

Optimizing the Cash Cycle

The day-to-day administration of managing cashflows continues to be a big challenge for financial institutions (FIs). As cash transactions happen en masse daily within both the branch and self-service networks, there is growing pressure to ensure that the flow is optimized and costs are minimized. We spoke with Peter Woydich from Planfocus and our own Marco Goltz and Henning Nattmann to understand what opportunities FIs should leverage to increase efficiencies in cash cycle management.



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Cash point data is an untapped treasure. Using AI technology and Machine Learning algorithms with a focus on forecasting and cash service optimization can leverage this data to accurately predict future withdrawal and deposit behavior at any kind of cash point. That results in significant reduction of logistic and interest costs.

Due to a cash recycler's unregular sequence of cash flow and a varying rate of denomination – forecasting is nearly impossible to do manually. Therefore, a combination of hardware and a proven cash cycle optimization solution is needed to get the most out of their investment, including higher levels of service to their end customer at remarkably lower operating costs.

Truly AI-based, highly automated cash cycle optimization enables the downstream operating departments to accurately and timely plan their future activities. Emergency Services will be a phenomenon of the past, as will be fixed service routing. The result is higher network availability, transparency and streamlined processes.

Separation of entities would no longer be necessary as mathematical algorithms are adapted to individual requirements and can even optimally combine the end-to-end management, optimization and forecasting of multiple cash points in the network. As a result, the user receives reliable granular intraday optimization on a denomination basis on top of the underlying principle of cost reduction.

Managing a cloud-native or as-a-service offering can largely reduce the implementation and maintenance burden without compromising on data security standards. Subscription offers complete the licensing options and provide a manufacturer's answer to the CAPEX/OPEX discussion.



HOW CAN A CASH MANAGEMENT SYSTEM LEVERAGE DATA TO ACCURATELY OPTIMIZE EACH CASH POINT?

HOW DOES THE ADDITION OF RECYCLERS (ATMS OR TELLER STATIONS) EFFECT THE CASH MANAGEMENT PROCESS?

WHAT CAN BE DONE TO SCHEDULE CIT VISITS IN THE RIGHT CADENCE?

HOW COULD A HOLISTIC CASH MANAGEMENT APPROACH, INCLUDING BRANCH AND SELF SERVICE, PROVIDE IMPROVED CASH OPERATIONS?

HOW CAN FIS OPTIMIZE THEIR CASH HANDLING & LESSEN THE BURDEN OF THE CURRENT MANUAL PROCESS?



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Data is key and needed with good granularity (inventory detail) and resolution (data history and cadence). Ideally, data is reported by currency, denomination and individual container type, i.e. dispense, deposit, or recycling. A good monitoring solution provides such data. It's surprising that many FI still rely on archaic host reports and do not yet use better data sources.

By reusing deposited cash for dispensing, the load frequency can be reduced. This depends on various factors such as the balance of incoming and outgoing cash flows by face value and retained banknotes, their quality and the device configuration. All factors must be considered—and with recycling, more than ever, a cash management solution that can handle those challenges is truly needed.

The concept of just-in-time delivery has been known for a very long time. Surprisingly CITs continue to use static schedules in many parts of the world. With the right tool, regular review and adjustment of service cycles helps to avoid overly rigid schedules and effectively minimize emergency loads and out-of-cash situations.

ATMs can provide an automated data feed, while information about the inventory in branch vaults is generally less accessible. For this reason, branches lag with excessive inventory and too frequent CIT visits. It pays to look for ways to centrally track the branch cash inventory by denomination daily and thus enable a truly holistic optimization.

The ideal solution requires the right tools and expert knowledge. This can be a real challenge, especially for smaller FIs. Outsourcing to a recognized managed service provider enables access to resources that may otherwise not be available. Even larger banks are following this trend and relying on specialists to reduce in-house complexity and enjoy rapid ROI.

THE TAKEAWAY

True cash optimization often fails simply due to the limitations of the service provider. This does not have to be the case; there are tools available and partners to provide the conceptual and technical prerequisites to have the right amount of cash at the right place at the right time. True cash management is highly automated and simple, and surprisingly easy to integrate into existing environments to deliver precise predictions, from simple denomination levels all the way up to full recycling support, enabling flexible, best-in-class cash optimization.