

Cross-Selling Opportunity, Courtesy of Pennies - 07.08.2008 – American Banker Print Article

Marketing

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By Joel Berg

Troy Peters, vice president for sales, marketing, and branch administration at Jonestown Bank and Trust Co. in Pennsylvania, had his doubts when a manufacturer of coin counters called him to pitch the machines.

"I didn't think we really needed them," Mr. Peters said.

He was convinced otherwise by watching the steady traffic at a grocery store's machine, where customers paid a fee of nearly 9% to turn coins into paper bills.

In October 2006 the \$236 million-asset Jonestown Bank joined the small-but-growing number of banks with coin counters in their branches.

Banks like Jonestown see the counters as a way of generating traffic and cross-selling to customers, since the machines generally give users a paper slip they must take to a teller to get their cash. The bankers also have decided that the expense — the machines can cost up to \$15,000 — is justified by the customers and deposits they might attract.

Mr. Peters opted for a fee-based leasing arrangement in which the manufacturer, N.F. String & Son Inc. of Harrisburg, collects 3% of the volume of coins collected. There was no up-front cost for Jonestown.

N.F. String is one of several companies pitching coin counters to banks.

Competitors include Coinstar Inc., Cummins-Allison Corp., and De La Rue PLC. Coinstar, like String, offers a fee-based model.

More banks have installed the machines since Commerce Bancorp Inc. of Cherry Hill, N.J., pioneered their use nearly a decade ago, according to William McCracken, the chief executive officer of Synergistics Research Corp., a financial services research firm in Atlanta.

Data on the number of coin counters in banks is sparse, but the machines are probably in no more than 10% of all branches, Mr. McCracken said.

Vernon Hill 2nd, Commerce's former chairman and CEO, said the machines represented something of a "leap of faith" for his company. "If you give the customer a better experience, you'll get more and lower-cost deposits."

(This year Toronto-Dominion Bank acquired Commerce, which is now part of TD Commerce Bank.)

Some banks charge noncustomers a fee for using the machines, but Mr. Hill's strategy at Commerce was to offer them for free to anyone.

It is hard to say how much of Commerce's strong deposit growth over the years can be attributed to the coin counters, as opposed to other factors, like aggressive branch growth or having branches open seven days a week, he said.

"Coin machines are part of it. We just never know which part of it."

Mr. McCracken said that coin counters alone, even free ones, will not prompt people to switch banks. Bankers need to adopt other consumer-friendly features, such as longer hours and better employee training, he said.

Without making broader changes, banks are better off charging noncustomers for coin counting, Mr. McCracken said. "You'll earn a few pennies, and they'll maybe offset the cost of the machines, but if you're thinking big, your revenue is going to come from the cross-sales and revenue" from new customers.

Gary Nalbandian, the chairman, president, and CEO of the \$2 billion-asset Pennsylvania Commerce Bancorp Inc. in Harrisburg, which also offers coin-counting machines, said it has not directly measured the machines' influence on customer conversion.

The main goal of the machines is to drive traffic into branches, Mr. Nalbandian said.

"Obviously, when you get more traffic, you're going to open more accounts, even if it's not provable," he said. It's just like advertising. You know that 50% of your advertising dollars are wasted. You just don't know which 50%."

Pennsylvania Commerce branch staff members have reported that 25% to 40% of the

noncustomers who use its machines twice become customers, Mr. Nalbandian said.

About half the machines' users are noncustomers, he said.

Last year Pennsylvania Commerce's machines handled 300,000 transactions.

After coin counters appeared in three of Jonestown Bank's busiest branches, customers started asking about them at the bank's five other branches, Mr.

Peters said.

The bank now collects more than \$30,000 of coins each month. It charges a 5% fee

but donates the money generated by that fee each month to a different charity or community organization, such as fire companies and civic groups. Customers can have the fee waived at their request, Mr. Peters said, but noncustomers cannot.

The nonprofits encourage their supporters to bring change to Jonestown Bank, he said; as a result, it gets many noncustomers in its branches, and it offers them a \$20 coupon to open an account.

"It's brought us new business," Mr. Peters said, though he would not say how much.

Steven C. Ackmann, the president and CEO of Fidelity Deposit and Discount Bank in Dunmore, Pa., said it bought coin counters from De La Rue for five branches.

The machines cost between \$10,000 and \$15,000.

The \$594 million-asset Fidelity charges noncustomers a 6% fee but sees the counters as a marketing tool rather than a moneymaker, Mr. Ackmann said. "The fee income off of it is really a minor piece of it."

Over the course of a year, Fidelity has processed about \$1 million of coins, Mr.

Ackmann said. He is not sure how much has been deposited, but he said using the machines might keep someone from making a withdrawal.

He also said he has been surprised by the machines' popularity.

"Here in our main office in Dunmore, I don't think I come in here without seeing somebody pouring a cup or a coffee can of coins into the thing," he said.

The number of counters in branches is likely to increase. [In a survey conducted in April by IBT Enterprises LLC in Atlanta, 73% of senior executives said their banks are looking to build or remodel branches, and 43% of those executives said they would consider installing coin counters.](#)

[Shaun Pond, a senior vice president at IBT Enterprises, said counters should not necessarily be viewed as moneymakers or vehicles for gathering deposits, but as "amenities that will encourage repeat visits."](#)

[He said he encourages bank clients to put coin counters in their branches, but only if the bank is going to take the time to train employees to cross-sell to customers who drop in with their change. Otherwise, "it's like buying a Porsche and using it to haul gravel," he said.](#)

Sovereign Bancorp Inc. has counters in 23 Philadelphia-area branches. The counters are free to Sovereign customers. Noncustomers pay a 10% fee, unless they donate their money to charity or use it to take out a gift card for retailers such as Amazon.com, iTunes, and Starbucks.

Coinstar owns the machines and provides service and supplies, said Carl Brown, a Sovereign spokesman. Coinstar charges Sovereign a fee for each transaction, he said, but he would not say how much.

Sovereign sees each transaction as an opportunity to talk to customers and potential customers, Mr. Brown said, and it is working with Coinstar to develop technology that would allow direct deposit from a coin counter.

Adding direct deposit "gives you more options and more convenience," Mr. Brown said.

Sovereign is not worried about losing chances to interact with customers as a result, he said.

"Our employees are supposed to be proactive," Mr. Brown said. "So I would hope, if they saw somebody using the machine, that they would at least give them a friendly hello, a friendly greeting, and perhaps strike up a conversation from there."

In some markets, the machines' popularity has translated into a customer expectation that all bank branches have them.

That has been the experience of Fulton Bank, the chief subsidiary of the \$15.9 billion-asset Fulton Financial Corp. in Lancaster, Pa., as it has added branches closer to Philadelphia.

"We do not, as part of our strategy, put them in every new branch. It is totally dictated by the demands of the market," said Craig Roda, the president and CEO of Fulton Bank. The machines generate "a little bit" of extra traffic.

Fulton's counters are free to customers and noncustomers. Fees might turn off potential customers used to seeing the service offered for free, Mr. Roda said.

"Our industry is notorious for finding ways to generate fee income for things,"

he said. "But I don't see that anytime soon with coin counters."

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