

Full cash-cycle outsourcing: For committed partners only

Nearly four years into what is believed to be the industry's first-ever full cash-cycle outsourcing agreement, Dutch retail banking giant ABN Amro and its service provider Wincor Nixdorf agree that both parties have faced a steep learning curve but benefited hugely from the partnership.



Outsourcing, the partners admit, is considered a highly effective way for any institution to reduce costs and focus on its core competencies. But they are quick to point out that it is a complex undertaking that requires detailed planning, open communications and, above all, commitment. In other words, don't expect an "off-the-shelf solution."

In 2005, ABN Amro handed over operation of a significant part of its self-service cash operations to Wincor Nixdorf. The extensive outsourcing agreement was a first for both parties in this area. Until then, ABN Amro had committed financial and human resources to operating and maintaining a nationwide network of more than 3,000 self-service terminals. And Wincor Nixdorf, while expanding aggressively into the market for outsourcing services, had yet to take on a cash-

chain outsourcing project of this magnitude.

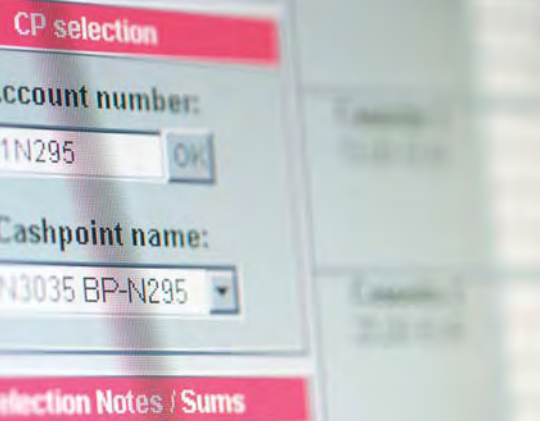
"We were honored that one of the largest banks in the Netherlands would entrust us with the operation of its self-service devices and cash transport," says Mario Koevoets, Business Unit Director Services at Wincor Nixdorf Netherlands. "But we were equally aware of the challenges associated with this first-of-a-kind project."

So was the bank. "We had a limited benchmark in this market area," concedes Yvonne Veltkamp, Head of Sourcing and Contract Management Services Operations at ABN Amro. "All of us faced a pretty steep learning curve. The first two years were a challenging period, to say the least."

Under the five and a half-year outsourcing contract, Wincor Nixdorf agreed

to take over the main responsibility for the operations of ABN Amro's off-premise self-service devices as well as the maintenance and monitoring of all devices and related systems, and to provide managed cash-cycle services for self-service systems, including cash-in-transit (CiT) services, help desk services and software support. On the ABN Amro side, a demand organization was established to interact with Wincor Nixdorf in the execution of the performance, retaining a limited scope of responsibility. The fleet of self-service systems encompassed 1,000 terminals for uploading cash to chip-based electronic payment cards for small purchases and more than 2,000 ATMs, including 1,200 traditional cash dispenser terminals, 500 sealed-bag cash deposit systems and 400 cash recycling machines. Today, the bank can rely on a single party acting as main contractor to execute its cash operations, keeping closely in touch with the customer demand organization on both the operational and contracting level, in order to keep up with initiatives, changed requirements or concepts requested by ABN Amro.

Another first: Wincor Nixdorf has taken an "open book" approach in this particular outsourcing venture. The company shares all information about costs with the bank and has agreed upfront to a profit margin. "We told the bank that we'll give them full cost transparency so that they know what's in it for us," Koevoets says.



The IT solutions provider also committed to optimize performance and hence reduce costs by 5 percent each year over the duration of the contract.

One way to lower costs is to keep a close eye on the total cost of ownership relating to cash-in-circulation, including replenishment rates of ATMs, according to Koevoets. In the past, he notes, CiT companies filled or emptied ATMs according to a set schedule. Today, Wincor Nixdorf carefully balances logistics costs and the cash-in circulation costs to make the most efficient use of resources.

In addition, the company makes use of local CiT personnel as first-line maintenance service contacts who can solve simple errors, such as banknote jams. Wincor Nixdorf provides second-line maintenance support by dispatching technicians to correct technical problems on either its own provided devices or on other vendor devices, for which Wincor Nixdorf operationally manages these maintenance contracts on behalf of ABN Amro.

In the first year, the partners spent much time “scoping” the project,” according to Koevoets. The scoping process required agreement on a number of issues, such as which services should be included or excluded and how often these should be provided. “You think you’ve defined everything upfront but then you find out that you need to define services that have to be done but aren’t contracted or are contracted but executed in a different way,” Koevoets points out. Adds Veltkamp: “The service definition between the vendor and customer should be very explicit in order not to diffuse expectations. And you should discuss any issues right away before they become a problem later on.” Recalling the scaling process, Veltkamp admits that “opinions varied,” adding that “it wasn’t always easy to reach a consensus but we did in the end because both parties wanted this outsourcing project to succeed.” The process has also helped both parties to establish a list of all services with a full description of all requirements.

Much of the second year was spent meeting service level agreements (SLAs), according to Koevoets. For self-service cash systems, high system availability is

crucial. The availability targets set by ABN Amro were challenging, which in the first year’s phase of the partnership took time for Wincor Nixdorf to meet, but which are now met against targets, the Dutch manager asserts.

Despite some initial hiccups, which can be expected in a first-time project of this type, ABN Amro can speak of real benefits from its move to in-house executed operations to outsourced operations: a single party being responsible for managing sub-contractors, system and hardware monitoring, handling incidents, offering high cost transparency and optimizing performance. As a result, the Dutch financial institution is able to focus even more on its core banking business.

Wincor Nixdorf has benefited from the opportunity to grow its services business, especially in the strategically important outsourcing sector. “Outsourcing requires strong partnerships, which we have with ABN Amro,” Koevoets says. “Over the past couple of years, we have achieved a high level of trust with the bank – it’s not easy to walk away from that.” ■



Mario Koevoets, Business Unit Director of Services at Wincor Nixdorf Netherlands and Yvonne Veltkamp, Head of Sourcing and Contract Management Services Operations at ABN Amro.

