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## DCC@ATM Series: Revolutionising Cash Transactions – The Advent of Next Gen ATMs

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If retail giants such as Amazon and Starbucks are to be believed, we are headed towards a cashless society.

They are already testing cashless stores in some locations, and others are following suit. For a number of reasons, cash payments have been in a steady decline (15% a year since 2017), partly due to the prevalence of debit card payments, and partly because of behavioural changes since the pandemic.

You'd be forgiven for thinking that in this future, no cash is handed over, and no change is given.

The Bank of England reports a paradox: although cash transactions are down, more banknotes are circulating than ever. In both the US and the euro area, the total currency in circulation in September was more than 10% higher than a year earlier, with a similar pattern in Canada and other countries. Therefore, contrary to conventional wisdom, we currently live in the Golden Age of Cash.

As we can see, people still consider cash valuable. But what does this mean for the ATM?

Our research tells us that the problems faced by banks and stakeholders present opportunities as well as challenges. By investing in next-gen technology, making transactions more versatile and seamless for the consumer, ATMs can reaffirm their place in modern society.

### An online revolution

Slowly but irreversibly, money is moving online.

Online banking has not only made it easier to manage your balance and transfer money between accounts, but it has reduced the need for carrying money, meaning ATMs are no longer the first port of call on a typical night out or shopping trip. And with mobile phone top-ups and other ATM services easily accessible online, there are fewer reasons to visit one.

Face-to-face transactions are no longer the standard in a world of eCommerce, self-service checkout and peer-to-peer mobile payments. It's why bank branches, the one place you are almost guaranteed to find an ATM, are closing at a remarkable rate. In the US, 14% (13,000+) of all bank branches closed between 2008 and 2020.

And it's not just banks that are feeling the pinch. Despite empowering consumers to make better, easier and faster financial decisions, the decline in cash dependency is having a profound and detrimental effect on our local retail landscapes. As local shops struggle to compete with the wide variety and low prices online, more than 50 shops disappear from UK high streets every single day, including 8,700 well-established chain stores.

All of these factors pose a threat to physical cash. It's understandable for banks to challenge the costs of operating cash machine networks, and question the benefits to their business, in this hostile climate.

To some, this points to the declining importance of the ATM. But that would be to overlook the opportunity banks have to redefine the purpose ATMs can serve.

However, relentless digitisation is not the only massive challenge faced by ATMs and physical cash in recent years.

### How COVID hurt cash

When the COVID-19 pandemic hit, no one could predict its impact on how physical cash would be treated by society and how consumer spending habits would change across the global economy. In fact, the use of cash fell by 21.9% in North America and 33.6% in Europe, according to the 2020 Global Payments Report by Worldpay.

Unfounded fears that the exchange of cash was aiding in transmitting the virus would surface early on in the months following the spread of the virus.

In fact, W.H.O. spokesperson Fadelia Chaib was forced to confirm that the organisation was "misrepresented" when a UK paper stated that banknotes may be spreading COVID-19, and that cash was no more likely to spread COVID than table surfaces, shopping trolleys and mobile phones. Of course, touching those surfaces – no matter how regularly sanitised – was already being avoided more and more by a frightened public, who chose to stay home and order online rather than risk navigating socially distanced queues, pushing communal trolleys, and indeed getting cash out of an ATM.

According to Visa, contactless payments soared by 30% in the USA year on year as a result of COVID-19 restrictions, including lockdowns which kept people inside their homes even if they felt safe enough to risk shopping on the streets.

Because of this, the pandemic only accelerated the growth of digital payments. Whether that will become a long-term habit, with important consequences for ATM popularity, remains to be seen. One new addition to the cashless landscape is the commitment by 75 governments, companies and international organisations to further the use of digital payments as part of the [Better Than Cash Alliance](#). Even then, however, the UN-backed Alliance reserves a place for "cash-in" and "cash-out" points as a means of protecting financial inclusivity.

As a result, an incredible total of 43% of in-store transactions between €30 and €50 are now contactless according to the report issued by Essential Retail. Scotland recently increased the contactless limit to £100, making even larger payments such as fuel and electronics easy to pay with a simple tap.

When you consider these factors, it becomes impossible to blame banks for wondering whether the costs of operating cash machine networks outweigh the benefits to the company.

And yet, cash still persists – and is valuable to huge swathes of the population.

### Cash is still important

Despite the lack of dependence on cash, ATMs are still important to both banks and stakeholders for one simple reason: cash is important to their customers.

Legitimate and very timely concerns arise when we imagine a world without cash. The threat of alienation facing vulnerable members of society – those without access to high-speed internet, or smartphones, who are older or poorer – is very real.

A report by Link assessing the state of cash accessibility in rural communities found that those with an income of less than £10,000 are more likely to use cash only, and stated that businesses have an obligation to make sure the needs of these people are addressed. Cutting out cash entirely will always be impossible as long as we have rural societies and a diverse global populace whose needs are different from those who live in cities.

And even though online services have pushed the boundaries of what is possible with digital transactions – Insider Intelligence predicts that digital-only bank account holders in the US will number 53.7 million by 2025, more than Citibank and Bank of America combined – traditional, brick and mortar banks still have their place. Walking into a bank to organise a mortgage is a rite of passage that websites simply cannot replicate. When financial transactions are some of the biggest moments in our lives, we need a friendly, human face to guide us – and that is why physical banks will always be needed.

And while they still occupy enviable spots on our high streets, banks will have a vastly under-utilised resource that could prove an invaluable complement to their niche: the ATM.

But to take advantage of all the opportunities available, a new type of ATM needs to be introduced.

### The next-gen ATM

While there is an inherent need for physical banks, those banks must invest in digital transformation to provide customers with safer and more versatile cash provision.

In other words, the ATM needs to feel like a safe, intuitive and modern digital experience while still being able to dispense physical cash.

Even in the digital age, traditional banks still have powerful advantages as regulated financial service organisations. Aside from broad service delivery, reputation is a powerful factor: consumers may briefly try out a third-party app or mobile platform, but usually come back to the bank they trust for the big financial moves such as loans and mortgages which neobanks are not licensed to offer. And should the customer have an issue with their digital account, they can find themselves with no access to their money and no one to talk to, whereas physical banks offer accountability and access.

The newest next-gen ATM is perfectly positioned to complement modern spending habits by providing the best of both of these worlds. In a machine that is capable of rendering advanced financial services, we can apply for loans, transfer to different currencies and apply for mortgages and more, using the speed of digital transactions coupled with the authority of a reputed banking organisation.

Not only that, but:

- **ATMs stop banks from getting too crowded** – Essential in the age of social distancing, ATMs reduce queueing times and allow consumers to fulfill their needs quickly and efficiently.
- **They provide a lifeline to rural communities and vulnerable members of society** – Financial freedom is a human right: one that ATMs help to protect.
- **Cash is handy for emergencies** – The internet can fail. Mobile signal can be lost. Cash helps you get home, get help or pay for what you need when there's no other option.
- **Cash preserves privacy** – Not all consumers are comfortable with the data trail they leave with each card transaction.
- **Cash offers access** – It's an essential commodity for the unbanked, or those who live in poorer communities that are ill-served by banks.
- **The ATM is a brand asset** – Each ATM gives the bank a 2% presence offering withdrawals and account management, particularly when there is no local branch.
- **ATMs drive merchant footfall** – For rural communities, the chance to install an ATM in a store gives merchants a tool for increasing customer footfall.

Already, over 145 companies across 6 continents have joined the [Consortium for Next Generation ATMs](#), whose mission is to "create a new, globally interoperable API App model for ATMs"

Able to gather more viable transaction data than ever, equipped with the latest software that integrates seamlessly with banks' existing data analytics, next-gen ATMs fit perfectly in the space reserved for a bridge between our online and physical worlds.

For example, customers will interact with ATMs through banking apps. The same app they use to transfer money, pay friends and use contactless will now help them withdraw cash – in any currency. In turn, this will let ATMs do more, such as pay bills, access local services, manage money, top-up their phone and everything else customers usually have to step inside a branch for.

You'll wonder why it didn't work like this before now. Usage will be seamless: instead of having to enter PINs and advance at sometimes frustrating speed through a sequence of options, ATMs will allow for smart authentication and instant service rendering.

All of this eliminates many of the security concerns that customers often associate with withdrawing money from machines. Global losses due to payment card fraud totalled \$24 billion according to most recent statistics, and consumers are worried. To mitigate risk, next-gen ATMs come fully equipped to combat the threat of hacking, skimming and other cyber fraud head-on.

### ATMs power banks

How do ATMs offer potential that the internet can't? By delivering all facets of the financial institution's proposition – service, sales, relationship building, promotional and brand experience – in an informal, single-person context.

When customers can do more with banks, they visit more often. ATMs solve the problem of promoting and selling more offers without increasing footfall or extending costly premises.

In a poll of 1,000 people by the consumer group Which?, 18% of respondents reported being **unable to pay with cash at least once** when trying to buy something between April and July 2021. Of those who were refused, one in six were then unable to pay for an item and had to put it back.

Simply put, ATMs provide near-instant access to cash for all of us in a moment of need: not just those lucky enough to own a smartphone.

And when withdrawing cash in any currency is an option, suddenly it becomes easier to send money home. To enjoy a holiday. To build a new life.

For banks, enabling their ATM machines to dispense foreign currency creates a new, guaranteed revenue stream with minimal implementation and fully transparent reporting.

Discover more about how DCC@ATM can help you improve customer experience and increase revenue.

LEARN MORE

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