

Part 2 : Rise of the Machines

By Patrick Chew

18 May 2005

In the second of a 3-part series, we looked at what the future holds for the ATM in the era of online banking and more cashless payment options.

Nay the Doomsday sayer

ATMs have certainly come a long way. Since its inception in the 1980s, it has become a staple in the modern lifestyle. Whilst plastics (ie credit / debit cards) and the internet have made inroads into the everyday payment process, the use of cold hard cash continues to hold its own. Whatever the analysis, cash continues to be king and ATMs are here to stay; at least for a while yet.

Rise of the Machines

Banks are quick to acknowledge and capitalise on this. With handling 60% or more of transactions, ATMs have certainly moved from Wall Street to Main Street. Sales of ATM machines are up as banks are either upgrading their fleet or buying new ones to increase their reach. Much to the delight of major ATM vendors.

Given that ATMs have been successful in the past, what might their future hold? To answer this question, consider the convergence of 3 pre-existing conditions that can predicate the future of ATMs. .

1. General Acceptance

It is evident from reports and studies; that ATM transactions rank much higher than other channels; even branches, phone banking and the Internet. Progressive banks in Asia Pacific have reported between 70 – 80% transactions done at ATMs versus via branches. These statistics are significant. It shows the acceptance of the ATM channel by the general populace.

The early adopters in the 80s have matured together with the age of ATMs; pushed on by yet younger adopters. Today, the 20 years span since its introduction have made a cross-section of the population comfortable with ATMs.

Whilst new electronic micro-payments like Internet Banking, mobile payments have arrived on the scene in the late 1990's, adoption has been slow. When faced with the need for cash, a large majority of consumers continue to turn to ATMs. The convenience of its 24x7 availability helped.

They are reliable.

2. Matured Ubiquity

In major cities around Asia, ATMs are as common sight as traffic lights (or traffic jams as the case may be). There is practically one at almost every street corner. In-branch ATMs, standalone ATMs or ATM lobbies etc. they may be machines of different designs, construction and colours, but they are all immediately recognisable as such; that banking transactions can be performed at these locations.

Furthermore, with the spread of shared ATM networks in-country as well as cross-borders, consumers are finding it easier to gain access to their funds even if they are on holiday or business trips abroad. Regional banks have acknowledged this and have put together the infrastructure to facilitate cross-border ATM transactions. Some of these are bank-initiated whilst others driven by national switches (eg. NETS Singapore, China UnionPay)

They are everywhere.

3. Hardware & Heartware

Constructions of ATMs are now more robust than ever before. The newer models are able to withstand machine-hostile weather conditions; with no need for special cooling elements. Vendors have also built-in more fault-tolerant circuitry with self-monitoring capabilities, resulting in fewer breakdowns and higher reliability.

Security has also been strengthened. Recent years have seen anti-skimming devices, anti-theft devices, closed-circuit surveillance cameras, encryption etc that deters and detect intrusions. A mini Fort Knox indeed!

However, recent innovations in the heartware (mindset) and software have brought ATMs up a notch in its evolution. With technological advances, banks have been busy answering the question "What else can I do with my ATMs?". The results have been inspiring. Examples of some of these innovations include:

- ticketing for movie / concert / airline tickets
- cellphone SIM card top-ups
- granting of micro-loans
- donations and even the recent Tsunami Relief funds
- targeted marketing
- personalisation – one-to-one alerts and more

Take for example; a latest innovation by a Singapore bank was its ability to link its fleet of ATMs to its pre-existing CRM system. By so doing, all of a sudden, the ATM is transformed beyond that of a cash dispensing machine; but that of a channel for personalised interaction. Imagine the ATM greets you a birthday wish, reminds you of product maturity, payments due, special promotions etc. Imagine you can accept a pre-approved product via the ATM; fix an appointment; send a message to the bank and set up your preferred cash withdrawal amount ... Whilst in its infancy, imagine the possibilities!

They are smart; and getting smarter.

World of the Future

So what's the future for ATMs? Will ATMs continue to be ATMs? Or they evolve into multi-purpose kiosks? Much like how the phone-PDA / PDA-phone evolution is playing out?

What's for sure is that there will continue to be more innovations deployed via ATMs. New convergences will take place. For example, consider the impact of improved

telecommunications via higher bandwidth capabilities. Will this lead to more multi-media ATMs with enhanced interactivities?

In addition to the 3 conditions listed above, perhaps one important but often assumed pre-requisite remains.

Condition 4 : That as long as cash continues to be the main medium of exchange, ATMs will continue to thrive.

The writer heads the Channel Delivery division at a Singapore bank and has extensive experience developing strategies, managing and implementing solutions for a wide range of banking channels. The article is contributed in his personal capacity.