

# Value-added machine

**Self-service technology is experiencing a new surge in innovation through the deposit function. The feature opens the door to entirely new services, such as making change, international money transfers and stock purchases.**

In the beginning, ATMs had only one function – to disperse cash. Today, more than 40 years after the first ATMs were installed, they have more than 50 functions, such as ordering checkbooks and paying taxes, according to Norbert Sasse, Managing Director of Studiengesellschaft für Vertriebs-Innovation. Caja Madrid, Spain’s fourth largest financial institution, is arguably the bank with ATMs offering the most functions.

Thanks to growing demand for new functions, the number of multifunctional ATMs has grown continuously in recent years, and there is no sign of a downward trend, according to a recent ATM market study by the renowned consultancy Retail Bank Research (RBR).

Even if the U.S. and Western Europe are viewed as mature ATM markets, investments in self-service technology have increased in nearly all regions of the world. Approximately 80 percent of all investments in industrialized markets go to technology upgrades with the aim of maintaining state-of-the-art systems. By comparison, bank investments in Central and Eastern Europe as well as the Middle East and Africa are targeted at ex-

panding the number of self-service systems in these regions.

This development is being driven by customers who have come to expect self-service from their banks. But as the volume of transactions continues to rise, so too does the pressure on banks to reduce costs by, among other things, deploying cost-efficient self-service systems (see chart 1). Such systems are in particularly high demand outside of Western Europe. For the most part, in Western European countries such as Germany, growth is being driven by growing demand for off-premises ATMs.

The largest hurdle banks face with ATMs is more the high cost of operating the systems and less their initial investment costs. “Here is where manufacturers and banks need to find solutions together,” says RBR Managing Director Dominic Hirsch.

## High cost-saving potential through self-service deposits

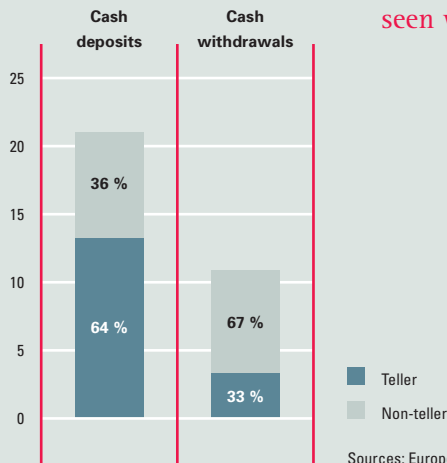
Off-premises ATMs are clearly gaining momentum. Worldwide, they now account for the lion’s share of deployments, or 47 percent, and are located primarily in Central and East-

ern Europe (57 percent). By comparison, Western Europe has only begun to show interest in off-premises ATMs in the past two years but is quickly catching up. Today, the share of self-service terminals installed outside of bank premises is 30 percent, compared to only 10 percent in 2007. And the installed base is growing by the day.

The deposit function will play a key role, according to Hirsch. “The topic will be hot for the next five to ten years,” he predicts. If banks can transfer cash deposits to the self-service domain as they have successfully done with withdrawals, they will be able to reduce their costs with self-service deposits by as much as 50 percent. Currently, the share of self-service deposits in Europe is only 1 percent, compared to more than 50 percent with cash withdrawals.

One of the key reasons for such small uptake is the former practice of placing cash in an envelope and depositing it. This approach has proven to be a dead-end; banks view it as too expensive and customers claim their deposits often show up days later in their accounts. The savings potential that can be achieved by transferring cash deposits to the

## EU15 Bank Cash Handling Costs (€bn)



Sources: European Payments Council, RBR analysis

Deposit automation has the potential to reduce cash handling costs, as previously seen with withdrawals



**Dominic Hirsch,**  
Managing Director  
of Retail Banking  
Research (RBR).

self-service domain is immense. In the 15 core member states of the European Union, costs of processing cash transactions are more than €32 billion (see chart 2). Cash deposits account for two thirds of these costs. But prior to automation, costs for cash withdrawals had far exceeded those of cash deposits.

Asia offers a completely different picture of self-service cash deposits. Most ATM terminals in the region, particularly Japan, South Korea and China, are equipped to process deposits. In fact, the share of cash-recycling ATMs with self-service capability is nearly 95 percent in Japan. Far behind these markets are Germany and Turkey, with the U.K and France showing the smallest penetration.

Overall, more than 300,000 ATMs with self-service cash deposit capability were deployed at the end of 2007, the majority of them in combination with cash withdrawal functionality. In check-oriented markets such as the U.S., nearly all ATMs accepted check deposits. The terminals check times to ensure real-time booking of deposits.

Mono-functional cash deposit terminals are on the decline, according to the study. Their share has dropped to 12 percent from 50 percent, and continues to fall. By comparison, demand for cash recycling terminals continues to grow, with their market share now hovering at around 42 percent. Today, more than half of all shipments of ATMs to China are cash recyclers. These machines meet the need of many banks to reduce their operating costs. "Just being able to extend the intervals for

loading or emptying machines from days to weeks can result in significant savings," Hirsch says. "Replenishing cash accounts for a huge share of the operating costs."

### Recycling technology on the advance

Each location must be studied in terms of deposit and withdrawal volumes, usage intensity and the mix of banknotes to determine whether recycling technology makes economic sense. That said, the potential for this technology has hardly been tapped. In Germany, ATM cash recyclers account for only 12 percent of the market. Authors of the RBR study see a mid-term potential share of between 30 percent and 35 percent in the country as is the case already in Turkey, if all possible sites are equipped. Long-term, the share of cash recycling ATMs in Germany could reach 50 percent, but still nowhere near the 95 percent penetration level in Japan.

The optimistic assessments are based on several factors:

- continued reductions in operational costs
- low process costs for cash and check handling
- achievable benefits for customers through 24/7 service and immediate booking of cash deposits
- deep geographical presence without having to expand the branch network and
- completely new opportunities for branch designs, customer contact and cross-selling.

Hirsch views the last point as one of the most important given the fact that "the branch has gained importance and a number of banks have even begun to expand their branch network." In particular, he points to the new functions previously unavailable to banks that can now be tapped to generate revenue. These benefits will encourage banks to invest in automated deposit terminals moving ahead.

A prime example is Russia. Multifunctional cash-in/cash-out systems are largely deployed there to help consumers exchange dollar and ruyb currencies. Users don't have to be bank customers; they benefit from low exchange fees compared to foreign currency exchange shops.

Among the reasons why banks are attracted to self-service deposit functionality: it doesn't require much software development, can be deployed over existing infrastructure and generates revenue without having to expand branch operations. Moreover, the service can be provided at significantly more locations than before, leading to higher transaction volumes and greater competitive advantages.

### More transactions and profits

Similar arguments apply to paying invoices at ATMs. This service has been available in several countries for years via terminals equipped with technology to scan barcodes or customer numbers. Customers can pay their invoices at ATMs in cash. And non-customers can also ▶

use the service as no card for identification is required.

For banks, the function makes sense as long as the company issuing the invoice is willing to pay a fee for having the bill paid considerably faster through automated processes. Even top-ups for prepaid mobile phone cards can be paid at the ATMs.

Another important but still largely unexplored area is the payment of loans. These can also be processed cost-efficiently by ATMs. For Hirsch, this and the international money transfers from ATM to ATM are important growth markets. This business segment, which targets migrant workers and tourists, was previously the domain of Western Union, MoneyGram and other regional institutions. Now ATMs offer banks the opportunity to move into this market segment, enhance their profile and generate a new revenue stream.

For many banks in Europe, eIPO remains a big unknown, compared to the U.S., Canada, Vietnam and Qatar. In these countries, investors can order shares from listed companies on ATMs. They represent an entirely new target group for banks. For sure, banks can draw attention to themselves by allowing customers to purchase stock on their self-service terminals and, not only that, they can make money through fees.

All these new business opportunities will encourage banks in Europe, despite the current economic and financial crisis, to adopt these new technologies. "The process has just begun," Hirsch says. The current pressure on costs in retail banking will lead to "banks taking greater advantage of the efficiency and service friendliness of ATMs," he says. "The potential is there." ■

## Strategic partnership with Sevenval in mobile banking

Sevenval GmbH and Wincor Nixdorf have formed a strategic partnership, bundling the expertise of both companies to enable financial institutions to have fast, easy access to the mobile world. Wincor Nixdorf is expanding its PC/E Retail Banking Solution Suite with Sevenval's multichannel output technology. The new browser-based software PC/E Mobile Banking ensures that banks can offer financial services such as account information, funds transfers or sales of securities by mobile phone.

The software makes use of the bank's existing IT infrastructure and optimizes customer access to the mobile banking channel. A key benefit for the bank: the mobile channel can be expanded without the need to develop an additional, redundant infrastructure. And customers enjoy an optimal mobile banking experience. The mobile service meets all online banking security standards.

"Our cooperation with Sevenval means that we will be able to rely on technology

sevenval 

components that have proven themselves on the market," says Thomas Certa, head of solution marketing at Wincor Nixdorf. "This will help us in our ongoing, long-term objective of strengthening our solution portfolio for mobile banking and mobile payments."

Sevenval's FIT technology is already deployed in numerous banks in Europe. The technology automatically adapts online services for use on Internet-capable mobile telephones. Depending on the device features, Sevenval FIT Multi Channel Server optimizes the navigation, display and content of Internet banking portals on any mobile telephone with the support of a continually-updated profile database.

"The solution's flexible architecture also allows product information and other services such as financial information and ATM finders to be added," notes Sascha Langfus, a member of Sevenval's management. "Owing to its multichannel product portfolio and international presence, Wincor Nixdorf is an ideal partner for us in our continued expansion of our leading market position in mobile banking."

## ING Belgium to install 1,200 new transaction terminals

ING Belgium will deploy 1,200 ProConsult transaction terminals from Wincor Nixdorf over the next two years. Belgium's fourth largest bank will install the systems in 550 branches that offer provide cash services exclusively through terminals and in 250 larger branches.

ING Belgium, one of the country's most innovative retail banks, is unifying its Internet, self-service and branch sales channels as part of its "Bank of Tomorrow" strategy. The online banking and self-service user interfaces will merge to have the same look and feel. The design of the small "Proxi" branches also adds a personal touch – all in line with the bank's philosophy "direct when possible, advice when necessary."



The branches have an attractive open-plan layout. There is no separation between the self-service and staffed areas to encourage contact between customers and bank staff. A permanently staffed reception desk welcomes customers. The rollout of the ProConsult terminals, which Wincor Nixdorf has tailored to the new branch design of ING Belgium, began in second quarter of 2009.