DIEBOLD NIXDORF PERSPECTIVE

To recycle, or not to recycle, that is the ATM question

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The pandemic has increased pressure on financial institutions (FIs), causing them to rethink delivery models and look for new ways to make operations more efficient. One road they can take to achieve this is through cash recycling. According to RBR, 52% of the world's ATMs are expected to accept automated deposits and over two-thirds of deposit terminals are expected to recycle notes by 2024. Considering the advantages of cash recycling, that is not at all surprising.

From the perspective of FIs' employees, cash recycling allows them to concentrate on consumers. Migrating as many transactions out of the branch as possible gives employees the time to build relationships with their customers and provide them with the service and experiences they desire.

By enabling cash recycling at the ATM, FIs can also provide their customers with flexibility; the number of people who prefer self-service as their primary touchpoint with their bank is expected to rise to over 50% in the next two years[1]. Small- and medium-sized businesses would especially benefit from using the self-service channel to deposit their earnings, as many are frustrated with having to take time during business hours to deposit their money.

Enabling automated cash deposits at the ATM is an important lever for switching to cash recycling. In doing so, FIs can unlock operational efficiencies: using business deposits to replenish an ATM's cash supply is convenient. In some cash-in/cash-out machines a high amount of deposits leads to sweeps 3-4 times a week; redistributing the deposited money across more ATMs would alleviate this problem. The same can be said for cash dispensers with high withdrawal volumes that have to be replenished often. Recyclers can decrease cash-in-transit (CIT) visits by 25-50% on average in our experience, and in some cases by up to 75%.

[1] Stats determined prior to COVID-19

In principle, the more locally withdrawals can be balanced by deposits, the lower the costs of the supply chain. Cash recycling is the implementation of this principle for the self-service sector and an opportunity for significant cost reductions – up to 40% depending on the location. This also leads to reduced total cost of ownership by at least 20%.

There is also less downtime. This is essential as the self-service channel is a critical touchpoint for consumers, and out-of-service events can easily lead to frustration and damage the brand.

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Consider four key aspects

Diebold Nixdorf was the first to introduce and implement recycling in Europe, and after 20 years of use in the field, the technology is now extremely advanced. Since the acquisition costs of recycling ATMs have also been significantly reduced, there is a consensus that this technology is highly interesting. But how do you decide whether cash recycling is right for you? Consider these four aspects:

1. Capacity is key. At busy cash-in ATMs the amount of deposits can be high, so a large cassette capacity is needed to prevent CIT visits.
2. Determining the impact that recycling can have remains a blind spot for many banks. An in-depth analysis can help in determining if and where cash recycling would be beneficial.
3. Markets diverge greatly: in some, recycling is already common, others are only just getting started. To avoid costs, a future-ready system that can switch from cash-in/cash-out today to recycling tomorrow is the ideal preparation for the future.
4. Recycling should be viewed within a wider context: Taking an end-to-end perspective by combining cash recycling with cash cycle management is essential for optimising operations, as currently CIT cycles are rarely optimal. ■

How do you decide whether cash recycling is right for you?

Visit DieboldNixdorf.com/DNSeries to learn more about implementing cash recycling solutions at your ATMs.

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Optimizing the Cash Cycle

The day-to-day administration of managing cashflows continues to be a big challenge for financial institutions (FIs). As cash transactions happen en masse daily within both the branch and self-service networks, there is growing pressure to ensure that the flow is optimized and costs are minimized. We spoke with Peter Woydich from Planfocus and our own Marco Goltz and Henning Nattmann to understand what opportunities FIs should leverage to increase efficiencies in cash cycle management.

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Q&A

HOW CAN A CASH MANAGEMENT SYSTEM LEVERAGE DATA TO ACCURATELY OPTIMIZE EACH CASH POINT?

Cash point data is an untapped treasure. Using AI technology and Machine Learning algorithms with a focus on forecasting and cash service optimization can leverage this data to accurately predict future withdrawal and deposit behavior at any kind of cash point. That results in significant reduction of logistic and interest costs.

Data is key and needed with good granularity (inventory detail) and resolution (data history and cadence). Ideally, data is reported by currency, denomination and individual container type, i.e. dispense, deposit, or recycling. A good monitoring solution provides such data. It's surprising that many FI still rely on archaic host reports and do not yet use better data sources.

HOW DOES THE ADDITION OF RECYCLERS (ATMS OR TELLER STATIONS) EFFECT THE CASH MANAGEMENT PROCESS?

Due to a cash recycler's unregular sequence of cash flow and a varying rate of denomination – forecasting is nearly impossible to do manually. Therefore, a combination of hardware and a proven cash cycle optimization solution is needed to get the most out of their investment, including higher levels of service to their end customer at remarkably lower operating costs.

By reusing deposited cash for dispensing, the load frequency can be reduced. This depends on various factors such as the balance of incoming and outgoing cash flows by face value and retained banknotes, their quality and the device configuration. All factors must be considered—because today, more than ever, a cash management solution that can handle those challenges is truly needed.

WHAT CAN BE DONE TO SCHEDULE CIT VISITS IN THE RIGHT CADENCE?

Truly AI-based, highly automated cash cycle optimization enables the downstream operating departments to accurately and timely plan their future activities. Emergency Services will be a phenomenon of the past, as will be fixed service routing. The result is higher network availability, transparency and streamlined processes.

The concept of just-in-time delivery has been known for a very long time. Surprisingly CITs continue to use static schedules in many parts of the world. With the right tool, regular review and adjustment of service cycles helps to avoid overly rigid schedules leading to emergency loads and out-of-cash situations.

HOW CAN FIS OPTIMIZE THEIR CASH HANDLING & LESSEN THE BURDEN OF THE CURRENT MANUAL PROCESS?

Managing a cloud-native or as-a-service offering can largely reduce the implementation and maintenance burden without compromising on data security standards. Subscription offers complete the licensing options and provide a manufacturer's answer to the CAPEX/OPEX discussion.

The ideal solution requires the right tools and expert knowledge. This can be a real challenge, especially for smaller FIs. Outsourcing to a recognized managed service provider enables access to resources that may otherwise not be available. Even larger banks are following this trend and relying on specialists to reduce in-house complexity and enjoy rapid ROI.

THE TAKEAWAY

True cash optimization often fails simply due to the limitations of the service provider. This does not have to be the case; there are tools available and partners to provide the conceptual and technical prerequisites to have the right amount of cash at the right place at the right time. True cash management is highly automated and simple, and surprisingly easy to integrate into existing environments to deliver precise predictions, from simple denomination levels all the way up to full recycling support, enabling flexible, best-in-class cash optimization.