

# Why cash and ATMs still have a place in the payments landscape

*Don't write an obituary for cash and ATMs – they still have a key role to play in our everyday lives and will continue to do so for the foreseeable future*

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**S**lightly over 12 months after the ATM celebrated its 50th birthday, it seems signs of a bright future are dimming fast. In the UK, for example, ATMs are closing at a record rate and there are already so-called 'ATM deserts' in some areas where the cash dispenser is a rare sight.

One of the main reasons why cash and ATMs are under threat is high and rising operational costs. There's also the rise of contactless digital payments that seems to be pushing the use of cash closer to extinction. Indeed, in some countries such as Sweden – where cash makes up only 2% of transactions by value today – it is said the use of cash could end by 2021.

Some people may think ATM technology has lost its edge, but they're wrong. As Mark Twain once almost said, news of the death of the ATM is much exaggerated.

Banks that invest in their ATMs can tap into huge benefits, while those that don't risk missing out on improved customer relationships and improved opportunities, all at a time when they should be fighting to retain customers.

We need to recognise the strong attachment customers have with using ATMs to manage their financial affairs. This is partly because cash usage isn't declining across the board. For example, 75% of point of sale transactions in Western and Eastern Europe are cash-based, according to the Pymts Global Cash Index. Research that Auriga sponsored also revealed that nearly one in two Britons visit a cashpoint weekly. Cash is losing its pre-eminence, but it is going to continue to be part of a wider mix of payment methods – especially against a backdrop of the questionable reliability of other bank channels following a string of high-profile UK outages.

ATMs need to redefine themselves from a position of strength in terms of consumer confidence. ATMs can have the functionality to do much more than deliver a mono-service of churning out bank notes, and there is real demand for ATMs to offer more services. For

example, when we researched the types of service that UK consumers would like to see, they responded that bill payments (34%), currency exchange (22%), loan applications (5%) and even ticket sales would be welcomed at cash points. This finding is reinforced by how ATMs already offer multiple services in many European countries such as Italy, France and Portugal.

This demand to be able to do more on one device isn't surprising. Mobile phones were once just a tool for making phone calls, but now they're used for everything from live video streams to making payments (provided of course the bank's infrastructure holds up).

## An ability to adapt

ATMs are in a strong position to adapt as banks rethink how the digital experience can be transformed by vendor-independent software, web and cloud technologies. In fact, the technical barriers to transform ATMs are relatively low with even the oldest of ATMs having the potential of a revitalised role. What's more of a challenge is getting banks to change their way of thinking about ATMs as "cash and dash" machines.

What can support a brighter future for ATMs and self-service banking in branch or on the street is new revenue and operational models. The ability to cross-sell other bank or third-party services and products could provide revenues that could secure the future of previously unprofitable ATMs. High operational costs for running networks of ATMs could also be tackled by new generations of ATM management software that is multi-vendor and can use better data analytics to deliver improved cost efficiencies. By better data collection and correlation, banks can automate how they determine the most efficient cash delivery and collection schedule and processes, enabling a drastic reduction in operational costs as well as reduced out-of-service time for cashpoints. This of course will impact customers and improve the bank's reputation for quality of service.

As they passed the 50-year milestone, many ATMs have ended up as isolated parts of many banks' customer relationship management



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systems. How ATMs are now being seamlessly integrated into other customer engagement channels is very much the future of the ATM within a new generation of bank branches.

For many consumers, the ATM remains one of the main ways they interact with their bank – which means banks need to make as good an impression as possible. Personalisation can take your customer's experience to a new level. Smart ATMs could pre-empt what a customer wants to do at the machine – for example, pre-set fast withdrawal for the customer who always takes out a set amount of cash for weekend expenses, or allowing customers to set up their dashboard to meet accessibility needs. With the large sums of money that banks invest into their marketing activities and into their digital transformation, they need to make sure this is replicated across all channels or they will lose out in the future. Digital is strongly reshaping customer experience: implementing transformation in banking is synonymous with implementing a true omnichannel banking strategy/architecture with the ATM fully integrated with all other banking touch points.

### Reinventing the branch

Banks are having to take hard decisions about their branch networks, but the bank branch is by no means dead. Banks are reinventing their branches with a focus on a smaller hybrid branch of self-service or assisted-service machines and better equipped and trained staff. The success of this lies in how well staff can be more than highly qualified receptionists and can access in-branch systems to fully engage with branch visitors on a one-to-one basis. A lot of this intelligence comes from how the branch can optimise its use of cloud-based software to deliver advanced, personalised services in-branch.

Self-service machines, like ATMs, will allow banks to run branches in which staff can focus on delivering exceptional service and advice. Cloud technology allows information and services to be shared over devices in-branch – for example, staff could use a tablet to check the status of machines, and when a customer accesses a device, receive an update about the assistance they might need.

How ATMs and other self-service machines with richer, more flexible functionality and features are at the heart of major banks' future strategies is illustrated by many banks globally. For example, Portugal's Millennium BCP banking group is creating a new kind of customer-centric branch for the future. Each of its new branches is radically remodelled to have a core of self-service and assisted-service machines that can serve all its customers' needs at all times. This includes a video conference feature that enables face-to-face services after the branch has closed for the day.

ATMs provide huge opportunities for banks to increase revenue and improve service. However, only banks that have the right technology in place will be able to seize these opportunities. The challenge for banks is to achieve these steps despite the constraints of sometimes outmoded legacy technologies. The right software can rejuvenate existing ATMs and the future is cloud-based with a lower total cost of ownership, improved time to market and more rapid development and deployment of new services.

A mindset change is needed. The ATM is on the brink of some very exciting developments – with technology like artificial intelligence, data analytics and chatbots poised to bring an even better experience to the ATM – but without the right infrastructure in place banks could risk missing out on some great opportunities.