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Amid the Increase in Digital Payments, New Opportunities for Self-Service Cash Recycling Emerge

Cash recycling technology has proved to be a cost-effective cash-management solution for financial institutions (FIs) around the world, offering benefits from reduced cash-handling costs and CIT visits to an improved consumer experience. Considering the incredible pace of change in consumer payments behavior today, is the investment in cash recycling still worth it? We're exploring what the future holds with Dominic Hirsch, Managing Director of RBR and Juergen Kisters, Vice President of Banking Marketing at Diebold Nixdorf.

Dominic Hirsch
Managing Director
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Q&A

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WILL THE FUTURE OF PAYMENTS INCLUDE CASH?

Dominic Hirsch: There is no question that cash is under unprecedented pressure. It is dangerous to generalize however, as there are many less developed countries where economic growth is still driving an increase in cash usage—and even in more developed markets a significant share of the economy operates with cash. Countries such as Sweden and the UK are becoming concerned that the withdrawal of cash infrastructure is creating financial inclusion problems and increasing geopolitical risks, and they are taking actions to protect cash. Other countries will increasingly do the same, so cash will remain important for the foreseeable future.

Juergen Kisters: The pandemic certainly accelerated the adoption of contactless payments—but the overall desire for cash has only diminished slightly and the amount of cash in circulation is still growing. It remains an attractive form of payment as it's anonymous, avoids overspend, limits security breaches and is essential for underbanked societies and those unfamiliar with digital means of payment. Restricting payments to cashless options will only cause discrimination. The key is providing options according to individual needs and to conserve cash while developing digital options.

WHAT IS THE ROLE OF THE BRANCH IN THE CONTEXT OF CASH HANDLING?

Dominic Hirsch: COVID-19 accelerated branch trends that were already underway. In particular, it no longer makes sense for branch staff to handle significant amounts of cash when this can be carried out more quickly, accurately and safely through automation. Most branches will still need to be able to handle cash, but this will done by using ATMs and self-service devices and where staff are involved, through teller cash recyclers.

Juergen Kisters: Growth in digital banking, coupled with the economic repercussions of COVID-19, accelerated branch transformation initiatives. But even in the "new normal" consumers still desire face-to-face interactions. Self-service is quickly becoming the facilitator—it can be "in the branch" and function "as the branch"; it's a modern hybrid of digital and physical channels. Through self-service, we can automate transactions while still enabling human touch through tools like video teller and assisted service, when consumers desire it.

WHY ARE THERE COUNTRIES WHERE CASH RECYCLING IS WIDELY USED WHILE IN OTHERS IT IS STILL RELATIVELY UNCOMMON?

Dominic Hirsch: You might expect that ATMs and other self-service devices would be similar across all markets, but there has always been a surprising amount of variation. There are numerous factors explaining the differences, such as labor and CIT costs, regulation, alternatives ways of depositing cash, the role of checks and more. Despite these differences, RBR is seeing recycling become more universal. This makes sense as the costs of recycling units have come down while many of the costs associated with not having recycling have gone up, so the business case in favor is continually growing.

Juergen Kisters: I see three main reasons:

1. There are local differences in how people bank and pay, e.g. P2P and P2B payments or check usage.
2. National support and focus is required to integrate and certify recycling into existing networks /switches.
3. The demand and acceptance of automated cash deposits among retailers.

Today the technology is extremely advanced—the TCO and business case are supportive. I'm convinced that many markets lagging behind will quickly adapt.

HOW IMPORTANT IS IT TO MIGRATE MORE BUSINESS DEPOSITS TO SELF-SERVICE?

Dominic Hirsch: Larger businesses have several options for managing their cash, including use of CIT companies and installation of smart safes, but SMBs often don't have the scale to justify investing in such solutions. Depositing cash, and checks where applicable, at the bank is therefore the default solution for most SMBs. Just as with personal customers, convenience is key, and self-service deposit terminals do a great job of filling this requirement, especially if they are available outside of normal banking hours. Deposit automation is still far from universal and therefore remains a differentiator for SMBs in most markets.

Juergen Kisters: SMBs account over 90% of global businesses and should be a top priority for FIs. Many SMB owners report that having to deposit their cash at night depositories or at the teller during business hours has many disadvantages. (i.e. it's time consuming, there's no instant credit, etc.). A closed cash cycle with cash recirculated through the ATM offers a win-win situation for SMBs and FIs: The more SMBs use self-service for merchant deposits, the more it helps reduce cash-related tasks and costs. SMBs benefit from large bundle deposits whenever they want, with direct crediting to their account.

WHAT STEPS CAN FIS TAKE TO FURTHER IMPROVE THE OPERATIONAL EFFICIENCY THEY GAIN FROM USING CASH RECYCLING?

Dominic Hirsch: The first thing to recognize is that deposits and withdrawals do not have to be perfectly in balance to benefit from cash recycling, as significant financial savings can still be made if ATMs need to be replenished less frequently. Operational efficiency can be improved through changes to the note denomination mix and other strategies such as making terminals deposit-only during busy deposit periods and use of cash management software to optimize the cash replenishment schedule.

Juergen Kisters: Cash recycling technology successfully reduces CIT costs. However, the irregular flow of cash makes manual forecasting difficult. A combination of recycling hardware with a proven cash cycle optimization solution that makes use of AI and machine learning algorithms offers additional value. With a combined approach, FIs can achieve higher efficiency and cost reductions—and get the most out of their investment.

THE TAKEAWAY:

Despite the growing demand for digital options, cash remains an important means of payment. In their role as providers of cash, FIs will need to rise to the challenge of providing continued access to cash while keeping the costs low and manual cash handling tasks to a minimum. Shifting cash transactions to the self-service channel simply makes more sense: By investing in cash recycling, FIs can lower costs, maximize efficiency and simultaneously improve the customer experience and enhance their service offering. Even in markets where cash recycling has remained largely unused, the improved technology and changed market conditions have increased the appeal of cash recycling drastically.

For more information on the topic, check out our blog Steps to Cash Automation and Benefits of Cash Recycling and learn how SMBs are leveraging the business case for cash recycling (The SMB Opportunity)

To read more thought-provoking and frank discussions from a variety of industry experts and influencers, visit **DieboldNixdorf.com/Mindshare.**