



Far from being killed off by the development of a cashless economy, ATMs have an integral role to play in omni-channel strategy, says **BERNARDO BÁTIZ-LAZO**.

TRIED *and trusted*

The arrival of the first cash machines on British and Swedish high streets almost 50 years ago provided customers with cash ‘on demand’, transforming consumer behaviour on a practical level. Operational machines in the USA, Canada and other countries followed closely behind. As well as enabling impromptu spending, these early cash machines were part of a larger drive to automate and digitalise banking that allowed depository institutions across the globe to significantly increase their customer base. But as current accounts became a reality for a growing number of people, banks faced both increasing labour costs and congestion in branches.

The second half of the 1970s saw a number of interesting developments: the first

shared cash machine networks and point of sale terminals were introduced. Dahl’s Foods of Iowa was the first grocery store to install a cash machine on its premises, while Visa piloted the first debit card in Ohio. But, more importantly, banks sought to extend the concept of automation.

Iowa-based Merchants National Bank was the first to successfully introduce a teller-less office by installing point-of-sale terminals in supermarkets and remodelling one of its offices to replace human tellers with three wall-mounted, 24-hour automated teller machines (ATMs), which occupied one third of the available office space.

Meanwhile, in New York City, Citibank launched the first large-scale self-service branches including a dual-ATM-in-branch programme initiative labelled “Citicard Banking Centre”. In short, the arrival of the cash



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machine was a watershed moment and a milestone in the dawn of self-service banking.

MULTI-CHANNEL APPROACH

In recent years, the retail banking industry has been grappling with the concept of omni-channel banking, another self-service strategy that aims to allow customers to bank anywhere, anytime, regardless of whether the interaction is in person or using a device.

It's no secret that customers want convenience, and providing convenience means offering several access options. The omni-channel, therefore, challenges banks to articulate a platform through which, firstly, the bank delivers its services in a consistent way across a variety of locations, machines and devices. Secondly, the bank leverages customer information so that individual customers can be reached with targeted offers. But this strategy has to allow each channel to provide multiple services at the same time that the offer or incentive is appropriate to the delivery channel. Thirdly, maintain relevance and maintain or even enhance the bank's brand.

Not surprisingly, delivering the omni-channel has become the Holy Grail of retail banking. A recent industry report by ATM Marketplace (sponsored by KAL ATM Software) estimated that in 2015 almost half of the banks sampled were in the process of developing an omni-channel strategy (while 33% thought it was a long-term strategy and the rest had either given up or were not going to attempt it). This strategy envisioned a continued reliance on ATMs, with 26% of survey respondents expecting to increase the size of their ATM estate both in-branch and off-premises. Meanwhile, 23% of those surveyed said they would be expanding the use of ATM and self-service machines inside their bank branches.

ATMs AT THE HEART

These trends tell us that ATMs will remain the backbone of banks' delivery strategies and



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many bankers expect them to increase in importance as more automation will be introduced to handle additional types of transactions. For instance, a number of bankers are said to be already working on the integration of ATMs with mobiles and other devices. But if the cashless economy is supposed to be around the corner, why will ATMs remain so important? There are at least four reasons that will ensure the future of the ATM in banks' self-service strategies:

1. Most of the adult population around the world knows how to use them. The ATM is a trusted, reliable and mature technology. At the same time, there is widespread access to the know-how and engineering skills that will ensure effective deployment as well as after-sales service and maintenance.
2. In most developed countries ATMs have been densely deployed and are in convenient locations. Not surprisingly, most customers interact with the same five machines in their everyday life.

3. Thanks largely to Visa and MasterCard there is a global, shared ATM network. So no matter where you are in the world, you are likely to have convenient access to your funds.
4. The ATM remains a channel that is fully under the bank's control – from the make and model, to location and security in transactions.

This level of control gives the ATM an advantage over FinTech start-ups due to security concerns associated with services delivered through third-party hardware and software. Although the ATM itself is not immune to fraudulent practices such as card-skimming, banks' lack of control over hardware has huge implications for security as malware moves into the mobile phone and tablet space. The ATM can thus remain a channel for relatively secure, 'client present' transactions or simply to finalise a transaction with a high degree of reliability. At the same time, the fact that customer-owned devices can be (and often are) more powerful and modern than legacy systems at banks is opening the door to disruptive innovations by new entrants in some aspects of the retail transaction space. But the reliability, trustworthiness and security of all these innovations has yet to be tested – as opposed to the 50-year successful track record of the ATM. ^{CB}

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