

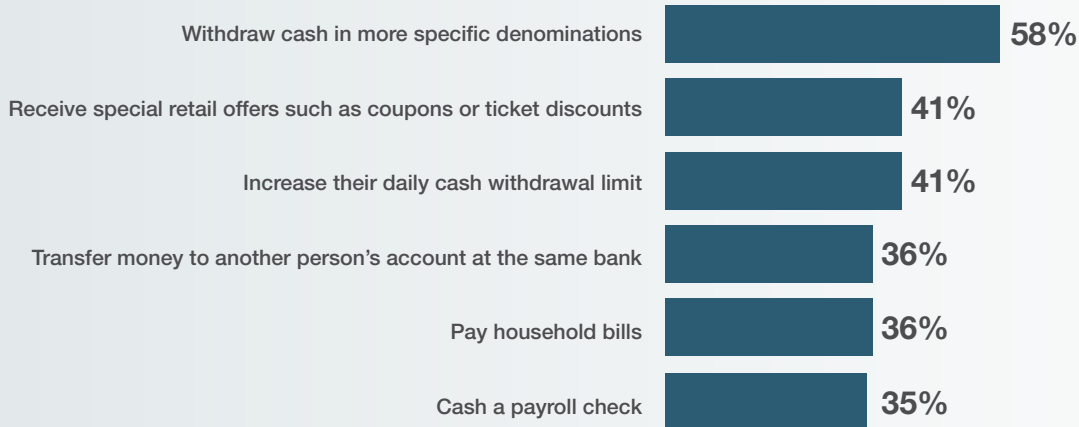
# Community Banking and the ATM Evolution



American  
Bankers  
Association®

### Consumers say they would like to use ATMs to:

Percentage of respondents who are “very interested” or “interested”



Source: Mercator Advisory Group 2021 Report on ATM Usage and Preferences, as reported in PaymentsJournal



## Allpoint+: Taking the Classic ATM into a New Era

As banks position themselves to meet the demands of the digital age, it's critical for their ATM strategies to keep pace. ATMs remain a fixture in the banking marketplace at a time when customer preferences are evolving to emphasize ease of use and convenience.

The use of ATMs for self-service cash withdrawals, deposits and other transactions remains strong, complementing digital banking and serving as an enablement mechanism for digital payments. Even customers who use digital payment technologies still turn to ATMs for their day-to-day banking needs, according to a benchmarking report by Mercator Advisory Group.<sup>1</sup> Despite predictions about the demise of cash, the dollar value of cash in circulation leaped by 16% in 2020, after growing 5% during the prior year, according to Federal Reserve data.

With competition intensifying, banks face unrelenting pressure to operate as efficiently as possible, and that means managing and reducing costs—a significant portion of which is in their branch networks. “Making cash deposits is one of the primary reasons customers visit a branch,” says Greg Donahue, VP, Allpoint Solutions. “Extending the branch network by shifting more deposit transactions to ATMs can free up bank resources that are currently invested in brick and mortar while providing greater convenience to customers.”

<sup>1</sup> <https://www.mercatoradvisorygroup.com/Reports/2019-ATM-Benchmark-Market-Report/>



Meanwhile, the impact of the COVID-19 pandemic is still playing out. One of its ripple effects is the growing need for contactless and self-service technology.

For traditional banks, evaluating how to deploy their ATM fleet in a way that controls expenses and makes maintenance predictable is simply prudent business. For those that don't offer ATMs, now is an excellent time to consider whether the immense range of functionality provided by the most up-to-date ATMs can help them meet ever-increasing customer demands for convenience, while managing branch costs.

NCR's Allpoint surcharge-free network is a service delivery platform that helps banks provide service levels customers have come to expect from the branch, but does so across a vast swath of convenient retail locations. Allpoint also offers ATMs that are cash deposit enabled. Access to the deposit-taking ATMs comes standard for any participant in the Allpoint network. Today there are more than 55,000 ATMs in the Allpoint network, and approximately 2,000 take cash deposits. These cash deposit machines are primarily based in the most populated and fastest growing population areas across the United States.

Consumers can find Allpoint ATMs in well-known retail establishments across grocery, convenience, pharmacy, big-box and hospitality categories. Accessing this robust financial self-service network doesn't require consumers to make a trip to the bank; Allpoint brings banking services to consumers where they already are. The network helps smaller and branchless banks compete with larger rivals while allowing established banks to quickly enter new markets and re-think service delivery in existing markets.

## The Power of Surcharge-Free

Providing consumers with access to cash is a core banking function. In more than a half-century of existence, ATMs have become an indispensable part of the banking experience. In fact, they have become more robust and sophisticated from their humble beginning as cash dispensers, and their evolution continues.

However, distributing and managing cash is a very expensive cost of doing business for all banks, and financial entities like neo-banks. An extensive, surcharge-free network like Allpoint provides marketing value that attracts new customers to a bank, and multi-channel engagement drives higher customer retention and stickier balances, according to a case study by Novantas. ATMs are no longer old-school cash dispensers—the latest models live up to their name as truly automated tellers and are capable of providing full-service banking in a self-service format.

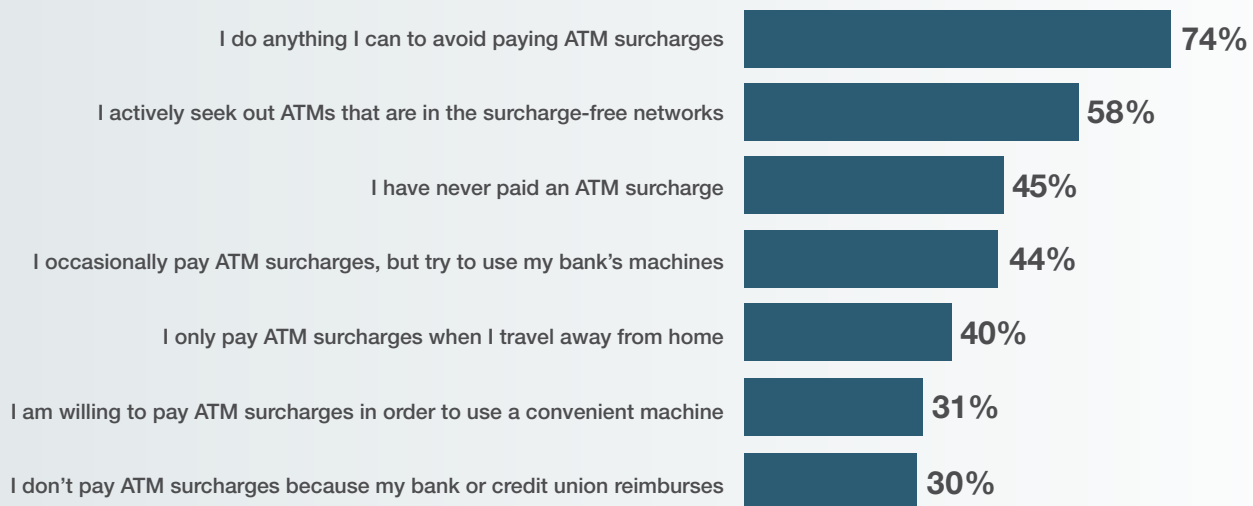
Customers are telling banks loud and clear that they value the convenience of an ATM. The Novantas study found that having a nearby branch—which used to be the mark of banking convenience—has fallen to third place on consumers’ banking wish lists. Mobile and online functions ranked first, followed by access to a surcharge-free ATM network.<sup>2</sup>

The cost to consumers of using an out-of-network ATM averaged \$4.59 per transaction in 2021, according to a study by Bankrate, and the average transaction charges varied widely, from \$4.11 in Chicago to \$5.60 in Atlanta.<sup>3</sup>



## Attitudes Toward ATM Surcharges

### Consumers try to avoid ATM fees when possible



Source: Mercator North American Payments Insights, U.S.: Data Summary Report; ATM Usage and Preferences, June 2021

<sup>2</sup> <https://www.paymentsjournal.com/atms-from-cash-dispenser-to-true-automated-teller/>

<sup>3</sup> <https://www.bankrate.com/banking/checking/checking-account-survey/>



There's no question that Americans, particularly post-Baby Boomers, have made a massive shift to mobile and online payments. However, with more than \$2.2 trillion in cash in circulation<sup>4</sup>, it's impossible to discount the importance of cash. Cash use accounted for 19% of all payments in 2020, according to Federal Reserve data, and even amid the COVID-19 pandemic, 74% of Americans reported having made a cash payment within a three-day period.<sup>5</sup>

"Customers still favor cash for small transactions," says Donahue. "They like it because it's accepted virtually everywhere and is convenient, frictionless, safe and private."

Demographic trends underscore the growing importance of ATM cash deposit capabilities. A 2021 report by Mercator Advisory Group showed that consumers overall reported an average of 2.8 ATM visits per month to deposit cash. The figure is much lower, 0.5 visits per month, among consumers 55 and over. Among young adults 18 to 24, the average is 4.7 times per month.

As banks migrate transaction volume out of branches, delivering a secure, seamless ATM experience can be a win for mobile-enabled customers.

## A Changing Landscape

Donahue cites three trends driving interest in its ATMs: Customer demand for self-service options, branch closures and redesigns, and the opportunity to strengthen Community Reinvestment Act compliance by reaching underserved markets.

"We see our surcharge-free network infrastructure as a tool for transformation," says Donahue. "Bank customers, much like airline passengers and grocery store shoppers, want a self-service option. While there has been a small but steady decline in ATM withdrawal transactions, cash deposits continue to rise," Donahue notes.

At the same time, "branches are closing at a rate that is faster than we've ever seen, particularly in underperforming markets, as banks recognize that transactions are shifting elsewhere," says Donahue. But while the net trend is toward fewer branches, "banks are adding branches in hot markets," he points out. "An ATM strategy can be an efficient way to move quickly into growth markets and to leverage a leave-behind strategy in less robust markets."

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<sup>4</sup> <https://www.federalreserve.gov/releases/h41/20211014/>

<sup>5</sup> <https://www.frbsf.org/cash/publications/fed-notes/2021/may/2021-findings-from-the-diary-of-consumer-payment-choice/>



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Greg Donahue, VP, Allpoint Solutions

CRA compliance is the third factor. “Leveraging our deposit-taking ATMs can help banks improve their CRA compliance requirement,” says Donahue. He notes that Allpoint+ ATMs are concentrated in retail locations in low- and moderate-income Census tracts. They are in shops, such as CVS Pharmacy, Walgreens, Kroger and Speedway, that people from all income categories frequent.

His views were echoed by Steven Gould, SVP at Hancock-Whitney Bank, an Allpoint customer and \$30 billion-asset bank headquartered in Gulfport, Miss. “ATMs can play a key role in CRA as banks use them to meet and fulfill CRA requirements and commitments,” says Gould.

Allpoint+ deposit ATMs are delivering solutions that can help bankers navigate the “problems that keep them up at night,” says Donahue.

An existential struggle for community banks is that competing headwinds are battering them. Their large bank competitors have the scale to operate efficiently; fintech newcomers like Chime, One or Ally Bank are quick and agile.

“The toolkits of small and medium banks are being challenged as pure digital offerings gobble up market share,” says ABA Vice President Edward Gross. “Community banks have to figure out how to compete against size, scale and speed, and Allpoint gives them that option.”

It’s been reported that it costs a bank \$4 when a customer performs a transaction at the teller line, but only \$1 when the customer conducts the same transaction at an ATM, says Gross. And yet, “many community banks haven’t pushed customers to use ATMs.”





Banks have three fundamental options when it comes to offering ATM access.

1. They can build their own network, which enables them to control access, define functionality and choose their sites. It's a costly and slow way to enter the field, but some banks are doing it well.
2. Another option is to join a co-op or shared network, but this means sending your customers to another bank's ATMs.
3. The third option is teaming up with an independent third-party provider such as Allpoint to control outlays and accelerate progress. Members essentially buy access to an existing ATM infrastructure/network and can brand some of the ATMs. "The advantages of this approach are cost and speed," says Donahue. "You gain access to a large network, quickly, for basically no capital investment."

The most successful fintechs are snatching customers from banks across a wide spectrum of services and volume is soaring. For example, in 2013 fintech companies accounted for 5% of the personal loan market, according to Transunion. By 2018, fintech firms had eclipsed banks with a 38% share of a growing market while banks' share of personal loans fell from 40% to 28% over the same period.

Whether branches or ATMs, any physical infrastructure that a bank owns and operates is expensive and becomes more so at a time with high labor costs and inflation. "Efficiency is the name of the game for the foreseeable future," says Donahue. "So, you have to look at a solution that allows you to serve, attract and retain customers more efficiently than today. Surcharge-free cash access that now includes deposits with Allpoint+ is a phenomenal tool."

Innovation is constant. The expanded ability to take deposits isn't the final step for Allpoint+, says Donahue. Bill pay services could be next.

Discussing the topic of building out the Allpoint+ deposit network, Donahue says, "We're constantly analyzing where our volumes are and determining where we need greater density, and then we look to find markets we haven't deployed in." To date, the distribution strategy has been focused on placing Allpoint+ ATMs in the largest, most populous metropolitan statistical areas to reach the greatest number of consumers as quickly as possible. In the future, the art of deployment will be balancing the desire to improve density in core existing markets with the need to open new markets.

“If a bank has specific distribution needs from a deposit perspective, we can place deposit-taking ATMs where they need them,” says Donahue. Deployment is quick; however, a bank must join Allpoint to access Allpoint+ deposit ATMs. Once a bank joins the Allpoint network, it’s a quick jaunt from contract signing to implementation, allowing bank customers to access 55,000 ATMs worldwide for cash-out transactions. “Onboarding isn’t an intense IT effort. It’s a simple project that we do dozens of times per month.”

## Enabling Customers to Bank When and How They Prefer

Burke & Herbert Bank is in the process of defining what its presence will look like while expanding to new markets in Virginia and the greater Washington DC metro area.

With a 170-year history of loyal service to their clients in the surrounding communities, they are beginning to redefine their service model to ensure they are allowing their current and new customers to bank when and how they prefer.

For instance, as part of the strategy to retain nationwide ATM access for their customers, their partnership with Allpoint allowed them to do this while also reducing the cost and time of manual ATM fee waivers. And, with their recent expansion into Richmond, VA, Joseph Collum, EVP and Head of Retail Banking, is considering a footprint of modern physical branches and stand-alone iTM/ATMs.

“As part of our go-forward strategy, we want to ensure that we are leading with modern digital solutions while also retaining the outstanding service and community presence that we are known for. We want our customers to choose the experience they would like to have with us, and for us to exceed their expectations in providing customized solutions to fit their needs now and in the future.”

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Steven Gould, SVP, Hancock-Whitney Bank

## Rethinking ATM Strategy on the Gulf Coast

Hancock-Whitney Bank, a current Allpoint customer with a presence in five states on the Gulf Coast, is in the process of refining its ATM strategy, according to Steven Gould, SVP of portfolio product management for card products. “Where we’re at is not where we want to be.”

Gould says the real value of an ATM network is illustrated by events like COVID-19 and Hurricane Ida, the Category 4 storm that ravaged the area in August 2021. “An ATM network can truly be an extension of the branch from the standpoint of servicing your clients,” says Gould. “You’re not bound by office hours; customers can bank where and how they want to without worrying whether a branch is open.”

“It can also be a great way of offsetting costs,” he says. “The expanded capabilities of ATMs have created an extended branch environment.”

Gould says COVID-19 has changed the way people bank, shop and pay for services. “Banks and credit unions are all trying to understand whether this is a temporary phenomenon or a more permanent change and to figure out how to accommodate this.”

It’s important to put ATM strategy into the correct context, Gould says. “ATMs should be part of a bigger strategy. They have to be part of your customer experience and service strategy, not something unique unto themselves.”

## What’s Next?

ATM strategy at community and regional banks is being driven by changes in consumer behavior, price sensitivity, rising expectations that self-service options will be available and pressure to rationalize existing branch networks.

The future holds many possibilities for the continued evolution of ATMs, according to RBR, a London-based strategic research and consulting firm that focuses on bank automation. In its *ATM Software 2021* study, it said the next wave of ATM innovations could include touch-free interaction, biometric authentication and marketing solutions that deliver tailored offerings to individuals.<sup>6</sup>

This much is clear: banks are freshening up their approach to the ATM channel. By managing costs and re-imagining distribution strategies in this critical area, they are freeing up those all-important resources to enhance digital and self-service platforms.

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<sup>6</sup> [https://www.rbrlondon.com/wp-content/uploads/2021/03/ASW21\\_Press\\_Release\\_150321.pdf](https://www.rbrlondon.com/wp-content/uploads/2021/03/ASW21_Press_Release_150321.pdf)



## About Allpoint Network

Allpoint is the on-demand cash access solution for banks, credit unions, prepaid programs and Fintechs. Built on a global network of 55,000 ATMs located in premier retail settings, Allpoint Network solves cash distribution and deposit acceptance needs, giving cardholders convenient cash access at thousands of points of contact. Allpoint is an NCR company. [www.allpointnetwork.com](http://www.allpointnetwork.com)



## About NCR Corporation

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