

Whitepaper

# Unlocking efficiency and profit: The power of outsourcing ATM services



## Cash is declining. But it's not disappearing.

Despite more than 23 million people in the UK using virtually no cash last year, we're not banking on the arrival of a truly cashless society anytime soon.

Financial inclusion across Europe has a long way to go, with 13 million consumers unable to access formal financial services. In some EU countries more than 30% of adults still remain unbanked and are therefore reliant on cash.

In every country, cost of living demands have pushed many lower-income households towards using cash as a budgeting tool. For some, especially vulnerable and elderly people, cash is a trusted and familiar method of payment, while digital payment methods can feel alien and confusing. Increasingly, the government recognises the need to protect cash, which is why the UK Treasury's Cash Access Policy

Statement in 2023 committed to ensuring access to cash was available within 3 miles for 95% of the UK population.

Clearly, there is both demand and need for cash, so, for now, the ecosystem is here to stay. Consumers want to exchange cash, businesses (mostly) want to accept it, and governments want to protect it, which means providers still need to make cash available through convenient dispersal points.

As the operational costs and complexity of cash supply and management increase, ATM operators are being challenged to find new ways to maintain their breadth of services, while protecting their revenue.



# 13 million

consumers across Europe have no access to a bank account or payment cards. Cash remains the currency of choice in many EU countries.

# Maximising ATM revenue is a specialist job.

Running an ATM network can be expensive and resource-draining, with rising costs and challenges from every direction.

Banks have undergone digital transformations that have been disruptive for employees, and rapid tech and regulatory developments have quickly highlighted skills gaps within workforces. With branch closures and redundancies announced by almost every retail bank in Europe, branch and service centre staffing cuts mean it's become harder to find and retain experienced, skilled talent.

Around 10,000 bank branches were closed across the EU last year, resulting in the loss of at least 20,000 ATMs. In Portugal, 1,000 bank branches have closed since 2017, with 60% of these in four of Portugal's largest cities. In 2021, 19,000 bank employees in Spain lost their jobs, when 11% of the branch network was closed down.

The presence of non-bank sites varies across Europe. In the UK, around three quarters of ATMs are located away from banks, while in France it's as low as 16%. It's a complex landscape to navigate and for banks or any other operator, it's increasingly challenging to make a profit.

Managing ATM networks requires deep technical expertise, and with the declining demand and challenging business case for providing cash, it's become difficult for operators to justify investment into these types of leadership and operational roles.

One option is to outsource some or all of the responsibilities that are linked to managing ATMs to specialist solution providers who

provide these types of services at scale. ATM outsourcing companies can offer greater efficiency and lower costs, and, as a fast-growing market, it's expected to generate \$27 billion in revenue by 2028.

Because outsourcing companies are laser-focused on staying abreast of new technology, the ATM networks they manage can benefit from cutting edge functionality, which in turn creates new business opportunities and opens up use cases through the ATM channel.

Outsourcing companies can take on responsibility for compliance, security, and regulatory matters, reducing the bank's exposure to potential risks and legal issues.

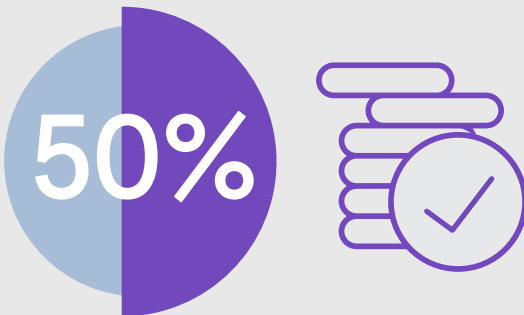
With 24/7 operations and dedicated local maintenance teams, they can provide a greater level of reliability, support, convenience, and satisfaction.

These businesses provide banks with flexibility and scalability, allowing them to continually review and update their networks without being confined by overstretched bank tech development resources.

For banks looking to differentiate their retail offer through experience, proposition, and value-added services, it makes sense to outsource the specialist technical skills and services they need to maintain their ATM networks, leaving them free to focus on their core customer challenges and priorities.

**\$27bn**  
**2028**

ATM outsourcing is a fast-growing industry, expected to be worth \$27 billion in revenue by 2028.



In 2021, half of all ATMs had outsourced cash replenishment, while 53% chose to outsource first level maintenance.



## Outsourcing opportunities.

So which tasks does it make sense to outsource, and which are most in demand?

ATM security has long been an area of concern, so choosing to partner with a provider expert in biometric authentication, cardless transactions, and encryption, with deep expertise and connections in the fast-moving world of payment fraud, can be a smart move.

Any ATM downtime creates both a revenue drain and a source of customer frustration, so operators are increasingly attracted to providers who offer real-time monitoring, proactive maintenance, and fast issue resolution. ATM cash replenishment is a time-critical and labour-intensive task, so when combined with the capability to recycle deposited cash for use in withdrawals, this makes for a valuable outsourced service proposition.

Outsourcing companies may offer advanced data analytics and reporting capabilities, providing banks with insights into ATM usage patterns, transaction trends, and customer behaviours, even beyond their own networks.

Thanks to a fast-growing payments outsourcing economy, the ATM services on offer are growing in sophistication and competitiveness, and new delivery partners are springing up right across Europe. With achieving scale as a commercial imperative, we would expect to see some rationalisation of providers over the coming years.





# It's an ATM pool party.

Agreements between banks to collaborate around ATM locations and services are certainly not a new thing.

Guaranteeing fee-free access to cash for customers of other bank brands is a staple of many ATM networks, so it's no surprise that banks across Europe are now more formally combining their ATM suites, operations, and resources to help minimise costs.

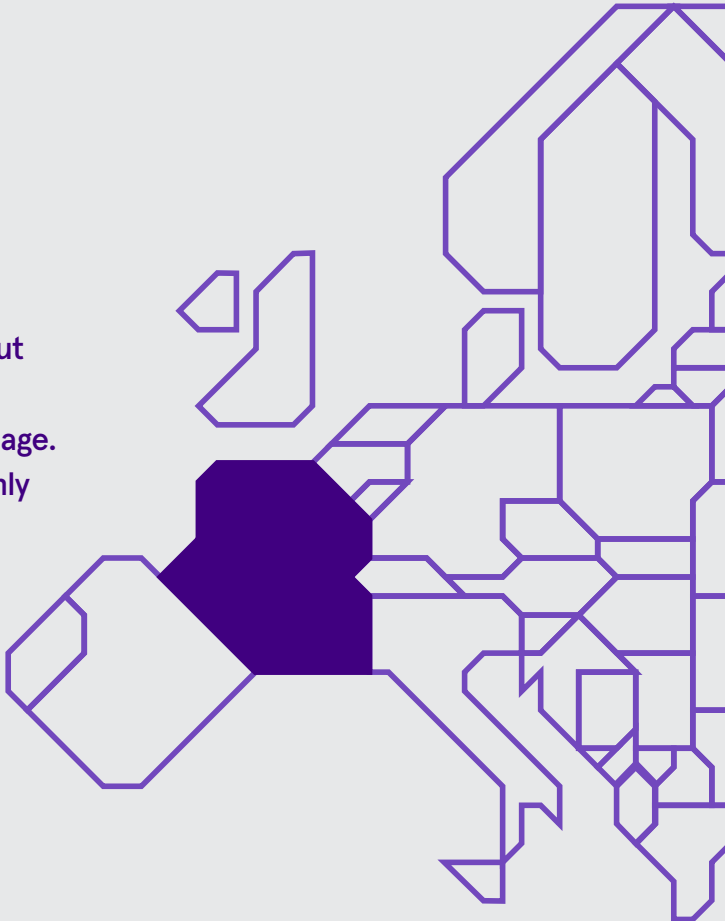
This is termed ATM Pooling, and as the operational costs and challenges stack up, momentum is gathering behind the trend, demonstrated by recent bank ATM collaborations within Belgium, the Netherlands, Portugal, and, most recently, France.

In 2023, BNP Paribas, Credit Mutual, and Societe Generale announced a 'Cash Services' agreement to modernise and mutualise bank ATMs in France by the end of 2025.

5% 24%

French retail bank efficiency and revenue has been under pressure for many years, but banks there have been reluctant to shrink their networks for fear of reputational damage. Branch closures therefore remain low at only 5%, vs an EU average of 24%.

Potential cost savings of up to 25%, which according to McKinsey could be achieved through a common ATM network, could provide a welcome boost to the bottom line.



# Making light work of scheme membership.

One potential obstacle for ATM operators is the complexity of obtaining card scheme membership, which is required to process payments. Even then, there's the need to satisfy and maintain the many regulations and demands made by members.

ATM BIN sponsorship is a service where a fintech or payment processor sponsors a bank identification number (BIN) on behalf of another company, allowing them to process payments under that BIN. This can be a valuable strategy for ATM operators, offering a quick route to new market entry with none of the heavy regulatory and administrative processes involved in becoming a fully-fledged card scheme member.

BIN sponsorship allows ATM operators to leverage the regulatory framework of their sponsor, reducing their compliance burden

and enabling them to focus on their core competencies.

They can choose to scale up or down their ATM operations and footprint seamlessly, adding new card and payment types.

It's a compelling proposition – a powerful revenue growth opportunity delivered by operating smarter and more efficiently, bringing potentially significant cost savings.



## Protecting access to cash by making ATMs work harder.

The efficient and cost-effective operation of ATMs is an excellent starting point, but the big opportunity is about more than cost reduction. ATMs of the future need to offer much more than cash withdrawals.

As part of mitigation for wider bank branch closure programmes, there's an opportunity for ATMs to provide services that were once delivered by staff – currency, lending, emergency funds, and more. This transformation is well on its way, with Nationwide claiming that 49% of all ATM transactions are now for other services, from printing statements and paying bills to changing PINs and paying in cash and cheques.

Growing consumer demand for self-service digital experiences and voice-activated technology are enabling an exciting future

for ATMs and working closely with a specialist partner can bring these new growth opportunities within reach, faster.

With contactless and device-made transactions, biometric authentication, advanced security measures, and a whole range of value-added services, it's critical that you stay ahead of tech and industry development and continue to improve and differentiate your offer to customers. That's why it makes sense to work with a partner who is able to bring to life and implement new innovations at speed and scale.

**At Cashflows, we have more than 50 years of combined team experience in ATMs and are experts in BIN sponsorship, with banks and independent ATM operators. Let us put our expertise and resources to work for you, with results that will transform your ATM business.**

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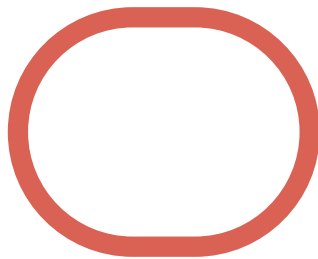
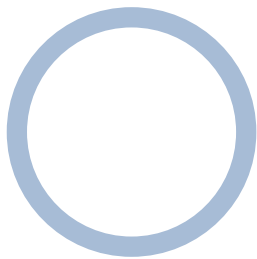
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