Banking on the future

By Michael Engel, Director CTO Office & Head of Software Sales, Wincor Nixdorf

If investment banking drew most of the attention over the past couple of decades, retail banking is experiencing a resurgence today – thanks in part to the financial crisis.

Retail banking services can represent a source of stable revenues with growth potential if banks are able to manage their cost and margin positions. But to succeed in this fiercely competitive and rapidly changing market, retail banks must be attractive to a new generation of customers. At the same time, they need to automate many of their labour-intensive branch processes and offer their services seamlessly across a number of channels such as tellers, ATMs, PCs and mobile devices in a more customer-centric manner. For those willing to innovate, the pay-off is a customer who costs less to serve and is happy to use an array of new revenue-generating services that are both faster and easier to use.

Automating manual processes in branches lowers operating costs and offers customers greater flexibility. Trends in branch automation vary from region to region. Intelligent deposits and cash recycling, for instance, are standard services in many parts of Europe today, but are only now emerging in North America. Conversely, innovative US banks are busy deploying personalised finance management systems that enable them to deepen their relationship with customers and customise their offerings to individual spending habits.

Clearly, we're seeing a trend toward self-service systems and teller counters looking and operating similarly – the key term being 'assisted self-service'. ATMs equipped with video systems are now able to put customers in touch with tellers, bringing financial experts to remote locations. At the same time, touch-screen PIN pads at teller stations and integrated cash recycling and deposit systems allow customers at teller counters to execute transactions as if they were at an ATM. The latter is an example of a service that brings at least some automation to customers who still prefer to do all their banking in staffed branches.

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Although branches may be arguably fewer, they are hardly disappearing. That said, those of the future will be streamlined and standardised. Above all, we will see a fusion that brings more personal service to self-service terminals and more digital services to teller windows. Processes that are in ATM and teller silos today will be connected intelligently. Mobile technology will deliver solutions that are easy to use and convenient for customers and employees alike.

For example, imagine a teller equipped with a tablet device helping a customer with an issue at an ATM or assisted self-service teller position. Or an ATM that can be used by consumers with an application on their smartphone. Or an automated authorisation process that allows the execution of transactions such as withdrawing cash with a 2D barcode message sent to the user's phone – in much the same way airlines let passengers check in today.

Linking processes and integrating channels

Wincor Nixdorf's ProClassic/Enterprise is a server-based software that enables self-service and teller processes, as well as those in online and mobile channels, to be intelligently linked. The central web application drives all banking devices, correlates customer and channel information, and above all, simplifies processes as new functions, products and services need only be implemented once despite being used across all channels.

The solution reduces operating costs as processing is shifted to the central application server and manages the entire fleet of devices. Intelligent cash management across channels, pre-emptive maintenance and uptime management are no longer a dream. Moreover, the vendor-independent solution offers high system availability and scalability, and is already driving networks of tens of thousands of devices.

ProClassic/Enterprise is an effective tool for dealing with another key trend – customer interactivity across multiple channels. It helps banks overcome legacy systems that have been a stumbling block historically – in shifts from counter services to ATMs

to internet banking and now to mobile platforms. Transactions can be initiated and staged in one channel, stored in a 'transaction safe' and executed and finalised in the customer channel of choice.

The importance of services-oriented architecture (SOA) should be underscored in this context. SOA services are standards-based, reusable process components that use common interfaces, allowing them to interoperate with other services. Traditional approaches to application development are often fragmented and hardwired, making business processes difficult to change. SOA infrastructures, by comparison, are designed for change – a huge factor in the fast-moving retail banking sector targeting equally fast-moving clients.

Mobile services key to multichannel strategy

Today's consumers demand greater choice and flexibility, and retail banks must evolve alongside them. ATMs and online banking have definitely changed the face and infrastructure of retail banking, allowing customers to bank around the clock and around the world. But the new group of consumers that is emerging is mobile by default, and the pace of change is driven largely by mobile technology. Banks that want to win and retain this generation of customers will need to firmly anchor mobile services into their multichannel strategy.

Many retail banks already offer some basic mobile services that, for example, allow customers to check their bank statements or add money to their prepaid mobile phones. Yet if there is one thing the mobile domain doesn't lack, it is innovation. That means banks will need to sink their teeth into a multi-screen environment, developing iPhone and iPad apps, exploring Windows and Android operating systems, and perhaps testing the waters with HTML5.

SOA-enabled convergence will also enable a wide range of new services over multiple channels. For instance, customers may receive messages from their banks sent via SMS, Facebook or Twitter, informing them that they have exceeded their monthly limit.

Or users may prefer to use their smartphones to execute transactions at ATMs for security and convenience reasons. With the help of an installed app, they can withdraw money or make a deposit or money transfer. The ATM many not even have a screen in the future.

We will also see ATM screens resembling mobile apps, moving away from their classic design with four buttons on the right and four on the left on a 17 or 19-inch monitor. Customer interaction will be enhanced through new app-like interface designs and gesture-based techniques, with nearly everything integrated into the screen. Wincor Nixdorf is at the forefront of this development.

Mobile money is another area that promises huge opportunities, but it presents challenges for banks with inflexible IT systems that cannot integrate near-field communications (NFC) and other cardless payment options. We can expect to see a flurry of mobile wallet activity going ahead, as not only retail banks but also telecommunication companies and high-tech giants like Apple, Google and Microsoft are vying for a piece of the market.

Mobile technology will drive banks to take an even greater customer-centric channel approach. It will require them to manage a 360 degree view of their customers' needs and provide them services anytime and anywhere on their device of choice. The seamless convergence of channels will be key to a successful implementation.

Wincor Nixdorf – your partner in innovation

At Wincor World in October, we will demonstrate a number of applications, including our 'Wincor Wallet' solution that is based on NFC and QR code technologies. We will also show a 'tap and go' solution for €10 to €20 transactions as well as 'tap and PIN' for authorising larger values.

As banks venture into new channels, they also open the door to new risks. Security remains a top priority for banks and suppliers alike. Skimming and hacker attacks continue to pose a serious challenge. Apart from the financial damage, banks also must contend with harm to their image and the ensuing loss of customer confidence. At Wincor World, we will show a range of end-to-end security solutions, including ProTect portfolio, which prevents attacks on banks' service delivery channels.

It's an exciting time in retail banking. Opportunities abound, but so do challenges. Today's decisions about automating branch offices, reducing costs and interacting with customers across multiple channels in the way they interface with mobile devices will determine tomorrow's success. Wincor Nixdorf can help innovative retail banks around the world make and execute those decisions. ∎

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