NCR PERSPECTIVE

Intelligent deposit and recycling ATMs

An opportunity to reduce costs and improve customer service

Banks are increasingly recognising the benefits of automation on reducing cash handling costs

By Paul Race, Director of Financial Industry Communications, NCR

With banks and retailers spending around $300 billion each year on handling cash, perhaps the simple answer to cost control is to handle cash less. Indeed, less handling means lower costs of holding cash and the associated interest lost, lower costs of purchasing cash from a central bank and of transporting it securely to various destinations.

Furthermore, it is generally acknowleged that dispensing cash is less costly via an ATM than at a teller, and banks are increasingly recognising the benefits of automation on reducing cash handling costs.

In fact, the automation of cash provides much more than just cost control – it offers a better service to customers: ATMs solved the need for people to access cash conveniently. It has evolved and is now recognised to have the potential to deliver much more: ticketing, advertising, automated deposit... Having found the means of providing such services that benefit both bank and customer, the challenge now to the innovative provider is *"how can it be made even better?"*

Night drops are the most expensive and time consuming branch transaction

Inefficient, costly deposits

The deposit of cash and cheques has long been an unsatisfactory business, both for customers and banks. For the customer, options were limited: queue during office hours waiting for a teller to provide a receipt, or use a night drop available 24x7 but with little, if any proof of transaction. For banks, too, neither of these options was ideal. Deposit at the teller was time consuming and costly, and contributed to long queues and overall customer dissatisfaction. A number of studies have showed that manually counting and authenticating notes could take up to 50% of a teller's time. Depositing cash was an inefficient process.

Cash deposit was also expensive. One customer study carried out by NCR found that night drops were the most expensive and time consuming branch transaction. With two members of staff required to open envelopes or bags and count and check the money, typically this process cost the bank between $25 and $35 per transaction, including the cost of reconciliation and resolving errors.

A solution in automation

What was needed was a solution that was convenient, easy to use, and that would provide customers with proof of deposit and decrease banks' costs of handling. The answer lay in leveraging the ATM – an existing, trusted channel – and endowing it with intelligent deposit.

Intelligent deposit ATMs enable customers to deposit funds with confidence. The technology is easy to use, intuitive, reliable, and provides a trusted payment mechanism with 'guaranteed' transactions. An itemised receipt with images of deposited cheques provides the proof customers need. Gone is the use of envelopes – cash and cheques can be paid directly into the ATM. The use of bunch note acceptors also means the solution is quick and easy to use for merchants.

For banks, intelligent deposit solutions reduce fraud (such as envelope fraud) and remove the potential for erroneous submissions. And at around 40 cents a transaction, ATM deposits can be processed at a quarter of the cost of an equivalent teller transaction or envelope deposit. The benefits of these systems (and in particular cheque deposit in the USA post Check 21) have now become widely accepted.

Automation thus solved many problems, but before we pat ourselves on the back, let us consider again, *"how can it be made even better?"*

Improving the solution with recycling

Intelligent deposit offers what appears to be a win-win solution. Customer queues are reduced as tellers count less cash, funds can be deposited 24x7 and receipts are provided. Banks have moved time consuming and costly transactions from the teller, freeing up staff to concentrate on sales and increasing levels of customer service satisfaction. Self-service technology has even transformed the way we bank, enabling a 'cash free' secure environment with open plan designs more suited to sales.

However, there still remain significant operating costs, including the cost of replenishing cash into the machines. According to TowerGroup, the average annual cost of operating an ATM is $35,070. Of this total, $4,080 are 'armored car' expenses – a necessary cost of doing business. Or are they?

These costs can in fact be readily addressed through the use of cash recycling. Recycling notes enables more effective cash management. ATMIA research shows that a significant element of the cost of operating an ATM relates to cash, be it the cost of cash, loss of interest or the cost of transporting the cash to an ATM. Reusing deposited notes for cash withdrawals reduces the number of deliveries and hence cash-in-transit (CIT) costs. Moreover, recycling can reduce the negative customer experience and interchange costs due to 'cash-out' situations. It sounds an obvious solution. So why has it not been more widely deployed?

Recycling: a robust solution

As with any new technology, there are concerns regarding its implementation. Aside from the usual requirements for convenience, reliability and ease of use, a number of other factors come into play when considering a recycling solution. For example, security and the ability to detect forgeries, robustness in minimising errors and jams, and sufficient deposit utilisation by customers are amongst the major issues for banks.

When Thurgauer Kantonalbank of Switzerland first adopted NCR's cash recycling solution, the bank voiced such reservations (e.g. errors from inserting envelopes and coins and deposits of bunches of notes held with rubber bands could affect availability). However, an effective education campaign ensured this did not become a problem. The NCR solution can provide a 26 second on-screen animation demonstrating how to make a deposit. This not only ensures correct usage but also greater take up of the deposit facility.

This is important because a recycling solution will be most effective where there has been high take-up of cash deposit – for example in locations used by small businesses and merchants – coupled with large numbers of cash withdrawals. Though a 'perfect balance' will rarely be achieved, there is potential for a significant decrease in replenishment costs, with a one third reduction in CIT visits being achievable in many instances. This could represent a saving of around $1,350 per ATM per year. In order to achieve maximum take-up of the cash deposit solution, innovative banks have also used concierge services to introduce customers to the technology.

With regards to security concerns, advanced counterfeit detection in recyclers ensures that only notes fit for purpose are dispensed. Currency deposited by customers is processed by a recognition module to determine the notes' validity, and remove from circulation those identified as counterfeit or defective, in compliance with the European Central Bank's banknote recycling framework for Euro banknotes (ECB Article 6).

Used in conjunction with predictive cash management software, recycling ensures that the ATM operates more efficiently, driving a reduction in the number of CIT visits and amount of cash holdings ready for delivery.

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The time is right

Intelligent deposit ATMs with cash recycling are a solution whose time has come. The public is becoming more used to making deposits at ATMs and it has been proven that education campaigns can drive significant adoption. Furthermore, the technology has reached a stage where it can deliver high availability and significant cash management savings.

In October 2009, NCR announced the most extensive deployment of cash recycling ATMs in Europe. ING Belgium will use at least 1,200 ATMs with cash recycling modules at its new open plan branches. The NCR solution comprises two recycle dispense modules for each machine, with a capacity of approximately 16,000 notes. The built-in recycling capabilities ensure maximum ATM availability and meet ING's commitment to improving customer service and staff security. ■

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