



Todays ATM: It's About More Than Just Cash

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The modern-day ATM was invented in 1966. While that may seem like a long time ago, there's no disagreement about how indispensable they have become. For many consumers, ATMs are the key point of access to their bank and the main way they obtain cash.

While modern ATMs have many new capabilities, cash dispensing is still their core function. And even with all of the new electronic payment advances and mobile technology, cash is still king. A study conducted last year by Market Platform Dynamics describes the value of hard currency: "Contrary to popular reports, cash is not dying."

Thus, ATMs and cash dispensing remain very relevant.

However, today's ATM operators face rising levels of competition, increasing costs and consumers who are reluctant to pay for what are considered basic services. How can ATM operators run their businesses profitably? The traditional answer, while still valid, is no longer enough. Generating additional revenue from new ATM products and services is good, but global customers place significant importance on cash optimization too.

The Need to Optimize Cash

The efficient use of business assets, in this case cash, is critical. We all know that ATMs run out of money from time to time. From the customer's point-of-view, there is nothing worse than not being able to get cash when you want it from an ATM. People get really annoyed. You've heard the stories from friends and relatives. They moan and groan, and can even be irate; sometimes to the point of vowing not to use a particular machine or brand ever again.

As a result, common practice is for ATM operators to overload units with cash. They blindly assume it's better to have too much cash in a machine than too little. Unfortunately, ATMs stocked with too much cash have significant business consequences for operators, which add up to large sums of money spent on cash borrowing. Not to mention the opportunity cost of not putting cash to better use. Optimizing cash at ATMs should therefore be a top priority as it can result in substantial savings.

Because cash demand varies over time, the amount of cash needed at each ATM also varies. Therefore, it's important that ATM replenishment schedules match cash supply with consumer demand. While schedules are regularly optimized to match demand, they often are not optimized to the lowest possible route cost.

In my experience just the right amount of cash should be loaded into each ATM, and cash loading should match peaks and valleys in customer demand. A balance should be maintained between avoiding out of cash situations and overstocking. With this balance, network operators can achieve real savings that can potentially add up to millions.

Optimizing Cash Loading Saves Big \$\$\$

Just-in-time business processes and minimal stock-level models should be employed to optimize ATM cash levels.

BPC conducted a research study with its SmartVista's advanced ATM cash management solution last year. The study focused on a fast growing retail bank, with more than 800,000 retail clients and 1,000 ATMs, using real-world usage figures against forecasts. Based on data from 50 of the bank's ATMs over an eight month period, the study compared its current operations with what could be achieved with SmartVista functionality.

The study revealed that the amount of cash held at the bank's ATMs was nearly 30% more than actually needed. Evaluating two big cash demand months in particular, July and August, \$7.6 million more cash was loaded at these 50 machines than was actually needed or withdrawn by consumers.

By optimizing cash loading, the bank could realize savings of at least \$2,000 per ATM annually, while making money available for more productive revenue generating uses, such as personal loans, mortgages and revolving credit.

New Products and Services Generates More \$\$\$

Today's ATMs are more powerful and capable than their predecessors. They have more sophisticated user interfaces, more powerful computer chips and are more connected. No longer are ATMs simple cash dispensers, they are now being turned into advanced, multi-function kiosks.

These capabilities are being leveraged by innovative players all over the world to offer products and services that generate new revenue streams:

- BancaTransilvania linked their ATM network to Western Union, allowing transfers between the bank's ATMs and Western Union's agents.

- A large retail bank in Russia used SmartVista to link their ATM network to their customers' mobile phones, enabling recurring payments via a simple message.

- In the Philippines, Security Bank tapped into the growing market for prepaid and gift cards, issuing virtual cards from their ATM network with cardholder details printed on receipts or sent via SMS message, keeping costs to an absolute minimum.

And yet another customer added video and audio capabilities, connecting their ATMs directly to call center agents. This effectively turned their ATM machines into mini-bank branches, operating 24/7 and at a fraction of the cost of traditional brick-and-mortar branches.

The world has changed enormously in the 50 years since the ATM was invented, but the core function of dispensing cash has remained the same. For ATM operators, ATMs are a tremendous asset; for consumers, they are a tremendous benefit. Continuing ATM innovation by optimizing cash, as well as offering new products and services, provides every reason to believe that their success will continue another 50 years.

<http://www.transactionworld.net/articles/2014/april/banking.html>