

FIGURE 13.6 An Internal Unsolicited Proposal in Memo Format



COMMUNITY FEDERAL BANK

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LENDER

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TO: Michael L. Sappington, Executive Vice President
Dorothy Woo, Langston Regional Manager
FROM: Tina Escobar, Oliver Jabur, ATM Services
DATE: June 10, 2011
RE: A proposal to install an additional ATM at the Mayfield
Park branch within the next 60–90 days

PURPOSE

We propose a cost-effective solution to what is a growing problem at our Mayfield Park branch in Langston: inefficient servicing of customer needs and rising personnel costs. We recommend that you approve the purchase and installation, within the next two to three months, of another iSmart ATM at Mayfield. Such action is consistent with Community's goals of expanding branch banking services and promoting our image as a self-serve yet customer-oriented institution.

THE PROBLEM WITH CURRENT SERVICES AT MAYFIELD PARK

Currently, we employ four tellers at Mayfield. But too much is being spent on personnel/salary for routine customer transactions. In fact, as determined by teller activity reports, nearly 25 percent of the four tellers' time each week is devoted to activities easily accommodated by the installation of another ATM. In the table below we break down teller activity for the month of May:

Teller #	Total Transactions	Routine Transactions
1	6,205	1,551
2	5,989	1,383
3	6,345	1,522
4	6,072	1,518
	24,611	5,974

Clearly, we are not taking advantage of our tellers' sales abilities when they are kept busy with routine activities. To compound the problem, we expect business to increase by at least 25 percent at Mayfield in the next few months, as projected by this year's market survey. If we do not

*Clearly states
why proposal is
being sent*

*Acknowledges
bank's
corporate
mission*

*Identifies
problem by
giving reader
essential
background
information
based on
primary
research*

*Provides easy-
to-read table*

FIGURE 13.6 (Continued)

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install an additional ATM, we will need to hire a fifth teller, at an annual cost of \$29,900 (\$23,000 base pay plus approximately 30 percent for fringes), for the additional 6,000 transactions we project.

Most important, though, customer needs are not being met efficiently at Mayfield. Recent surveys done for Community Federal by Watson-Perry, Inc., demonstrate that our customers are inconvenienced by not having an iSmart ATM at Mayfield. They are unhappy about long waits both at the ATMs and at the teller windows to do simple banking business, such as making deposits, withdrawals, and loan payments. Several discussions we had (on May 7, 24, and June 1) with manager Rachael Harris-Koyoto at Mayfield Park have confirmed customers' complaints.

Ultimately, the lack of another iSmart ATM at Mayfield hurts Community's image. With plentiful ATMs available to Mayfield residents at local stores and at other banks, our institution risks having customers and potential customers go elsewhere for their banking needs. We not only miss the opportunity of selling them our other services but also risk losing their business entirely.

A SOLUTION TO THE PROBLEM

Purchasing and installing an additional iSmart ATM at Mayfield Park will result in significant savings in personnel costs and time. Specifically, we can accomplish the following:

- Save money by not having to hire a fifth teller
- Use the additional iSmart ATM to further provide many of the services customers expect from our tellers, e.g., accept deposits, display image copies of checks on receipts, record total cash and check deposits
- Allocate teller duties more efficiently and productively by assisting customers with questions and transactions that cannot be handled through an ATM, such as opening a new account; purchasing bonds, CDs, and international currency; and setting up Internet banking services
- Increase time for tellers to cross-sell our services, including our line of banking products—annuities, mutual funds, debit cards, and global market accounts

Divides problem into parts—volume, financial, personnel, customer service

Emphasizes the expense if nothing is done

Cites important research

Verifies that problem is widespread

Emphasizes possible future problems

Relates solution to individual parts of the problem

Bulleted list makes benefits recommendation easy to follow

(Continued)

FIGURE 13.6 (Continued)

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- Service customer retirement options by having tellers track IRAs, 401(k)s, 403(b)s, and Roth IRAs
- Improve customers' satisfaction by giving them the option of meeting their banking needs electronically or through a teller
- Ease the stress on tellers at the high-traffic Mayfield Park branch

FEASIBILITY OF INSTALLING NEW iSMART ATMS

It is feasible to install another ATM at Mayfield. This location does not pose the difficulties we face at some of our older branches. Mayfield offers ample room to install a drive-up ATM in the stubbed-out fourth drive-up lane. In fact, it is away from the heavily congested area in front of the bank, yet it is easily accessible from the main driveway and the side drive facing Commonwealth Avenue, as the photograph below shows.



Photo courtesy Taylor Wilson

Judging experiences at the Powell branch, the iSmart ATM could be installed and operational within one to two months. Moreover, by authorizing the expenditure at Mayfield within the next month, you will ensure that additional ATM service is available before the busy Christmas season.

*Shows problem
can be solved
and explains
how*

*Photo shows
location has
room for
additional ATM*

*Documents
that work can
be done on time
and highlights
advantage of
doing it now*

FIGURE 13.6 (Continued)

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COSTS

The costs of implementing our proposal are as follows:

Diebold drive-up iSmart ATM	\$28,000.00
Installation fee	2,000.00
Maintenance (1 year)	<u>1,500.00</u>
	\$31,500.00

Itemizes costs

This \$31,500, however, does not truly reflect our annual expenditures. We would be able to amortize, for tax purposes, the cost of the installation of the ATM over five years. Our annual expenses would, therefore, actually be

*Interprets costs
for reader*

$$\begin{array}{r} \$30,000 (28,000 + 2,000)/5 \text{ years} = \$6,000 \text{ per year} \\ + \$1,500 \text{ (maintenance)} \\ \hline \mathbf{\$7,500 \text{ per year}} \end{array}$$

Compared with the \$29,900 a year the bank would have to expend for a fifth teller position at Mayfield Park, the annual depreciated cost for the ATM (\$7,500) in fact reduces by almost 75 percent (\$22,400) the amount of money the bank will have to spend every year for much more efficient customer service.

*Proves change
is cost effective;
provides
specific
financial
evidence*

CONCLUSION

Authorizing another ATM for the Mayfield Park branch is both feasible and cost effective. Endorsement of this proposal will save our bank more than \$22,400 in teller services annually, decrease customer complaints, and increase customer satisfaction and approval. We will be happy to discuss this proposal with you anytime at your convenience, and answer any questions you may have.

*Conclusion
stresses
benefits for the
bank and its
customers*

Thank you for considering our plan. We look forward to hearing from you.

*Thanks readers
for studying the
proposal*