

NCR PERSPECTIVE

Transforming cash supply chain management

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With 2012 being slated as the year contactless payments hit the mainstream and the almost daily news of a new Near Field Communication (NFC) card or mobile device launch, one sure New Year's prediction is that cash will continue to be widely used as a means of convenient day-to-day payment worldwide.

Currency in circulation continues to grow in almost every corner of the globe. To take just two examples, the European Central Bank and United States Federal Reserve Bank both report a near 9% increase in the level of their currencies in circulation over the past three years.

Convenient access

Convenience lies at the heart of the sustained popularity of cash, and with continued significant growth in ATM numbers around the world, the ATM channel offers even more people easy access to cash 24/7. With no sign of a halt in growth, London-based RBR estimates that there will be almost 3.2 million ATMs installed worldwide by 2016.

Alongside the ATM channel, in-branch self-service and assisted service cash dispense, deposit and recycling technology also support the ready access to cash, while at the same time enable financial institutions to free up expensive teller labour and divert these resources to revenue generating and other customer-facing activities.

While deployment of self-service technology and the pursuit of counter migration strategies can have clear financial benefits, without careful planning and execution, an already complex cash supply chain can face even greater pressure.

Complex supply

While the ATM is now the main means of supplying cash (for example, in the United

Kingdom, the UK Payments Administration reports more than 70% of all cash withdrawals are now made by ATM), the ATM channel forms just one part of a highly complex two-way supply chain that puts new and fit currency into circulation and removes unfit and surplus notes and coins.

With many central banks taking a less hands-on role in the management of currency in circulation, the commercial sector is increasingly charged with managing cash supply and demand. While today's ATMs are much more note quality tolerant and less likely to jam, the need and convention to sort and supply high quality counterfeit free banknotes remains.

As more recycling ATMs and teller cash recyclers are deployed, the requirement to ensure banknote integrity becomes even more critical.

On the retail front, the expansion of out-of-town shopping centres and larger format stores has seen a consolidation of cash spending in fewer locations – the larger volumes of cash receipts often supporting dedicated cash-in-transit collections and centralised cash processing.

Advances in ATM and in-branch cash recycling technologies provide the opportunity for greater localised cash recirculation and reduced cash movements. However, local recycling is only truly effective where cash supply and demand, in the right denominations and qualities, are closely matched. The logistical demands of managing cash supply can be daunting and call for intelligent tools to meet the challenge.

The cost of cash

Given that exact cash usage is poorly measured, it is often hard to be definitive as to the cost per transaction or the total cost of cash handling. One thing is for sure, the cash supply chain is rarely optimised and there are invariably significant opportunities for cost reduction and cash optimisation.

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Not only are the costs of cash handling often poorly understood, the cost drivers for cash are subject to regular change. With interest rates determining the cost of cash supply and cash holding and with varying insurance, security, labour and transportation costs influencing cash-in-transit and cash processing fees, cost optimisation is a constant juggling act.

NCR Cash Management Consultancy engagements show that at least 80% of ATMs and branches hold more cash than needed to meet usual demand. Yet the cost of cash unavailability, not only in terms of the much more expensive emergency replenishments, but also in lost transaction revenue and potential reputational damage, make cash forecasting and optimisation a real challenge.

A comprehensive approach

With significant supply chain efficiencies and cost savings to be realised, where is it best to start? NCR, the largest supplier of ATMs worldwide, has many years' experience working with organisations, both large and small, across the cash supply chain.

Built on that extensive experience and NCR's long-standing market knowledge, NCR Cash Management Consultancy Services offers a comprehensive range of advisory services to analyse, benchmark, provide actionable recommendations and optimise the performance of cash operations.

NCR Cash Management Consultancy Services leverages global best practice to understand each country's cash operating environment, and through analysis, each organisation's current end-to-end currency supply chain arrangements. This consultancy-led approach ensures supply chain gaps or inefficiencies are identified and appropriate strategies are put in place to reduce costs, eliminate waste and improve operations.

Exploiting technology

While NCR has a comprehensive suite of cash handling technologies, the latest hardware alone is invariably only a part of the solution. Recognising that many customers favour multi-vendor relationships and have already invested heavily in their cash handling infrastructure, NCR delivers cost-effective open solutions that can leverage both new and existing investments.

Cash optimisation software

One excellent example of a solution that can be built upon existing infrastructure and always offers a short-term payback is OptiCash, the market-leading cash management software provided by NCR's Global Preferred Cash Management partner Transoft.

Given the variable cost base, changing consumer demand and the increasing move towards localised cash recycling, cash forecasting and optimisation software provides significant opportunities to balance customer expectations of cash availability with improved supply chain management and reduced handling costs.

Already used by some of the largest banks in the world, the OptiCash suite of software is capable of optimising the entire cash supply chain from ATM and branch, interacting with secure transport through to the cash vault. Based on cash withdrawal and deposit patterns, variable interest rates and processing costs, the software is capable of producing optimised schedules and recommendations to reduce costs across the entire supply chain. This holistic approach supports intelligent recycling management, ensuring efficient and cost-effective localised cash recirculation where appropriate.

Service-led, software-driven and hardware-enabled

As financial institutions seek to provide a full range of payment methods, deploy multi-channel strategies, engage with their customers across multiple platforms and leverage the latest technology to enrich customer interactions, organisations should not lose sight of the opportunities to optimise the 'behind the scenes' cash supply chain.

Commenting on NCR's approach to cash supply chain management, Mark McCallum, Global Marketing Director of Branch Transformation, said *"More and more of our customers appreciate NCR's service-led, software-driven and hardware-enabled philosophy. Working with key industry partners, NCR is able to deliver practical solutions that enable our customers to maximise their existing investments and exploit new technologies. The benefits are tangible and often the payback is immediate."* ■

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