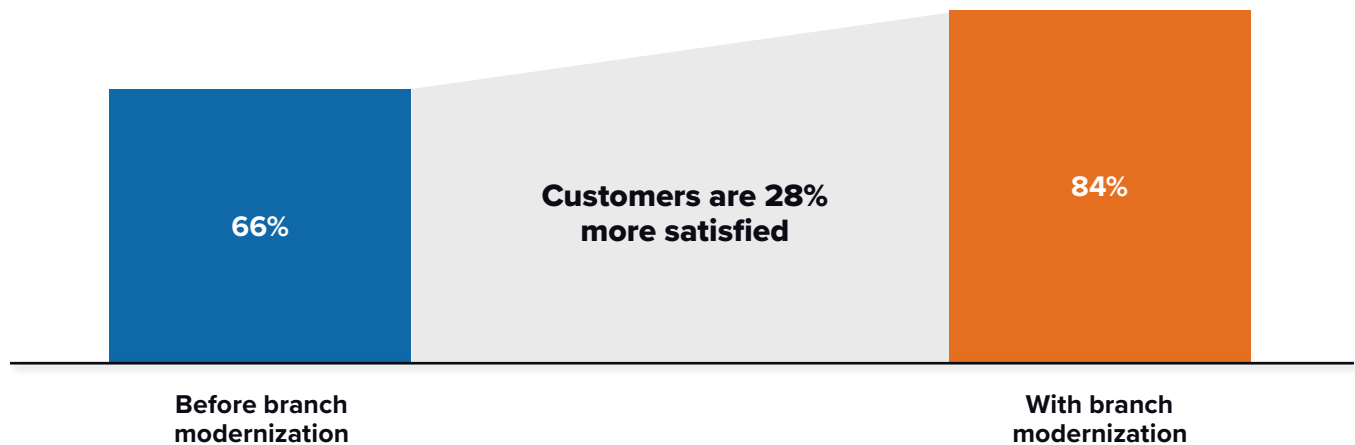
FIGURE 1
Branch Wait Times
(Branch wait time in minutes)



n = 13, Source: IDC interviews, October 2021

Along with other improvements, reductions in wait time helped Fiserv clients have more positive experiences in making their financial transactions. Interviewed companies reported that their customers/members experienced greater levels of satisfaction because they had easier and quicker access to both technology-driven and in-person experiences that addressed their needs. As shown in **Figure 2**, companies saw a 28% improvement in customer/member satisfaction levels after adoption of Fiserv branch evolution solutions.

FIGURE 2
Customer Satisfaction Impact
 (%)



n = 13, Source: IDC interviews, October 2021

Customer/member onboarding for both new accounts and new loan products is another area where robust improvements were identified. Interviewees told IDC that, after adoption, their bankers and tellers were freed up to onboard customers/members with complex accounts or loan requests. They also noted that self-service capabilities helped with the process of customer/member onboarding. As one study participant working for a credit union noted: *“It allows our member advisors (bankers) to do more onboarding themselves thereby increasing total onboarding efforts. In addition, branch transformation has helped us push more self-service capabilities. Previously, we also had tellers that would do it. Now, they can do it online or through a tablet in the branch. If they have a tricky situation, they work with a member advisor.”*

IDC calculated metrics for both operations. As shown in **Table 7** (next page), the staff time needed to onboard customers/members for new loan products was reduced by 38%, while the time required to establish new saving and/or checking accounts was reduced by 34%.

TABLE 7
Banking Product Impact

| | Before Branch Modernization | With Branch Modernization | Difference | Benefit |
|--|-----------------------------|---------------------------|------------|---------|
| Time to onboard for new saving/checking accounts (minutes) | 27.4 | 18 | 9.4 | 34% |
| Time to onboard for new loan products (days) | 2.1 | 1.3 | 0.8 | 38% |

Source: IDC interviews, October 2021

Study participants reported that Fiserv branch evolution solutions provided benefits for staff responsible for maintaining regulatory compliance. As shown in **Table 8**, after adoption, the business value of staff productivity per organization increased annually by \$21,300, a 5% increase. This improvement was enabled by compliance staff having a more simplified and automated compliance process to manage, thus making these teams more efficient.

TABLE 8
Compliance Staff Impact

| | Before Branch Modernization | With Branch Modernization | Difference | Efficiency |
|---|-----------------------------|---------------------------|------------|------------|
| FTEs before/after | 6.5 | 6.2 | 0.3 | 5% |
| Value of staff productivity per organization per year | \$455,000 | \$433,700 | \$21,300 | 5% |

Source: IDC interviews, October 2021

Improvements in compliance operations also helped reduce the costs that were associated with regulatory efforts. As shown in **Table 9**, after adoption, there was a substantive reduction for each organization in compliance-related costs (\$71,400 or the equivalent of \$4,800 per branch).

TABLE 9
Compliance Cost Impact

| | Per Organization | Per Branch Transformed |
|---|------------------|------------------------|
| Business impact—Reduced in payments related to compliance | | |
| Reduction in compliance-related payments | \$71,400 | \$4,800 |

Source: IDC interviews, October 2021

Study participants confirmed that the IT teams supporting their branch operations had more time-saving and effective tools to utilize. Technology solutions from Fiserv helped financial institutions leverage the capabilities of a traditional branch using automation and other features that provided improvements in security, account processing, content management, and infrastructure services. Combined, these improvements made it easier for IT staff to manage infrastructures and services more productively. This resulted in a 17% efficiency boost for these teams (see **Table 10**).

TABLE 10
IT Staff Impact

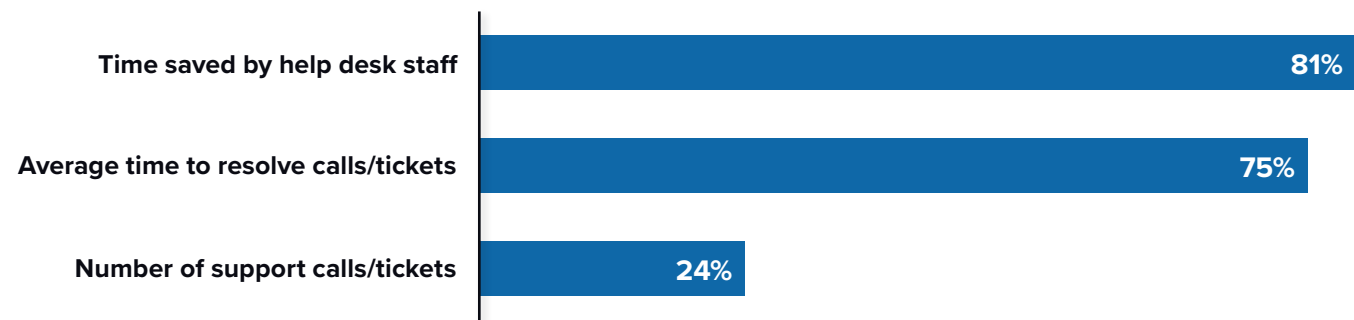
| | Before Branch Modernization | With Branch Modernization | Difference | Efficiency |
|---------------------------------------|-----------------------------|---------------------------|------------|------------|
| IT staff (equivalent FTEs) | 2.3 | 1.9 | 0.4 | 17% |
| Salary cost per year per organization | \$231,100 | \$192,600 | \$38,500 | 17% |

Source: IDC interviews, October 2021

Another impact for IT teams related to help desk is that with access to better technology for both frontline and help desk staff, interviewed companies were able to identify and resolve problems more quickly and easily. As one banking staff member noted: *“The help desk staff utilize the same tech as the branch, so they get 360-degree visibility. Before, there were disparate systems, and it was difficult to figure things out.”*

By identifying typical help desk metrics, IDC quantified these benefits. As shown in **Figure 3**, the greatest improvements were seen in two metrics: time saved by help desk staff (81%) and average time to resolve calls/tickets (75%).

FIGURE 3
Help Desk Impact
(% of improvement)



n = 13, Source: IDC interviews, October 2021

Branch Modernization Improvement for Business Operations

Fiserv-enabled branch modernization projects had measurable impacts on the business operations of the financial organizations that IDC interviewed. These companies reported that they were able to improve key aspects of their business operations, including the ability to compete for customers/members more effectively, to expand the range of revenue opportunities, and to raise levels of both customer and employee satisfaction as previously described. Study participants commented on these benefits:

▶ **Compete for members more effectively, Credit union:**

“The ability to compete is the biggest benefit for us. We have a small organization; so undergoing a branch transformation allowed us to compete with some of the larger organizations out there. I believe we’d be losing revenue if we didn’t do this. I would say \$20,000–30,000/year.”

▶ **Improved technology enables more revenue opportunities, Credit union:**

“We’ve definitely increased our revenue from eliminating barriers that we had earlier. We are able to cross-train our employees to be more universal rather than departmentalized. With branch transformation, we see that the efficiency of the technology allows us to spend more time on member needs. I’d say from where we were a few years ago, it’s probably \$50,000–60,000/month more in revenue.”

▶ **Improved customer satisfaction, Bank:**

“Our customer satisfaction score went up because there are more people to assist our customers, especially for complex situations. Before, they had to wait for people who had the expertise or skills to complete things for them.”

Through reductions in physical footprint (refer back to **Table 6**), staff efficiencies, and other cost reductions, the financial institutions that IDC surveyed were able to reduce their annual operational costs by \$90,900 per organization (\$6,100 per transformed branch), as shown in **Table 11**.

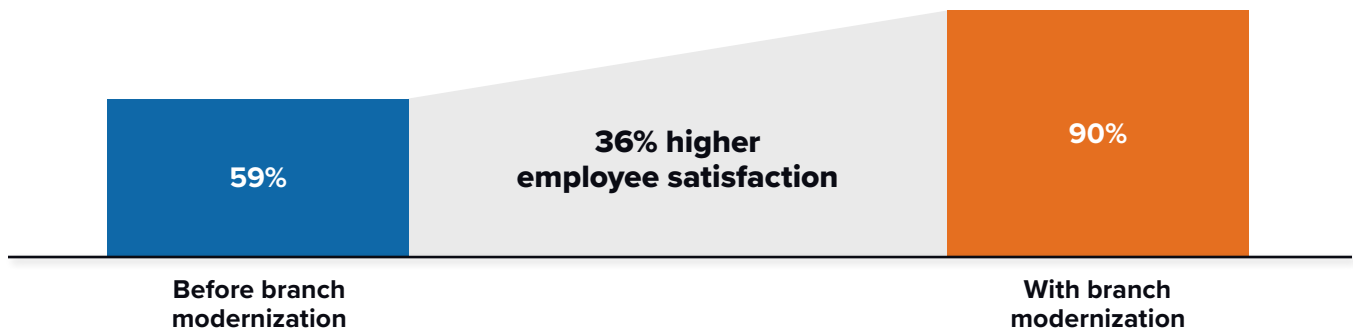
TABLE 11
Operational Costs Impact

| | Per Organization | Per Branch Transformed |
|--|------------------|------------------------|
| Business impact – Reduced operational cost | | |
| Reduction in operational costs | \$90,900 | \$6,100 |

Source: IDC interviews, October 2021

The banks and credit unions that IDC surveyed reported that employees were more satisfied with improved branch layouts and new workflows after adoption of Fiserv solutions. As one study participant working in banking noted: “Branch transformation has had an impact on employee satisfaction. An example is the open layout, which is better for account holder flow and better for employees as well. It’s more friendly to our local community and our wall will have more pictures of local scenes, festivals, and so on.” As shown in **Figure 4**, overall employee satisfaction was 36% higher after adoption of Fiserv.

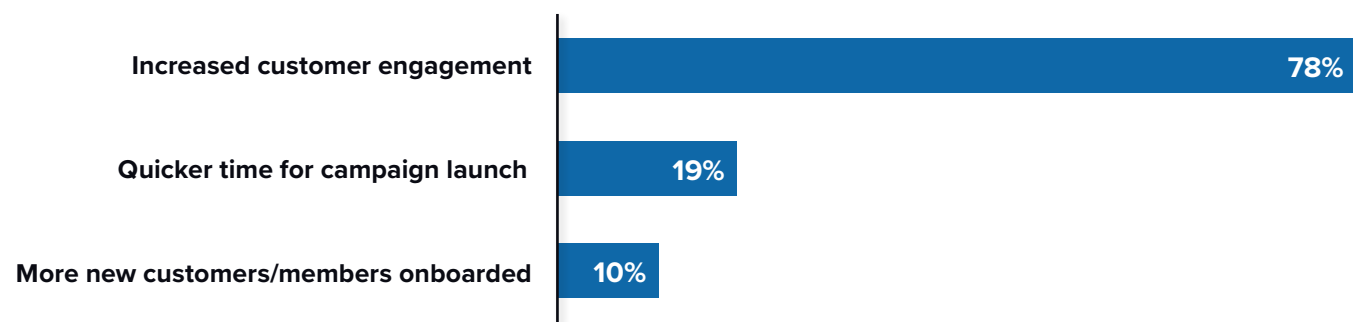
FIGURE 4
Employee Satisfaction
 (%)



n = 13, Source: IDC interviews, October 2021

Positive business impacts also extended to marketing operations. Interviewed companies reported that their marketing teams were able to launch projects more quickly with access to Fiserv marketing-related offerings. To evaluate these benefits, IDC identified three KPIs (see **Figure 5**). After adoption, customer/member engagement improved 78% and the time needed for campaign launch improved 19%. In addition, 10% more new customers/members were able to be onboarded.

FIGURE 5
Marketing KPIs
 (% of improvement)



n = 13, Source: IDC interviews, October 2021

Cumulatively, these and other business improvements helped the bottom-line performance of financial institutions. Study participants reported that by freeing up frontline staff from day-to-day tasks, they were better able to focus on customer/member onboarding and other revenue-generating activities. Improving the ability to address business opportunities had direct and measurable impacts on revenue, as shown in **Table 12**. The total average additional annual revenue accruing to interviewed companies after adoption was calculated at \$4.6 million (\$303,600 per transformed branch).

TABLE 12
Business Operations and Revenue Impact

| | Per Organization | Per Branch Transformed |
|--|------------------|------------------------|
| Business impact – Revenue from better addressing business opportunities | | |
| Total average additional revenue per year | \$4.6M | \$303,600 |
| Assumed operating margin | 15% | 15% |
| Total recognized revenue per year – IDC model | \$683,000 | \$45,500 |

Note: The IDC model assumes a 15% operating margin for all additional revenue.
Source: IDC interviews, October 2021

ROI Summary

Table 13 (next page) presents IDC’s return on investment analysis for study participants’ use of Fiserv solutions for their branch modernization efforts. IDC projects that interviewed companies will achieve five-year discounted benefits worth an average of \$10.9 million per organization (\$729,000 per transformed branch) through improved staffing, streamlined technology options for customers, and other benefits, as previously described. These benefits compare with total five-year discounted costs of \$2.1 million per organization (\$140,200 per transformed branch). These levels of benefits and investment costs are projected to result in an average five-year ROI of 420%, with a break-even point occurring in 12 months.

TABLE 13
Five-Year ROI Analysis

| | Per Organization | Per Transformed Branch |
|-------------------------|------------------|------------------------|
| Benefit (discounted) | \$10.9M | \$729,000 |
| Investment (discounted) | \$2.1M | \$140,200 |
| Net present value | \$8.8M | \$588,900 |
| ROI (NPV/investment) | 420% | 420% |
| Payback | 12 months | 12 months |
| Discount factor | 12% | 12% |

Source: IDC interviews, October 2021

Challenges/Opportunities

Of course, with any large initiative there are opportunities that can create less than ideal results:

- ▶ ROI may vary based on existing cost structure and bank and credit union overall efficiency
- ▶ Employees may resist or become unwilling to embrace modernization for fear of job security concerns
- ▶ New KPIs may be more difficult to develop and measure than originally thought

To help overcome these concerns, executive management must be willing to embrace the project and accept that flexibility and patience will be required during all phases of implementation. Employees of these institutions who work in the branches must be given full disclosure as to the final outcome, including the possible closure of branches and reassignment of locations or duties for existing branch staff with the opportunity to retool and educate themselves for new opportunities created by the modernization process. Boards must be kept abreast of the progress and be willing to adjust investment accordingly, based on results, until the entire branch modernization project has been completed.

Conclusion

Banks and credit unions are rapidly recognizing the need to modernize their existing branch networks. Consumer behavior has shifted over the years to be digital first, but that does not necessarily mean digital only and the branch will continue to remain an important channel in delivering a true omni-experience. When looking at ways to modernize a branch network, it is important to recognize not only how the reimagined branch will look like to the customer/member but also how the employees' experience can be improved by leveraging modern solutions built on current technology stack.

The task of beginning a holistic branch modernization effort may seem daunting; however, Fiserv has developed a strategy to assist that allows banks and credit unions to build a comprehensive view of the needs and determine priorities, leveraging existing solutions into the plan where there is a fit if not directly provided by Fiserv. Together with the bank or credit union, Fiserv starts with an assessment of the current branch network and works to identify challenges and opportunities. From there, a review of current and future networking requirements is done, the infrastructure needs are assessed and addressed, and an appropriate road map is developed. A similar process is then followed regarding actual branch design and flow, including understanding how to integrate technology in the appropriate places within the branch. Once this planning has been completed, then the execution of the plan begins with a pilot where lessons are learned and incorporated. The last step is to optimize the process and measure success using new and improved KPIs and continue to modify as necessary.

The 13 financial institutions that IDC interviewed for this study have seen some significant benefits from undergoing a branch modernization effort with Fiserv. As previously noted, not every organization has successfully completed its branch modernization efforts, but they have already realized benefits from the efforts they have undertaken. This is noted through interviewees telling IDC that bankers and tellers are feeling more empowered and satisfied with their new work environment. This also comes through an organization's ability to draw more customers/members while still managing to reduce their physical footprint. Several organizations told IDC that this enabled them an opportunity to compete with larger institutions from both a strategic and a member attraction standpoint. It should be noted that these were the example benefits that these 13 organizations have been able to realize. Any holistic branch modernization effort might enable organizations to accrue their own benefits.

Appendix

Methodology

IDC's standard Business Value/ROI methodology was utilized for this project. This methodology is based on gathering data from organizations currently using branch modernization efforts with Fiserv solutions as the foundation for the model.

Based on interviews with organizations using Fiserv, IDC performed a three-step process to calculate the ROI and payback period:

- 1. Gathered quantitative benefit information during the interviews using a before-and-after assessment of the impact of using branch modernization solutions from Fiserv.** In this study, the benefits included security staff time efficiencies, development productivity gains, reduced costs associated with risk, and higher revenue.
- 2. Created a complete investment (five-year total cost analysis) profile based on the interviews.** Investments go beyond the initial and annual costs of using Fiserv and can include additional costs related to migrations, planning, consulting, and staff or user training.
- 3. Calculated the ROI and payback period. IDC conducted a depreciated cash flow analysis of the benefits and investments for the organizations' use of Fiserv over a five-year period.** ROI is the ratio of the net present value (NPV) and the discounted investment. The payback period is the point at which cumulative benefits equal the initial investment.

IDC bases the payback period and ROI calculations on a number of assumptions, which are summarized as follows:

- ▶ Time values are multiplied by burdened salary (salary + 28% for benefits and overhead) to quantify efficiency and manager productivity savings. For purposes of this analysis, based on the geographic locations of the interviewed organizations, IDC has used assumptions of an average fully loaded salary of \$100,000 per year for IT staff members and an average fully loaded salary of \$70,000 per year for non-IT staff members. IDC assumes that employees work 1,880 hours per year (47 weeks x 40 hours).
- ▶ The net present value of the five-year savings is calculated by subtracting the amount that would have been realized by investing the original sum in an instrument yielding a 12% return to allow for the missed opportunity cost. This accounts for both the assumed cost of money and the assumed rate of return.
- ▶ Because IT solutions require a deployment period, the full benefits of the solution are not available during deployment. To capture this reality, IDC prorates the benefits on a monthly basis and then subtracts the deployment time from the first-year savings.

Note: All numbers in this document may not be exact due to rounding.

About the Analysts



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Harsh V. Singh is a Senior Research Analyst for IDC's Business Value Strategy Practice, responsible for developing return-on-investment and cost-savings analysis on enterprise technological products. Harsh's work covers various solutions that include datacenter hardware, enterprise software, and cloud-based products and services. Harsh's research focuses on the financial and operational impact these products have on organizations that deploy and adopt them.

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