BALLOONING, BANKING AND BILLS

by Steve Brown

If you have never been on a balloon ride, you might want to consider it if our trip was any indication. We were lucky enough to get the opportunity this past weekend and it was a fun experience indeed. Once you get up in the air you drift along, surveying the landscape below, as the pilot occasionally points out major things of interest and tugs intermittently on the burners. On this particular trip, the 12 people in the balloon basket enjoyed themselves, as we were over the vineyards of Napa and had a good breeze blowing (in about an hour, we traveled roughly 14 miles according to the pilot). There were no clouds, the sun was shining and no one got sick; so it was a great way to spend the day. As you drift toward your eventual landing spot some miles away, your mind tends to wander as you ponder life. For us of course, that meant thinking about banking and more specifically about the changing landscape of cash management.

We begin with research from TowerGroup that found 60% of US banking industry teller transactions are still cash. Additional research from Celent found that tellers handle 67% of all branch transactions and of those, 50% involve cash. Cash use has been declining in the US, but analysis by Aite Group finds it is far from vanishing. Their research found that while 30% of consumers use cash less often than they did 2Ys ago, 20% use it more often. Overall, Aite projects cash use will decline by about 3% to 4% per year through 2015, dropping to slightly more than $1T.

For banks, holding excess vault cash is expensive, since it is rarely used to make loans and so it sits idle. Banks have to hold enough cash to satisfy customer (and regulatory) needs, but the more cash held the more return is negatively impacted. To attack that problem head on, make front line staff more productive and free up time to cross sell other products and services; more banks are considering cash recycling technology.

These machines sit right between tellers and allow banks to recycle the daily cash. They work by capturing all cash from customers, counting it, verifying it for authenticity and then storing it in a secure safe right where it is counted. This eliminates the need for a traditional teller drawer and delivers the vault to the front line, which speeds up processing and accuracy. As the ebb and flow of cash movement occurs throughout the day, the same cash is dispensed for other customers requiring cash withdrawals and deposited by those who bring in cash. In short, cash recycler technology gives banks a way to simplify the overall flow of cash through the branch.

Cash recycling can also boost sales opportunities. Instead of spending time counting and recounting cash, front-line staff can stay engaged with the customer throughout the transaction, get to know them better and focus more on sales and service. This has been shown to improve job and customer satisfaction.

These machines can pay for themselves in a year in many cases, by giving banks the ability to eliminate cash drawers; reducing end-of-day balancing time; simplifying daily cash set-up; eliminating vault buys/sells and maximizing the use of cash. Recyclers can produce gains of over 50% in teller efficiency; allow for deeper customer relationships and reduce branch cash inventory by 25% or more. Studies find that the breakeven of paying $71,730 for one of these machines vs. a fully burdened annual teller cost of $48,748 ($25,000 salary + taxes, workers comp, insurance, vacations, meetings, sick days, supplies, training, facilities, etc.) would result in a breakeven of 18 months.

Whether cash recyclers make sense for your bank or not is something only you can determine, but given cash isn't going away any time soon and given banks are seeking to cut costs while boosting cross sales, it might be something worth considering. You can at least give it some thought as your mind drifts along like a balloon in a soft breeze.

BANK NEWS

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Commercial property prices increased 1% in Feb according to Green Street Advisors. Overall, prices for commercial property have gained 34% since the low in May 2009, but remain 17% below the peak reached in Aug 2007.

Financial Services Survey

Edelman's 2nd annual Trust in U.S. Financial Services Survey finds 49% of respondents said they trust financial institutions in general. The good news is that community and regional banks scored highest in the survey at 67%. Also good news for community banks, 50% of respondents said they need help managing their money more effectively, but 60% were uncertain of the value the largest financial services firms provided. These respondents also said the factors most important to them from a bank they would consider doing business with were "honest communication" (91%); "open and transparent business practices" (84%); "fair and competitive prices" (75%); "consistent product delivery" (75%); "available customer service" (74%); and a "website with easy financial transactions" (62%).