

Banking and Payments **BULLETIN**



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France

Banking and Payments



The importance of automation in slowing decline in branch numbers

Our lead article focuses on the continued downward trend in bank branch numbers worldwide (see page 2) and discusses some of the ways in which banks are mitigating the risk to customer engagement that this creates.

It is not just mature banking markets such as those in western Europe that are seeing branch closures – in fact, research from RBR Data Services suggests that only the Asia-Pacific region will see an increase in branches over the next few years. Digital and mobile payments in many less developed countries are reducing the need for branches even where the banked population is growing. In Latin America, for example, Mexico and Ecuador were the only major markets to witness an increase in the number of branches last year.

One of the ways that banks are addressing the pressure on branches is by making them more efficient – in particular by reducing, and in some cases eliminating, the need for staff to carry out routine transactions. A key element of this strategy is greater automation and use of more advanced self-service technology.

Cash recycling ATMs are an important contributor to the cost savings that can be achieved. One of the greatest costs of operating an ATM is the cost of the cash in the machine, made worse in a higher interest rate environment, and the cash-in-transit (CIT) costs of replenishing ATMs with cash and/or taking away deposited notes.

In this issue there is an excellent illustration, in a feature by Diebold Nixdorf, of how recycling ATMs can drive efficiency through reduced CIT visits (see pages 6-7). In the example in the article, a bank can reduce the number of CIT visits for an ATM from 99 to 20 per year by switching from a non-recycling deposit ATM to a recycling machine. In the five-cassette example, this is achieved through three key changes:

- Replacing a dispensing cassette with an additional deposit-only cassette
- Replacing three further dispensing cassettes with recycling cassettes
- Introducing a higher-value note into the denominations being dispensed.

When it comes to branch footprints, banks are walking a tightrope between minimising costs to maintain profitability and the need to retain customer engagement and points of contact. Greater use of automation is critical and will slow the decline in branch numbers.

Dominic Hirsch, Editor-in-Chief

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Editor-in-Chief Dominic Hirsch

Managing Editor Morten Jorgensen

Editor Tomomi Kimura

Editorial Board Richard Cummings, Tom Hutchings

Contributors Aisha Chandraker, Robert Chaundy, Jesper Domargård, Ben Joseph, Felix Kronabetter, Jodi Neiding, Charlotte Stockton, Christian Weisser, Alice Whitelam

Subscriptions Dani Wright

Advertising Amanda Hardy, Felix Kronabetter

For all editorial and advertising enquiries:

Telephone: +44 20 8831 7300

Email: bulletin@datos-insights.com

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RBR Data Services, Datos Insights
393 Richmond Road
London TW1 2EF, United Kingdom