

MARKET
INSIGHT **i** #2

Potentials in ATM Cash Management

AT A GLANCE



Swiss financial institutions are increasingly outsourcing the management of their ATMs.



In order to exploit optimization potential, it is necessary to bundle services with a provider. An important component of this is the cash management service.



Starting in Q4 2021, SIX will offer just this kind of solution, which will enable financial institutions to significantly reduce their costs and increase service quality along the entire value chain in the cash business.

Availability is key

Operators of ATM infrastructures find themselves in a dynamic market environment that is becoming increasingly uneconomical due to sharp declines in cash transactions¹ if they simply carry on as before. In the interests of more efficient cash supply, ATMs need to be better utilized. A reduction of around 2,500 ATMs in Switzerland is conceivable without any loss of service.² In addition, cash transactions are increasingly being shifted to the ATMs in the self-service foyer as part of the trend toward cashless branches. If the number of ATMs and tellers' counters decrease in the future, end customers' requirements in terms of the availability of the individual device will increase significantly. ATM operators are therefore striving to guarantee the highest possible device and cash availability of their ATMs and thus ensure a high level of service quality and customer satisfaction.

¹ «Future of Money. A SIX White Paper» www.six-group.com/future-money

² clearit, The Swiss professional journal for payments, Issue 85 – December 2020, page 13

Challenges of ATM cash management for financial institutions



CIT companies

- High costs
- Quality deficits and heterogeneity



Automation

- Differentiated degree of automation
- No standard tools and high individuality



Processes

- Heterogeneity in processes
- Number of participants and responsibilities
- Fill / replenishment frequency of ATMs



Employees

- Loss of expertise and resource bottlenecks
- High effort clarification of differences and complaint processing



Varying cash management processes in Switzerland

The challenges of ensuring cost-effectiveness and availability in ATM operations are therefore complex and, on closer inspection, can hardly be met by a single financial institution as an ATM operator. This is why banks are increasingly outsourcing cash management. There are outsourcing opportunities along the value chain, from forecasting to reconciliation. For example, physical cash handling – from note packing and counting to transport – is usually managed by cash-in-transit (CIT) companies. In cashless branches, filling and first-level support is also usually handled by them.

Each ATM optimized from a cash management perspective can save up to CHF 6,000³ per year. But outsourcing to the CIT companies does not achieve these optimization potentials. On the contrary, there are even further, additional challenges such as various areas that are generally affected by the overall cash handling process, including a large number of internal IT systems that have to be used and maintained. In the area of ATM servicing, there is also a high level of effort required on the part of financial institutions to manage and ensure the quality of the CIT companies, which is associated with relatively high costs. And not least, ATM expertise in financial institutions is dwindling as banks increasingly focus on their core areas.

If we look from the individual financial institution to the Swiss banking landscape as a whole, we see that the processes differ significantly between the individual banks in terms of the degree of outsourcing and the degree of centralization. For example, instead of an end-to-end solution for cash management that covers as much of the value chain as possible, individual solutions are used that limit the scope for optimization at institution level.

³ According to surveys by SIX Group Ltd (SIX)



Reduce costs, improve services

The effective lever for future-proof and economical cash management lies in bundling services with one provider. According to current figures from SIX, cash handling accounts for around 30% of ATM operating costs – this offers great potential for savings if the choice is made in favor of an experienced service provider. SIX develops and operates infrastructure services for the Swiss financial center and supports Swiss financial institutions in areas including increasing efficiency, quality and innovative capacity in the cash business along the entire value chain. SIX has already developed services related to operating ATMs for banks, such as centralized monitoring. In order to achieve a higher degree of optimization for the banks, the next logical step is to also offer cash management as a service. In particular, linking multiple services brings the necessary efficiency to achieve significant cross-service economies of scale for the financial institutions in terms of better service availability, simplified processes and cost optimization.

With “ATM Cash Management Services,” SIX offers Swiss financial institutions an outsourcing solution that allows them to remain operators of their ATMs and owners of the cash in the ATMs. The banks also continue to be contractual partners via the CIT company. As an outsourcing partner, SIX creates a forecast for each individual ATM using professional cash management software. In addition, SIX commissions the respective unit responsible for banknote trading to procure the cash and a CIT company to fill the ATMs on behalf of the bank. The service also includes communicating with the CIT company on behalf of the bank if differences need to be clarified or if documentation and reporting need to be requested.

The SIX service is available in two variants. One provides **cash management software as a service (SaaS)** for the financial institution’s own use. In the other, banks can hand over cash handling in full to SIX as part of **business process outsourcing (BPO)**.

**Based on the identified processes of the value chain,
SIX offers four core services as a service package**



FORECASTING

- Professional cash management software analyzes changes in individual ATM levels on a daily basis.
- Optimization of supply and replenishment frequency.



ORDERING

- Banks have the option to record manual cash orders in the cash management software, irrespective of forecasting.



RECONCILIATION

- SIX makes the reconciliation process more automated with the use of reconciliation software.



SUPPLIER MANAGEMENT

- Cash management software can be connected to the CIT company's track & trace system.
- SIX monitors the timely and physically correct execution of the services of the CIT company commissioned by the banks.
- If there are deviations from the defined service level, SIX lodges a complaint for proper execution on behalf of the banks.



Outlook / call to action

How do financial institutions meet customer demand for cash services at an appropriate quality level? And how do they optimize their profitability in terms of ATM management?

The solution lies in outsourcing and centralizing cash management. With "ATM Cash Management Services" from SIX, Swiss banks reduce costs and increase the quality of the service providers involved. SIX plans to implement the new solution at a first pilot bank in the second half of 2021. Be part of it, and benefit from the optimization possibilities with the "ATM Cash Management Services" from SIX!

