

The co-operative
food travel bank

Reference project

The Co-operative Bank
Transaction Processing



The Co-operative Bank creates new business and revenue opportunities with Wincor Nixdorf

The Co-operative Bank wished to extend and develop its ATM services, offering advanced features to both its own and other banks' customers, to help attract more business and build new revenues.

Held back by inflexible back-office systems and older ATM technology, The Co-operative Bank turned to Wincor Nixdorf for a complete solution.

WINCOR
NIXDORF

The **co-operative** bank is the
only high street bank with
a customer-led Ethical Policy.



The COOPERATIVE BANK
HEAD OFFICE



ROBERT OWEN

1771 - 1858



Automatic Door



Reference project

The Co-operative Bank Transaction Processing

For ATM operators, service availability is the key to success. Every ATM transaction represents a possible source of revenue for the operator, and the higher the percentage of availability, the higher the potential returns. In addition, offering extended ATM capabilities helps to attract and retain customers, demonstrating a clear point of difference in the highly competitive banking sector.

At The Co-operative Bank, ATM availability levels were dropping. Aging back-office software had reached the effective end of its design life, and it was unable to meet the need for high uptime required by the bank. The costs of updating or upgrading were prohibitive. ATM service innovation was all but impossible, and the ATMs themselves could not support sophisticated new services.

Senior management at The Co-operative Bank agreed a strategy for total system transformation. The aim was to deploy a multi-channel service, capable of handling transactions from

any internal or third-party source. With a flexible, high-capacity transaction infrastructure in place, The Co-operative Bank would be able to introduce new features, enhance customer service and ultimately, grow its revenues.

Matt Atkin, Head of Commercial Payments, The Co-operative Bank, explains: "We had a real motivation to raise our game in terms of customer experience. The existing legacy infrastructure was at end-of-life, and we needed a future-proof replacement for both the back-office and the ATM infrastructure.

"At that stage, we had outsourced our ATM infrastructure to another provider. The contract was coming to full term, which offered an opportunity to restate our service standards and ambitions that were not being delivered by the ATM infrastructure, and invite proposals.

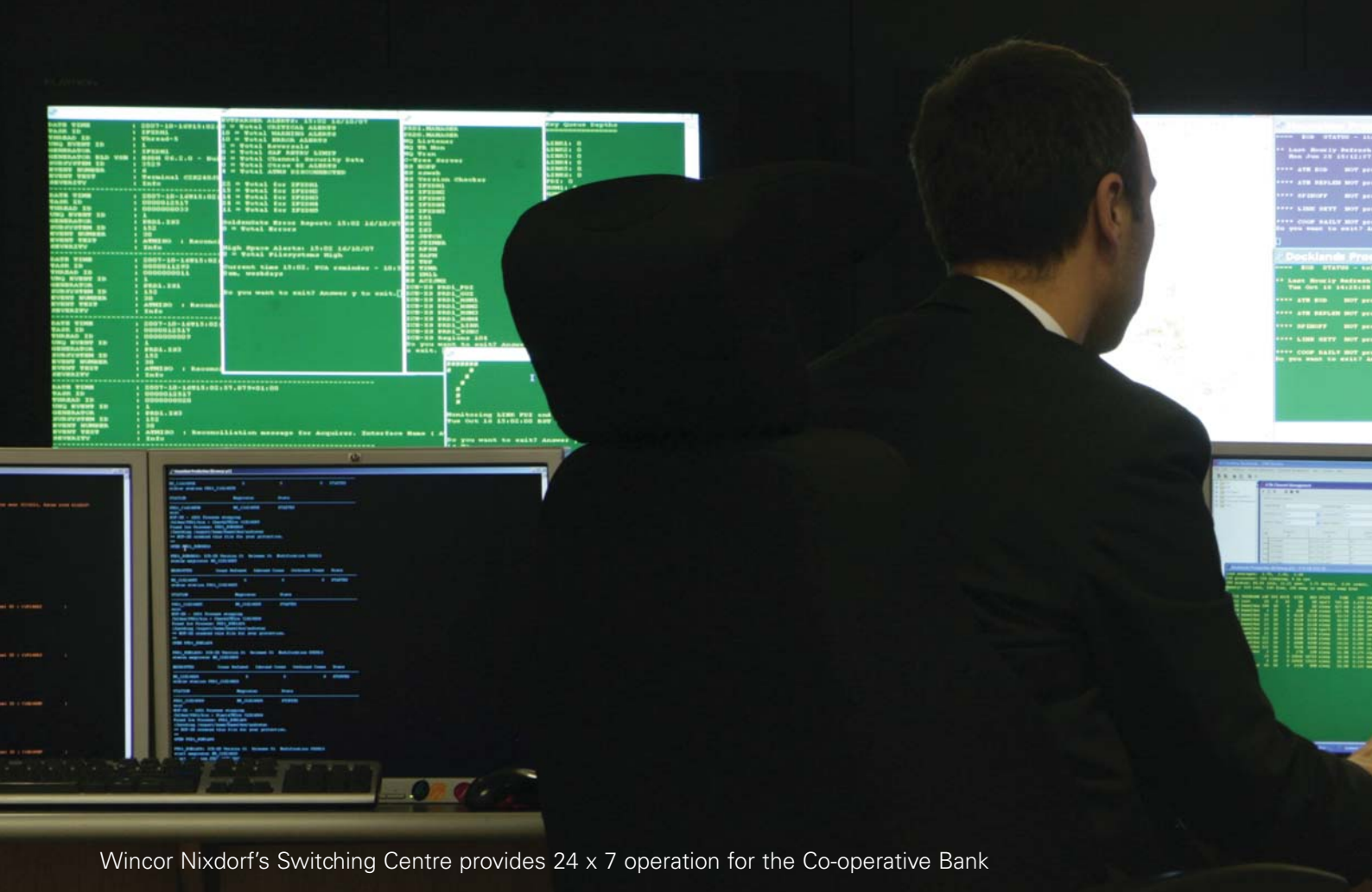
"Wincor Nixdorf have the most compelling offering for The Co-operative Bank."



Matt Atkin
Head of Commercial Payments
The Co-operative Bank

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- The Co-operative Bank has operating income of more than £500 million, employs more than 4,000 people, and operates more than 2,400 ATMs in both bank branches and in stores.
- The Co-operative Bank is part of Co-operative Financial Services (CFS), which in turn is part of The Co-operative Group.
- The Co-operative Group is the largest consumer co-operative in the world with an annual turnover of more than £9 billion, over 4,500 stores and branches, 87,000 employees and 6.5 million members.



Wincor Nixdorf's Switching Centre provides 24 x 7 operation for the Co-operative Bank

Innovative Solutions

The Co-operative Bank operate both in-branch and remote ATMs, in their Co-operative supermarkets throughout the UK. These remote ATMs attract customers into the shops, as well as providing a significant revenue source for the bank.

Richard Hemming, Strategic Development Director at Wincor Nixdorf, takes up the story: "The existing back-office processing systems could only handle transactions from a limited range of cards, reducing the 'sales value' of the ATM to the retail outlets.

"Wincor Nixdorf developed a complete end-to-end service offering for The Co-operative Bank, which specifically included the ability to acquire third-party card transactions. Because the bank was terminating its previous fully outsourced arrangement, which included the back-office transaction processor, a replacement was required."

Building an all-new transaction processor, along with the associated service and support, would be prohibitively expensive for the bank. Wincor Nixdorf took the strategic decision to invest in creating the transaction processor as part of its commitment to The Co-operative Bank.

Matt Atkin comments, "Whilst we recognised that Wincor Nixdorf was delivering some functionality here

for the first time in the UK, the benefits that underpinned it and the timeline within which Wincor Nixdorf would be able to deliver actually outweighed any risk. And it was a balanced risk that we were prepared to take based on the procurement process that we followed."

Seamless Delivery

The Wincor Nixdorf transaction processor was designed from the outset as a highly scalable environment, capable of supporting multiple channels. The system covers ATM card acquisition, internet banking, card not present, call centre and point of sale transactions. The entire solution was built, and went live, within 14 months. Hundreds of millions of transactions annually flow through the infrastructure, all of which had to be migrated over a managed timeline without customer impact.

"This was a major programme for us – indeed I would argue it would be for any bank in the UK," says Matt Atkin. "For a bank of our scale it was a significant undertaking and a huge ambition on the part of the executive board to effectively transfer our entire processing infrastructure to Wincor Nixdorf."

He adds, "With Wincor Nixdorf, we were able to deliver a programme that was broadly seamless from a customer perspective – one of the key success factors from my point of view."



What is the Wincor Nixdorf Transaction Processing Solution?

Simply it is the ability for Wincor Nixdorf's transaction processor to acquire any customer debit or credit card and offer the selected service back to the customer at the terminal.

The services provided can be simple balance enquiries and cash dispense, or any sophisticated, advanced customer services offered at the terminal. The services are available for both UK and international customers and for all card issuer types.

Once the card has been acquired by the Wincor Nixdorf Transaction Processing Service, the data is routed out to an interchange; for instance, to LINK, the national switching network in the UK for authentication and approval from the card issuer.

All card holders can access The Co-operative Bank's ATMs supported by the Wincor Nixdorf Transaction Processing Service, and be confident of receiving a rapid, reliable and secure transaction.

Benefits of Outsourcing Transaction Processing to Wincor Nixdorf

Outsourcing transaction processing to Wincor Nixdorf allows banks to concentrate on their core business of banking.

The Wincor Nixdorf Transaction Processor solution has been certified by all industry regulators such as Visa and Link, and is fully PCI compliant. The Managed Service approach addresses the ongoing issues surrounding compliancy and industry mandates therefore enabling the bank to remain focused on their other core business objectives and reduce their overall operating cost.

■ Deliverables

- ATM software and network connection
- ATM acquiring functions
- Pre and stand-in authorisation
- Switching and routing
- Interchange processing
- End-of-day file extraction

■ Additional Deliverables

- Transaction storage and analysis
- Transaction reconciliation
- Settlement and funds movement
- Incidents processing

Delivering new services to more customers

Attracting More Customers

What does the transfer to the new Wincor Nixdorf transaction processor actually mean for The Co-operative Bank and its customers?

With the infrastructure in place, The Co-operative Bank embarked on an ambitious programme of ATM renewal. With advanced ATMs connected to the new transaction service, the bank can introduce new services rapidly and cost-effectively – which was simply not possible before.

The two principal customer groups – the retail outlets with standalone ATMs and the individual bank customers – have seen immediate benefits.

“I have about 20 retail societies that represent thousands of store managers who are reliant on the ATM service as an integral part of their business success,” says Matt Atkin.

“The former systems attracted anecdotal feedback calling out some negative performances of the ATMs. In the six-month period since going live with the new infrastructure, the feedback has been consistently positive, which is a clear sign of success.

“For individual bank customers, we are now able to accept almost any card type from almost any issuer, providing a more complete service. We can add new functionality, such as phone top-up or account transfers, increasing the self-service options for customers.

“These features attract more customers to our ATMs, which generates additional income through card handling payments from third-party issuers. The ATM estate and operation can become self-financing, with the ability to increase revenue as new opportunities present themselves.”

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Senior Management Commitment

The ATM refresh programme was an integral part of the change project at The Co-operative Bank.

“I think the headline results of the programme bear repeating,” remarks Matt Atkin. “During this transition we swapped 900 brand new ATMs into our estate, getting on for 50 per cent of our business. We migrated every ATM from the legacy to the new infrastructure within about a three-month period.

“These were tremendously ambitious undertakings for an organisation of our size, and those key milestones all came in time and on quality.”

With ATM service, support and transaction processing handled by Wincor Nixdorf, Matt Atkin is free to focus on customer service and system performance. Part of the offer from Wincor Nixdorf was to improve the availability of the ATM estate, an essential element of customer service.

“With six months’ experience under our belt of running on the new ATM transaction processor from Wincor Nixdorf, we have reached a level that I would argue was top quartile in terms of availability and performance,” says Matt Atkin.

“I am impressed with the speed at which Wincor Nixdorf has been able to mobilise around service issues when they have arisen, and close them off.

“This program has received a level of senior management commitment from Wincor Nixdorf that we didn’t always see with our previous provider. We had director-level meetings with the Wincor Nixdorf UK executive team at key points in the program to ensure that we were on plan and that the lines of communication were open. It was a consistently impressive level of commitment from the UK senior leadership team within Wincor Nixdorf to keep the programme on track.”

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■ Transaction Processing Highlights

- Brand-new transaction processor enables multi-card, multi-channel services to be added and enabled rapidly and cost-effectively
- Refresh of ATM estate brings greater reliability and availability, and enhances in-store services to both the general public and bank customers
- Full outsourcing of ATM service, support and transaction processing to Wincor Nixdorf allows The Co-operative Bank to focus on key business and customer service issues
- Raised transaction volumes and new functionality combine to offer increased third-party payment revenues and business development opportunities

■ The Co-operative Bank

- Founded in 1869, The Co-operative Bank is a wholly owned subsidiary of The Co-operative Group
- 3,000 high street outlets in the UK provide a wide spectrum of financial services supported by online and business to business services
- 6.5 million customers
- Largest deployer of convenience ATMs in UK
- The only UK clearing Bank to publish an ethical stance on who they will and will not do business with

■ Wincor Nixdorf

- A world-leading provider of IT solutions for Retail and Banking Industries
- Extensive portfolio covering hardware, software, services and consultation
- Present in over 90 Countries Worldwide
- 7,900 employees worldwide
- €2.1 Billion in net revenue for year 2006/07