

# Future-Focused Transformation



Increase your agility with a managed services plan designed for modern banking.

[DieboldNixdorf.com](https://www.DieboldNixdorf.com)

# Introduction

**Entering 2020, the financial industry was still very much in flux—before the pandemic affected all of us.** Consumer behavior across all generations has irrevocably changed; there is an increased appetite for a digitally enabled omnichannel consumer experience, new competition has entered the market, interest rates are at a historically low level, revenues and margins are reduced, and unemployment is high with record levels of consumer debt. Financial institutions (FIs) that were already advanced in digitization have been one step ahead and able to differentiate from their peers immediately. But for many banks, COVID-19 was a final wake-up call to make meaningful change.

**The global pandemic made two things quite clear:**

1. It's the consumers' world—we're just living in it. Offering a superior, personalized customer experience has never been more critical to long-term growth.
2. FIs must completely reevaluate their operating strategies to prioritize efficient, nimble, highly scalable and continuously available service channels, both physical and digital.

**Learn how a managed services approach can increase your speed to market, enhance consumer experience and free up your capacity. Explore how your organization can benefit from the latest and most future-proofed technology solutions without tying up your own resources. Discover why strategic partnerships are the key to a more agile ATM operating model.**





## Chapter 1

# Charting the Future of Banking IT Operations

### What does it take to be a future-proof bank?

Traditional FIs face tough competition, not only from other banks in the market but also from new, and, in most cases fully digital, challenger banks. In addition, the pandemic has only increased consumers' appetites for—and comfort with—on-demand, digital-first services.

Consumers are more demanding, the population of digital natives is growing and older generations are becoming comfortable with modern technology. These trends are placing banks under more pressure to deliver speed, personalization and instant satisfaction through digital channels such as online, mobile and the ATM. For FIs to deliver the kind of experience consumers increasingly expect, they too must embrace agility—they must be “always on” in the most cost-effective manner. That means allocating resources and being able to scale on-demand, whenever and wherever needed.

### Vision vs. reality: It's time to explore alternative strategies.

Many FIs still don't fully offer the kind of seamless, consistent, omnichannel experiences consumers are asking for. They're hampered by internal silos, disconnected channels, legacy operating IT systems and the lurking fear of commoditization.

The self-service channel offers a path through these challenges. For starters, the pandemic has amplified the importance of the ATM. It's a channel that is now (and likely will continue to be) viewed by cardholders as a safer interaction than a branch, from a health-risk perspective. As consumers shift away from branch staff interactions, they naturally expect that the ATM channel will flex to accommodate their needs. The shift of workload from branches to the ATM channel is already in motion, and enabling that shift is critical. Modern technology and new, operating models are required; legacy, monolithic and costly systems must be let go in the new world.

“Successful banks will do away with operating models that have hierarchical structures, fixed resources, and loose interactions—and shift to dynamic, right-sized models based on demand.”

—Forrester Research

<sup>1</sup> The Future Of Banking Is Built On Trust, Forrester Research Inc., July 29, 2020

## Technology Solutions That Business Leaders Say Will Have the Most Profound Impact on Their Organizations



Source: The Fourth Industrial Revolution survey 2020

### The pandemic was an accelerator, not a kick-starter.

Back in 2018, Capgemini confirmed the growing importance of cloud-native computing in the banking industry: It found<sup>2</sup> that FIs expected to spend 41% of their cloud budget on Platform as a Service (PaaS) in 2020.

#### Cloud-based financial operations management is motivated by a variety of factors and appealing benefits:

- Centralized systems and tools **reduce the complexity of innovating.**
- More accessible, flexible and cost-effective resources **accelerate innovation.**
- Software is centrally hosted and updates are automatically pushed out based on the FI's subscription model, enabling banks to make more frequent updates and **eliminating manual software installations and patching.**
- It's anchored in an open ecosystem that makes it easier to introduce new capabilities, **empowering banks to consider partnerships** that are integral to building new products, services and functionality.
- The time spent on development, provisioning, testing and implementation is minimized, leading to **increased speed to market.**
- **It offers access to broader technologies** than most FIs would have the resources to create and maintain in-house.
- Banks can implement **more efficient staffing models** with the agility to refocus on core capabilities up to and including adopting partnerships for outsourcing where managed offerings become easier to implement.

IT spending in banking is growing at a steady pace. The challenge for FIs is no longer focused on "if" they need to invest in new technology and new operational models to be able to protect and expand their core business, but "how?"

### Are you an IT company... or a bank?

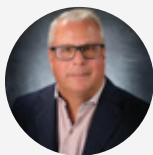
The good news: You do not have to be an IT company yourself—partner to take the full advantage of the evolution of leading-edge IT operating models.

If you can believe it, nearly half<sup>3</sup> (43%) of all U.S. banks are still running on COBOL—a programming language from the late 1950s!—according to a report from EY. FIs continue to run homegrown core banking systems, built on legacy infrastructure designed for the pre-Internet era, and that outdated infrastructure could be hindering and/or delaying cloud migration plans. To meet consumer demands today and retain connections with consumers, FIs can't wait any longer, despite the challenges; they must start the transition to a modern IT architecture. But while traditional banks may realize the benefits of having an open platform, many are still hesitating to take action, perhaps because they're grappling with the fact that it can take up to five years to fully complete core banking infrastructure switches.<sup>4</sup>

<sup>2</sup> Cloud Native Comes of Age in Banking, Capgemini, 2018

<sup>3</sup> Why banks can't delay upgrading core legacy banking platforms, EY, 2019

<sup>4</sup> Digital Banks and the Power of The Cloud Tracker® June 2020



**Bruce Pearce**  
VP Managed Services Americas,  
Diebold Nixdorf

“To meet consumers’ ever-increasing expectations for on-demand, digital-first services, FIs must be adaptable, ready and able to move quickly. They must be, in a word, agile. And all this can be gained through connected services and with the support of the right technology and business partners. More and more we are seeing large FIs globally adopt this more agile approach to managing business outcomes.”

Removing silos and disconnected channels in order to deliver a more seamless customer experience is more than an aspirational goal, it’s a necessity in order to remain competitive. As consumer preferences continue to shift, delivering contextualized, data-led journeys that offer tangible value to consumers is becoming increasingly important. Consumers expect seamless experiences across all channels, regardless of the size and IT budget of their FI. **That means banks need to invest wisely and rethink their operating models.**

As the industry continues to balance a focus on consumers, while facing increasing pressures on efficiency, FIs are breaking new ground in working together more collaboratively. A move towards as-a-service, outsourcing and shared networks (whether that be shared cash utility networks or branch infrastructures) can deliver business agility and cost reductions.

But adoption isn’t always easy, and many barriers still stand in the way of transformation journeys. Diebold Nixdorf works with FIs globally to overcome these obstacles. We’ve already broken away from the traditional, channel-centric approach. Our solutions use APIs and cloud-native technology to create an open, standards-based platform to modernize FIs and create dynamic ecosystems for today’s digital-first, cloud-enabled environment. These solutions, which actually enhance managed or as-a-service partnerships, can help FIs overcome the resource and technology obstacles that often slow down cloud-based opportunities. With the right mix, managed services or as-a-service-partnership approaches can make your operations management more agile and efficient without the need to use or build your own resources and infrastructures.



## Cloudy Thinking? Time to Look on the Bright Side.

More than **60%** of bankers<sup>5</sup> polled say that integrating cloud-native applications with legacy infrastructure poses a significant challenge.

Many banking applications were built on-premise and migrated to the cloud, rather than developed as cloud-native from the onset.

**61%** agreed<sup>5</sup> that organizations face significant challenges from the organizational culture—the people and processes involved that must support the initiative—in the move to a cloud-native platform.

First, it's the “all-in” perception—the assumption that only when you can shift the entire enterprise to the cloud are you ready to make the transition. In reality, migration to the cloud can be—and often is—gradual. It can begin with less mission-critical elements of the business and evolve from there. **You can have an “all-in” commitment to evolving your model without being 100% cloud-enabled.**

### How to Get There Gradually

Do the right things in the right order; your migration doesn't need to be done “all at once.” A well-defined transformation path and roadmap that includes partnering can help ensure your operations management is easier in the long run.

Buy solutions or enhance your ecosystem of strategic partnerships to allocate your resources gradually and retain the ability to grow or enhance your offering step by step according to your strategy.

Start with a non-core business with less complexity, one that is less mission-critical, and ask yourself: what are the most important drivers of your transformation process? Is it to offer innovative services and to modernize your capability? Is the cost pressure more important? How do you best meet your consumers' expectations? And how can you improve the consumer journey?

<sup>5</sup> Cloud Native Comes of Age in Banking, Capgemini, 2018

Self-service is **fundamental** to the transformational journey.

## Chapter 2

# Self-Service Offers New Opportunities at a Critical Crossroad

Transformation has been on the minds of FIs for years and the urgency is growing; COVID-19 has fueled that urgency and accelerated action. The pandemic has had a major impact on the way people pay and bank. FIs have needed to react quickly to offer banking services across their network of touchpoints, engage appropriately with clients and staff, and keep operating in an efficient manner. Self-service has emerged as a key enabler.

**COVID-19 can be seen as an accelerator of strategic directions and trends that were already shaping FIs' transformation journeys:**

- Migrate as many transactions as possible to self-service
- Automate processes to reduce manual activities
- Close one of the most complex and expensive channels—the branch—in locations where it is no longer efficient or profitable, and leave behind a self-service strategy with enhanced ATM functionality instead.

The ATM is no longer just “in the branch”; it has now shifted to “as the branch.” ATMs are one of the most important brand ambassadors FIs have, and they’re one of the greatest tools bankers have at their disposal to engage, retain and grow a customer base for the digitally-enabled future of banking. ATMs are not simply cash-and-dash machines anymore—but as long as cash is available, they remain the most convenient tool for consumers to get cash and for FIs to provide cash. Therefore, self-service plays a major role in the consumer journey and a fundamental part in consumers’ brand perception.



**Biswajit Jha**  
VP Managed Services APAC,  
Diebold Nixdorf

“ATMs are one of the most important brand ambassadors FIs have and the most efficient way for people to withdraw cash or deposit cash in their bank account. Has your team asked itself, ‘How far can we push our operating model without negatively impacting user experience? Even more, how can we enhance the user experience?’ The right approach is a model which optimizes operations while at the same time positions the ATM as a key physical fulfillment tool for consumers’ digital journeys.”

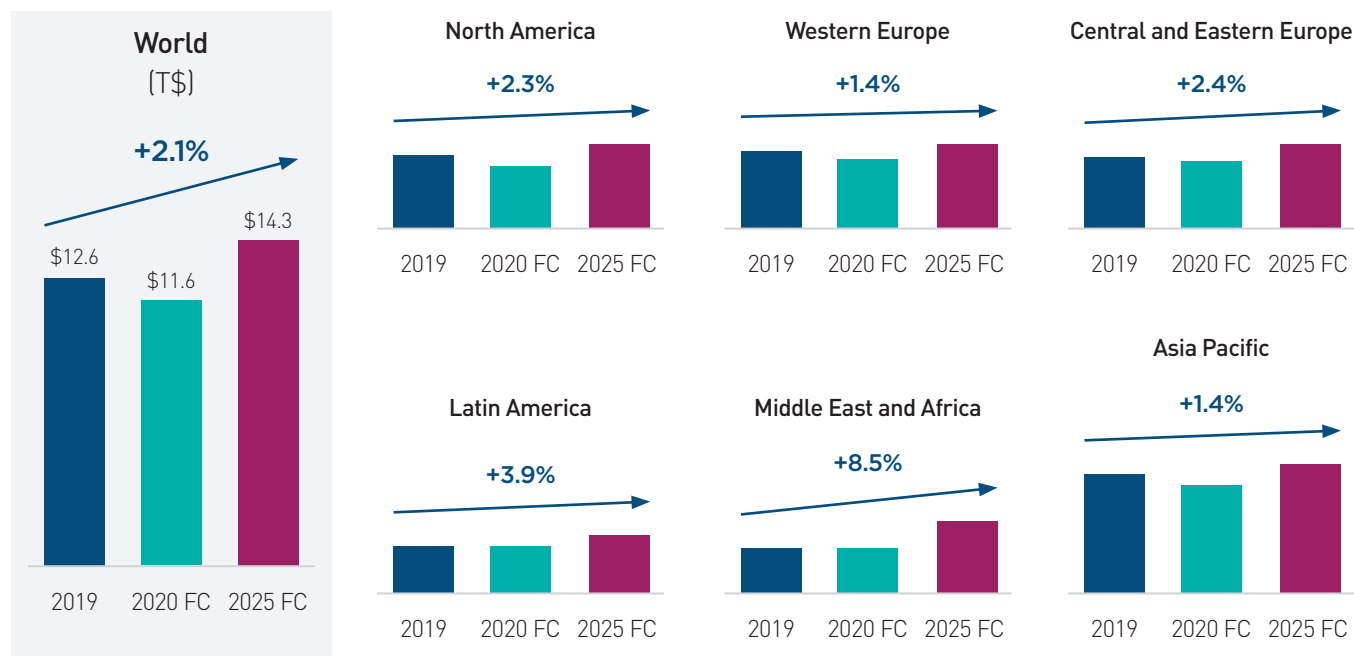






## Cash Withdrawals Expected to Remain Resilient

**Forecasting worldwide cash withdrawals in value – CAGR of 2.1% from 2019 – 2025E**



Source: RBR 2020, Global ATM Market and Forecasts to 2025

Note: Value of cash withdrawals is trillion of US\$



While COVID-19 is shaping consumers' interest in contactless transactions, the desire for cash has not diminished significantly. After an initial decrease of cash usage in the pandemic, we see worldwide that the trend is reversing and that the amount of cash being circulated through the ATM is going up in aggregate.

FIs that were already advanced in automation before the pandemic have been one step ahead and able to differentiate from their peers immediately. They had already migrated the majority of their over-the-counter transactions to the self-service channel and were deeply invested in creating omnichannel journeys.

**As the importance of the ATM increases, so does the complexity of channel management.**

ATM availability and reliability are among the biggest challenges FIs face in the battle to ensure consumer satisfaction, while managing the total cost of ownership is a constant P&L balancing act and struggle for executives. These dynamics set the stage for a tug of war between three key metrics:

- Customer Experience & Satisfaction
- Self-Service Reach & Accessibility
- Total Cost of Ownership (TCO)

Now is the time to expose trapped value in an efficient 'cost to serve' channel with an operating model that makes fiscal sense. With every additional percentage point of availability, you reach more consumers and generate more transactions. Availability is key for consumer experience, consumer satisfaction and finally consumer loyalty. Every percentage point of availability counts.

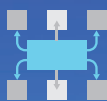


**Michael Wiedeck**  
Chief Sales Officer, bank99 AG, Austria

"Our motto is to be as small as possible and as big as necessary. Managing modern ATMs is complex and requires special know-how. We relied on the expertise of Diebold Nixdorf to help ensure the launch of a country-wide network of ATMs and branches was successful and seamless, so for us, that partnership was critical to our success."



# What Would It Look Like if Your ATM Fleet Was Firing On All Cylinders?



## Reach Would Increase

On-us service delivery, up/cross-sell  
Off-us income and demand generation  
Branch digitization, greenfield placement and leave-behind strategy



## TCO Would Decrease

Leveraging cloud-enabled technology to modernize the infrastructure  
Connected services leveraging 'Internet of Things' (IoT) technology, machine learning and artificial intelligence  
Optimized balance sheet, "sweating the assets"  
Standardized and scaled service model  
End-to-end cash cycle automation



## Customer Experience Would Transform

Differentiation, personalization and loyalty, targeted and relevant messaging  
Underserved access and convenience  
Quality of service (uptime and availability)



# The 12 Pillars Needed to Run and Manage an ATM Channel



## Location Strategy & Management

Location Strategy based on Analytics, Site Identification, Contract and Rental Management



## Hardware Lifecycle Management

Evaluation, Selection, Integration, Maintenance and Lifecycle Management



## Software Lifecycle Management

Evaluation, Selection, Integration, Maintenance and Lifecycle Management



## Asset Financing

Financing of all required components of ATM Fleet Setup & Management and converting all Capex into Opex (charging on pay-as-you-use basis)



## Security & Compliance

Physical and/or Logical Security Management, Country- and Network-related Statutory & Regulatory Compliance



## Monitoring & Fleet Management

24x7 Monitoring, Service Desk and Incident Management



## Installation, Maintenance & Repairs (FLM & SLM)

Total Implementation Services, Repairs and Maintenance



## Cash & CIT Management

Cash Forecasting, Optimization, Scheduling, Route Planning, Balancing, CIT Contract and SLA Management



## Transaction Processing & Management

Terminal Driving, Transaction Switching & Routing, Issuer & Acquirer Processing, Card Scheme Sponsorship Support, Reconciliation and Fraud/Dispute Management Support



## Partner Management

Third-party Partner and/or Vendor identification, contracting, onboarding and SLA Management



## User Experience & Marketing Management

Marketing through ATMs, Lead Generation, Personalization, Value-Added Services



## Analytics, Insights & Reporting

Data Analytics, Management Information System and Reporting

### Running a modern ATM fleet: Like working on a cutting-edge car.

To keep a self-service network up and running, a holistic view of the entire set of processes is mandatory. That means not only focusing on best-in-class, technically reliable and robust cash systems, but also having a detailed understanding of the entire process, including where the ATM should be located, and which hardware, software, integration and services are needed to optimize all processes to run a profitable and available ATM channel.

FIs also need to consider several compliance regulations, like regional accessibility standards and PCI for payment security compliance. Plus, they need to manage ongoing operating system updates and security fixes for hardware and software to handle sensitive data and cash. Financing and managing all of it is a heavy burden.

Further exacerbating the challenge, FIs are still pressured to invest in new technology to connect their channels (to become consumer-centric versus silo-centric), in order to deliver differentiated and seamless consumer experiences in a constantly changing state of consumer behavior.

Unfortunately, working in silos is still too common a problem because, often, different groups across an FI have oversight and ownership of bits and pieces of the entire ATM puzzle. A consolidated operational management approach is typically

difficult with decentralized responsibilities (and often redundancies and overlaps) spread across multiple departments. While this disparate spread of accountability in the various groups may be working toward the same objectives, lack of consolidation and collaboration leads to disjointed sharing of information, redundancy with wasted time and cost, and missed opportunities to unleash the hidden value of the channel. Breaking down the **data** and **human silos** in your operating model is essential if you want to truly optimize your ATM fleet.

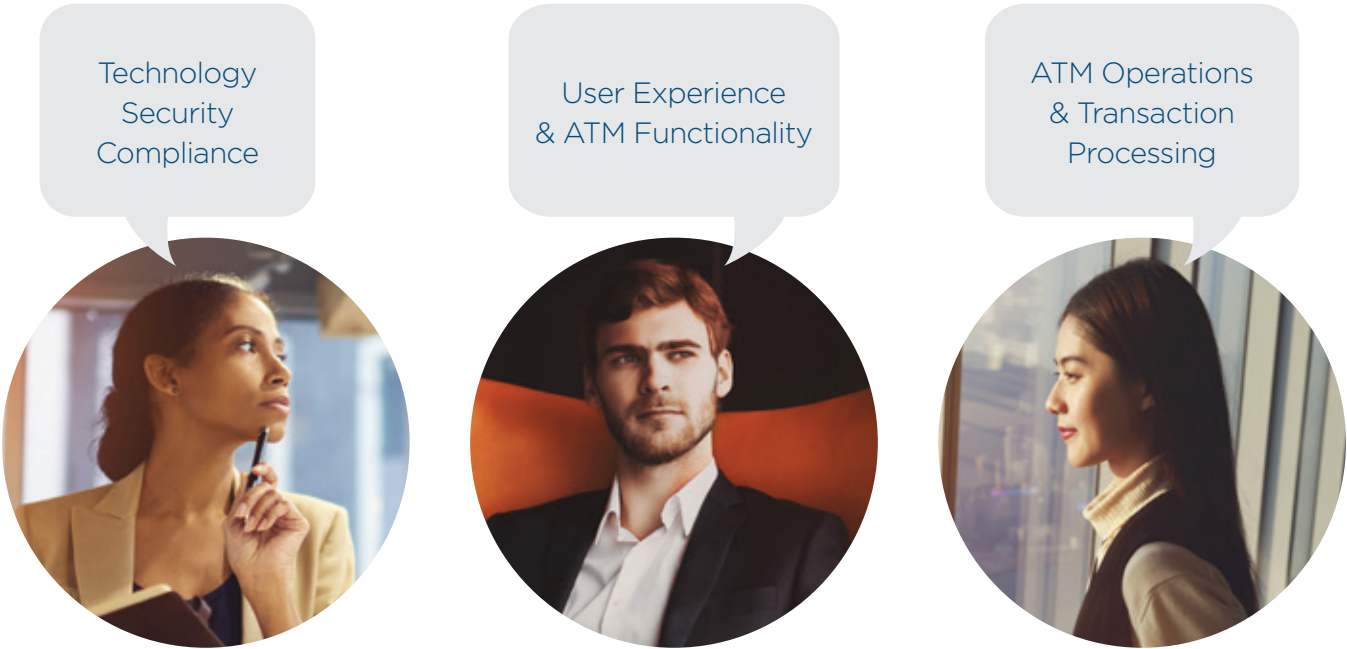
As you evolve processes and streamline decision-making, you'll start to identify areas where it makes sense to push responsibilities out of the organization altogether—perhaps it's moving the “daily grind” work to a partner company; maybe you're ready to shift worries over security and compliance out of your scope; eventually, you may realize the best support would be through a digital operating platform, harnessing the power of a partnership with technical expertise, dispatch, monitoring, data centers... the full gamut of support for the ATM channel. And as you push those operational responsibilities off your plate, you'll find your organization better equipped to tackle the other strategic challenges facing it.

**The key is finding the right partner to help you enable a more agile self-service channel operating model that drives faster speed to market, and minimize lost opportunities due to capacity limitations.**

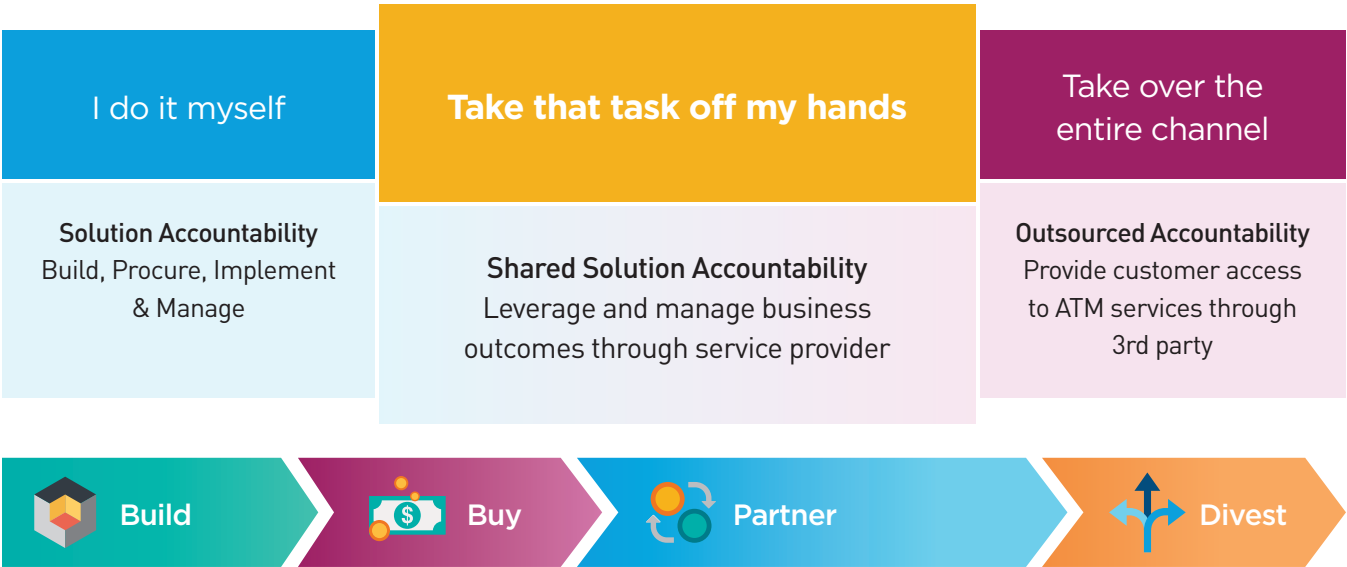




Running an ATM network is complex—FIs are challenged to decide where and how to allocate their limited resources and how critical it is to their business.



With the Right Level of Support, Your Internal Teams Can Be More Strategic.



# What is the Right Operating Model For Your ATM Channel: “Go it Alone or Partner for the Future?”

There are so many factors involved in choosing a management model for your ATM network, it's a daunting task with several ramifications no matter which route you take. However, sticking with a “DIY” method requires making a decision, hoping it's the right one, and **continuing to reinvest in all the pillars that run the channel**. Conversely, when your organization embraces a “take that task off my hands” or “take over the entire channel” approach, your level of involvement is reduced to a few key decisions, less heavy lifting, and the assurance of measurable business outcomes. Those are the benefits of leveraging a partner with global managed services competency at scale, industry-best practices in place and continuous improvement as a philosophy.

We live in a demanding society where 24/7 services with personalized product offerings and seamless transactions across all channels are a must have, **but that doesn't mean that every FI should become a specialist in each channel**. Certainly the pressure to accelerate the change of technology, to fulfill on new security requirements, to adopt advanced CX and manage the complexity around transaction processing (inclusive of adding new digital transactions to your ATM network) has raised the bar to remain competitive. With the demand for greater velocity, productivity and accuracy, new delivery models for software and services have been introduced. Strategic alliances and services can help streamline operations and transform special services within the self-service channel, not only by optimizing time to market but also by tapping into expertise from industry specialists to survive in the connected financial services world.

Your organization needs to ask itself: **Which operational aspects of our ATM network should we outsource? And where does it make sense to keep them in-house?**

The answer will look different for every FI, but now is the time to challenge your own operating model paradigms and look to your external providers to answer these questions. Each operational model addresses specific needs, responsibilities and the corresponding level of support your organization needs to operate the ATM fleet.

And every operational model has benefits and considerations. For example, if FIs decide to manage their cash-related services on their own, they have, on the one hand, the chance to tailor the solution completely to their own needs, but on the other hand, the dependency to build and maintain their own resources, taking into account the many complex factors that have to be considered, including cash-level monitoring, accurate forecasting of future cash needs, consolidated CIT orders and transports, etc.

FIs need to decide if they want to sit in the driver seat with complete solution accountability and manage the workload with their own resources, or rely on an external partner as their single point of accountability to deliver business outcomes.

## **Eat the elephant one bite at a time.**

**Remember:** The steps in transforming your operational journeys can be gradual. Working with finite resources means you need to challenge your own point of view. Selecting the right model for your FI will have a huge impact on the way your solution is delivered, as well as its time to market. For some solutions, like marketing and personalized messages at the ATM, FIs typically want to create the messages by themselves but don't necessarily want to build and maintain their own campaign management tool and process for the ATM channel. In this case a supportive “take that task off my hands” approach makes sense. Depending on the role ATMs play in your strategy, complete outsourcing of the self-service network can take the burden off your hands.

By weighing the options and thinking critically about managing business outcomes versus technology and process, FIs are liberated to choose partners to speed up implementation, ensure seamless operations and compliance all while meeting consumer requirements. This changes the lens through which FIs view the ATM channel from “cost of doing business” to “strategic consumer engagement tool”.





**Thomas Karakalos**  
VP Managed Services EMEA, Diebold Nixdorf

“The decision around going it alone or partnering also plays heavily on the time to market for driving innovative solutions. If you choose to go it alone, it’ll cost more in terms of money and speed to market—but also capacity and lost opportunity where you could otherwise repurpose your assets, your people and your time. The right partner accelerates that transformation to a more agile model. Engaging in an open, ‘everything on the table’ innovation discussion with Diebold Nixdorf will ensure you are equipped with a clear transition plan; leaving the ‘how’ and ‘when’ to Diebold Nixdorf as your trusted partner results in faster delivery and capacity release.”



### **Partnering in ways that make sense for a modern banking ecosystem**

**Shift the burden of time-consuming and intensive management oversight of your fleet to a trusted partner. Or, eliminate the need for significant capital expenditures by outsourcing ATM fleet support activities.**

Whether you need a little help, a lot of help or are evaluating if the ATM business is even strategically worth keeping, trust an expert to oversee the management of your fleet to remove redundancies, benefit from economies of scale, provide the highest level of security, put in place processes to optimize cash levels and provide unique consumer experiences that drive satisfaction and growth. Consolidating your self-service channel management to a single point of accountability improves uptime, speeds up remote diagnostics and incident resolution, and optimizes the use of on-site resources. With monitoring and operations solutions, we can help you maintain efficiency and profitability.

**Remember:** The self-service channel is already—or can become—one of the most important strategic tools in the banking environment. But it needs the right operating model. A managed services approach, in which the FI outsources part or all of self-service ownership and management, can deliver:

- Staffing efficiencies through releasing internal capacity and refocusing resources from day-to-day channel management to core capabilities
- More timely introduction of new functionalities through continuously updated technology
- Optimized consumer experience and banking transformation through consistent focus on, and expansion of, the strategic role of the channel
- Enhanced compliance and security through simplified management and more frequent updates to combat emerging threats
- Cost reduction through more effective use of capital budgets or freeing up operational time once spent on channel management

How do you want to manage your self-service channel? Whether you need a supportive services partner or end-to-end management of the ecosystem, our world-leading experts have the tools and know-how to design and implement an optimized, efficient approach to channel management that drives uptime and enables your teams to focus on growth strategies for the future of banking.

Let's have a conversation about what makes sense for your long-term strategy.

**Contact your Diebold Nixdorf representative today or start your journey at [DieboldNixdorf.com/ManagedServices](https://www.dieboldnixdorf.com/ManagedServices).**







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