

# ATM POOLING

## TRANSFORMING FUTURE ACCESS TO CASH SERVICES



WHITE PAPER



THE # NEXTGENBANK



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ATMs are a common feature on our streets. You often find many of them clustered together. But as cash usage declines, a trend accelerated by the Covid-19 pandemic, the opportunity for rationalisation seems strong. Indeed, banks are increasingly looking closely at how much their ATM networks are costing them to maintain, how much they are used, and whether they are profitable. In some cases, pooling or sharing their ATM networks is starting to make sense.

However, banks are in an awkward position because access to cash is still essential for many people, for example one in five older people rely on cash every day. Social and political pressure to retain ATMs and branches to serve all kinds of communities, urban, rural, and remote adds to the equation.



Banks therefore need to find a solution that strikes the right balance. Hence why some are examining the idea of ATM pooling. This is when two or more banks hand over the ownership of their ATM fleet to a separate entity, which will operate this shared fleet – also sharing the costs of maintenance. This can significantly reduce costs for individual banks, while enabling them to continue serving customers in locations where relatively low demand would render an ATM, or multiple bank ATMs, uneconomical.

# POOLING IN ACTION



The three largest banks in the Netherlands, ABN AMRO, ING and Rabobank, are currently in the process of transferring their ATMs into a new shared operation called the **Geldmaat** network. Founded in 2011, the Geldmaat network is a jointly owned cash management subsidiary and has since morphed into a fully-fledged ATM pooling operation. The initiative is to maintain high coverage through an 'optimised and safer' network with fewer machines.

The idea is that by having a dedicated brand for cash machines, customers can use the closest ATM within the new network, regardless of which bank previously operated it. The migration is expected to be completed by mid-2021 with neutrally branded ATMs located away from any bank branches.

This move has been made significantly easier by the fact that the Netherlands is one of the least cash dependent countries in Europe, making it much easier for banks to come to an agreement as they are less attached to ATM ownership per se, and more interested in efficiency and performance.

Also, in Belgium, the four major banks, Belfius, BNP Paribas Fortis, ING and KBC have signed an agreement to jointly manage a single network of ATMs under a neutral brand called **Batopin**. The first bank-neutral ATMs are due to be deployed in mid-2021, with pooling expected to be completed by the end of 2025. The aim is to optimise the network and provide a safe and efficient service.

# POOLING

## Related issues for consideration

ATM pooling can go much further than merely providing access to cash in a way that is efficient for the bank. Indeed, the role and purpose of the ATM itself is evolving and so pooling provides a good opportunity to review the network and make adjustments accordingly.

Firstly, pooling a network creates an opportunity to review and overhaul where cash machines are located and why. Traditionally sited outside or near branches, ATMs might be better suited to new locations that match current social attitudes and behaviours. Placing ATMs in places like stations or shopping centres where there is greater footfall and demand for cash, for example, serves to provide more convenient access to cash to the majority of the population and therefore promotes usage and profitability of an ATM.

ATM pooling also forms part of a broader discussion about how banks meet their wider social responsibilities. The combination of massive operational efficiencies and relocation of ATMs to where they are most needed means banks can maintain cash services for communities, even those places where demand is low but the need for access is high.

Batopin, for example, has taken this into consideration and openly stated that in sparsely populated areas, a cash machine should be available to customers within a radius of five kilometres.

Another advantage is that a pooled network provides an opportunity to upgrade software and hardware to meet modern needs and conditions. This is especially important given that ATMs are often targeted in both physical and cyber-attacks and thus need frequent security upgrades. This can be easier to do when there is one organisation whose purpose is to look after a network.

**Stefano Cipollone, Business Development Manager** at Auriga, explains: "The new entity managing the pooled network focuses only on the ATMs – that is the core business. Currently, consideration of the ATM channel must compete for attention with all the other channels and functions, which may argue more successfully for support and investment. The total focus of an ATM pooling entity provides an opportunity to scrutinise what works, what doesn't, where upgrades are required and eliminate technical debt by updating the network of ATMs, discarding legacy systems and replacing ATMs that are too old."



# POOLING MODELS

## Differing propositions

Moreover, beyond location and upgrades, pooling offers banks a range of choices in what they offer via a new network. For example, do they want to stick to simple cash dispensing or add in additional services in areas where they are in demand?

Cipollone explains: "The simplest solution allows for cash withdrawals. This is a standardised function. But even if only withdrawal is supported, there can be additional functionalities that are at least worth considering to see whether they would add to the proposition."

Cash deposit facilities are in demand in some locations. This requires direct integration (using a bilateral Interface) with a bank's core systems.

In general, having software to support and make additional functions possible is essential and usually a worthwhile investment if banks are to find value to add within the pooled ATM network.



## Extended services

Advertising, marketing, and couponing are very good examples of how an ATM network can generate new revenue streams and deliver added value to the pooling partners. Another avenue that can be explored within an ATM pooling initiative is how the new fleets of ATMs can be integrated with the mobile channel. This gives obvious and immediate benefits to the customer in terms of a sleek customer experience, quicker transactions,

and the ability to leverage the mobile application for a number of other relevant initiatives.

Cipollone adds: "More forward-looking pooling solutions could look at the ability of ATMs to integrate with mobile services so that customers would be able to withdraw or transfer cash using their mobile."

# Evolution to Lean Branch

An end-to-end solution that manages all the requirements from ATM pooling implementations can easily evolve into an assisted self-service branch model where the ATM or better the Assisted Self Service Terminal (ASST) replaces the branch by providing a fuller range of products and services and acts as a self-service branch model. This could include the capability to manage a much wider set of transactions and also support related hardware services like cash and coin recycling, scanners, video cameras and the like.



Cipollone comments: "Banks within the pooled networks need to be able to agree on what is really needed to do in a long-term strategy and thus be prepared to select the software required to provide such services. However, in the context of the broader evolution to a branch in a box with functionalities like video conferencing, pooling represents a costeffective way to rethink things – especially in places where an actual branch is becoming unviable."

Branding can become important once an ATM starts to offer a differentiated range of services, and banks often want to keep ownership of their brand and the customer. In a pooling environment, this is facilitated by making the software managing the ATM sophisticated enough to recognize the customer's own bank and providing the corresponding branding look and feel with its services.

Thankfully, banks are increasingly looking to co-operate at a deeper level, sharing some of the costs and processes. However, the ability to move this forward relies on having the right technology that can support all of today's requirements and being able to partner with a vendor who has a robust, modern and flexible ATM-as-a-Service proposition to deliver the additional functions needed to support, add value, and maintain the network for today and tomorrow.

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Building 3, 566 Chiswick High Road  
London W4 5YA - United Kingdom  
[london@aurigaspa.com](mailto:london@aurigaspa.com)  
[www.aurigaspa.com](http://www.aurigaspa.com)