

WINCOR NIXDORF PERSPECTIVE

Innovation in automation: the key to success



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Retail Banks in 2012 continue to face a challenging environment. For many, profits have been trending downwards, while a recent study by the Boston Consulting Group suggests that European banks in particular are suffering from high levels of loan loss provisions in the wake of the debt crisis. Banks worldwide need to adapt to the problems they face, and one obvious way to do this is to increase the efficiency of their day-to-day transactions, by migrating as many as possible to self-service automation. This is where experienced IT service providers, such as Wincor Nixdorf, can help.

The costly state of play

Handling payments can be a costly business. For example, analysts from the Tower Group recently calculated that every front-office cheque deposit costs an average of \$1.40. Envelope deposits at an automated teller machine are even more expensive, at \$1.70.

And that is just cheques – the cost of handling cash is even greater. Worldwide, cash handling costs \$300 billion a year. That clearly illustrates how much potential there is to save money by reorganizing the cash cycle. If anything, that figure looks set to grow, as the amount of cash in circulation continues to rise. According to the European Central Bank, between 2002 and 2011, the number of euro banknotes in circulation quadrupled; the quantity and value of notes grew by around 4% in 2010. By November 2011, a total value of €868 billion was in circulation. This trend is not confined to Europe: the value of US dollars in circulation increased from \$268 billion in 1990 to \$1,035 billion in 2011.

A study on payment behaviour published by the Deutsche Bundesbank in 2009 revealed why cash remains the number one means of payment in

Germany. Consumers attach great importance to security against financial loss, widespread acceptance and low transaction costs. Cash best meets these criteria and so will very likely remain consumers' preferred means of tender in the future. It seems unlikely that any new or innovative form of payment will become well enough established to challenge the dominance of cash in the short to medium term.

But cash has its drawbacks, above all the high cost cash handling incurs. It also involves many interfaces, duplicate work, security risks and a lack of transparency. For all these reasons, cash management and cash logistics are undergoing a revolution.

How can banks make savings?

Automation is the key to managing these huge costs, in both cheque and cash handling. For example, if cheques are scanned in bundles, it is possible to cut the cost of each transaction to \$0.40 – a reduction of as much as 96%.

For cash, recycling systems – whether automated teller machines or employee-tended automated teller safes – offer a well-established way of making dramatic cost reductions. They shorten the cash cycle by making deposited notes available for dispensing straight away (after checking for forgeries). At locations where the amount of cash paid in and dispensed is roughly equal, significant savings are possible.

But it is now possible to go even further. There are ways to include the whole process chain and branch networks in an end-to-end cash management concept. For example, in several analysis projects, Wincor Nixdorf has calculated that European and North American banks have the potential to cut total cash handling costs by 20%-40%. Process optimisation backed by use of cash management software, and on-demand

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deployment of cash-in-transit operators, can reduce costs and enhance security.

As well as within the bank, cross-sector collaboration between banks and retail companies can also offer advantages, as the example of the cooperation between Postbank and Shell Deutschland shows. Since their partnership began, more than €1.3 billion has been dispensed at Shell's 1,300 German service stations. As a result, the bank improves its service and footprint, while service station operators obtain greater transparency and security, and lay the foundation for efficient cash logistics thanks to the storage of notes in a closed system.

What Wincor Nixdorf offers

For banks thinking about making use of some of these solutions, a specialised IT company like Wincor Nixdorf can make a good partner. They can develop customised optimisation solutions based on an in-depth analysis of current processes, and offer extensive services to ensure optimal cash holdings, intelligent logistics control and precise forecasts for when cash has to be removed or replenished. On the basis of its experience, Wincor Nixdorf estimates that in most cases, process costs can be reduced by at least 20% – an enormous savings potential given the high costs of cash management.

Rollout of new ATMs and ones with intelligent, standardised storage units from Wincor Nixdorf's CINEO system generation offers an even greater opportunity for cost reduction. Thanks to the standardised storage, notes in systems where deposits exceed withdrawals can be transferred to other self-service systems without any intermediate processing. As a result, new cash cycles can be created at the bank and manual cash handling minimised.

For those banks thinking about switching to cash recycling technology some time after purchasing ATMs, Wincor's CINEO ATMs can be upgraded at any point to permit cash recycling. These machines can also go for a longer time without being emptied or replenished, which means the costs of cash management can be slashed by up to 75%.

Approaches like this will help banks to adapt to the strains of the modern retail environment and provide a higher standard of service to customers, at a lower cost. ■

