

Banking Automation **BULLETIN**



Self-service banking in the 21st century

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The enduring importance of ATM security

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SELF-SERVICE BANKING

Self-service banking in the 21st century ...the heroes of the first decade!

By David Cavell, Retail Banking Consultant

Back to the future?

The majority of banks are only now beginning to take full advantage of self-service concepts, some of which date back to the early 1990s. Indeed, it is arguable that the industry is still playing catch-up on such facilities as note and cheque acceptance, coin dispensing and video banking. However, from the report *Self-Service Banking: Best Practice and Case Studies*, published by Retail Banking Research (RBR) in August 2011, it is apparent that the last decade has not been without its stars. These are the banks that have made exemplary use of self-service, either through successful pathfinding development projects or simply through the extent to which they have maximised its use within the branch environment. At a time when many bankers still have much to do, this article looks at a number of banks whose efforts illustrate the potential benefits available to the committed player.

Self-service in the branch

Leadership in the deployment of branch-based self-service has enabled the German Sparkassen (community retail banks) to build progressively better retail environments, including fully automated units. There are now over 400 such community banks in Germany operating around 15,700 outlets. The impressive commitment of the Sparkassen to self-service has given them greater flexibility in the way they can use their retail space, within an open customer-friendly layout.

Self-service facilities are also an integral part of the new HSBC retail format, which is being rolled out progressively across its global network. The bank has not only taken advantage of the benefits offered by self-service, but has also designed branches that better accommodate and promote a broad range of machines and functionality.

The Netherlands giant ING Group has committed significant resources to the development of new branch concepts over the last two decades. Recent development work has again sought to leverage the

potential of self-service, as part of a major overhaul of its retail strategy. The group's greater use of smaller footprint outlets is exemplified by the new Proxi branches being deployed by ING Belgium. These are equipped to handle all day-to-day transactions through self-service, with staff solely dedicated to the development of customer relationships.

In the southern hemisphere, Absa and FNB have continued to deploy a creative range of delivery channel strategies to meet the many challenges of the South African market. Within these, high function ATMs play a key role.

Customers and the ATM

The ATM remains the workhorse of the retail banking industry. The US market has yet to deploy significant numbers of other types of self-service terminals. Moreover, the demand for ATMs in the emerging markets also contributes to the dynamic growth in the number of devices in operation. Recent estimates made by RBR suggest that the population of ATMs will rise to around three million machines by 2015.

Many of the industry-leading ATM development projects undertaken over the last decade have been in pursuit of a better experience for customers (and non-customers). The programme recently completed by La Caixa in Spain has been a milestone in the development of the ATM, further increasing its ability to serve and sell to both customers and non-customers. The bank operates nearly 8,000 ATMs through which flow over 500,000 transactions per month on average, accessing the means to undertake over 200 different transactions. 75% of users are customers. An in-house redevelopment programme carried out a major overhaul of both the design and the functionality of its ATMs through a project called 'Punt Groc' (yellow spot).

Meanwhile, Wells Fargo Bank continues to show leadership in the development of automated notes acceptance through the ATM. Another significant



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in-house development has enabled the bank's ATMs to accept notes and cheques, mixed together, regardless of the direction they are facing. This is offering benefits in both customer service and operational efficiency.

OCBC in Singapore was rightly rewarded with international recognition for personalising the service that its ATMs provide. The bank was also a leader in harnessing the power of customer relationship software within its ATM service, thus ensuring that the sales potential of each transaction was maximised.

The development of personalisation and marketing features that do much to compensate for the absence of a branch has allowed India's HDFC to use the ATM as the vanguard of its rapid geographic expansion across the major Indian sub-continent. HDFC now operates over 5,100 ATMs.

Biometrics are now being deployed with rapidity in certain markets, principally through the use of finger vein and palm vein recognition. Bradesco Group in Brazil uses biometric recognition at over 18,000 out of its 32,000 self-service terminals.

Operational issues

The pursuit of operational efficiency has also been a major issue. Credit Suisse has pioneered the use of universal intelligent cassettes that are able to operate in its ATMs and other branch and cash centre hardware. Early results indicate that this is already providing significant reductions in the burden and cost of cash handling.

Security has also become a larger and now critical issue for operators of ATMs, following the migration of the majority of machines to a Windows operating environment. ATMs are now increasingly regarded as a personal computer with a cash dispenser. The *ATMIA Software Security Best Practices Guide* (BPG) developed by The ATM Industry Association and published in 2009, is an example of how the industry has recognised and responded to the increased potential for security breaches.

Customer take-up

Studies by RBR continue to demonstrate how self-service is now capable of taking over the administration of a retail bank branch. The available range of functionality and supporting software ensures that self-service devices can now replicate the recognition and greeting of the customer, in addition to most teller and enquiry transactions.

However, maximising customer migration to self-service is dependent on many factors. These include features within the physical environment of the branch, including the juxtaposition of tellers and machines. Staff training and incentives are critical, as is machine capacity. For example, more than 1,200 kiosks operated by Indonesia's Bank Central Asia (BCA) have successfully taken over a high volume of non-cash transactions from the bank's fleet of over 7,500 ATMs. In turn, this has ensured the capacity of the bank's ATMs to handle cash withdrawals within waiting times that are acceptable to customers.

In Ireland, permanent tsb has developed a refined understanding of the relationship between teller transactions, teller numbers and machine capacity at the heart of their programme to roll out automated deposit-taking ATMs.

A challenging future

This article has sought to show how a selection of industry leaders have moved self-service forward over the first decade of the 21st century. Self-service is now supporting and enabling a wide range of differing retail outlets and new concepts. The hardware and functionality available from the principal vendors is generally mature and reliable. As the newly published RBR report shows, this renders it capable of taking over all the day-to-day cash handling functions of a retail branch. In addition, the increasing use and sophistication of the kiosk is opening up new opportunities to offer both banking and lifestyle non-cash transactions through self-service.

The increasing population of new channels (PC, tablets, pads, etc.) will see the development of a continuum, with the kiosk forming the bridge between high function ATMs and the online desktop banking terminal. Beyond the PC will be a growing range of mobiles and other devices. This continuum of customer activated terminals will require increasingly coordinated development interface strategies embracing navigation, functionality-by-location, image and brand messages. Managing the development of this increasingly complex delivery channel mix, across organisational silos, may well be the next big challenge for self-service banking in the next decade. ■

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