A First Data White Paper

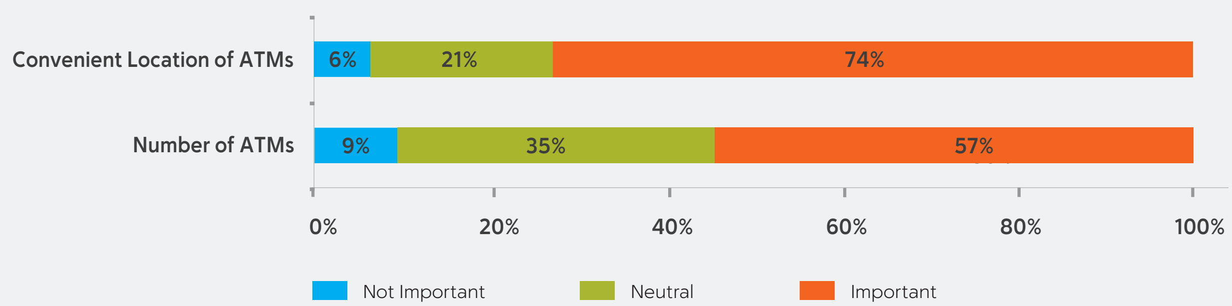
Evolving Options for ATM Outsourcing: Pooling Can Keep Your Channel Competitive

By:
Richard Pitt, ATM Product Owner, EMEA

Executive Summary

The ATM is a "must have" customer service channel for financial institutions. Without it, the financial institution* isn't even a viable choice for most customers. A 2011 Dieringer Research Group consumer survey shows the importance of a proper ATM estate. Seventy four percent of respondents cite "convenient locations of ATMs" as important when choosing a banking relationship. More than half the respondents, 57%, say the "number of ATMs" is another important factor in selecting their bank.[1] For many consumers, the ATM is the primary interface to their bank. Consequently, having a robust ATM channel is more than just a table stake for most banks and credit unions; it's a strategic foundation for customer service. (*Note: For purposes of this paper, the terms *financial institution* and *bank* include credit unions.).

FIGURE 1: ATM IMPORTANCE WHEN CHOOSING A BANK



Source: Dieringer Research Group Conjoint Consumer Survey, 2011

At the same time, maintaining and operating an ATM estate is an expensive endeavour. Research by First Data indicates the total cost of the operation of a high-transacting full function ATM can reach 20,000 Euros per annum per ATM. Costs of this magnitude are putting even more pressure on banks to re-examine their ATM business models—not only to reduce these costs, but to look to the ATM channel for additional revenue opportunities.

The ATM is also a capital-intensive channel. It requires large investments in many secure units to be deployed, as well as expensive operational practices to maintain service. The more pressure there is on financial institutions around capital, the more interest there will be in outsourcing.

Worldwide, many functions of the ATM channel are already widely outsourced, and there is a growing trend toward partnering with strategic providers to provide an end-to-end service. By outsourcing these services, financial institutions can capture greater efficiencies while ensuring that their ATM portfolio maintains the latest in technological advancements and meets all regulatory requirements. Outsourcing also enables bank owners to focus more on their own core competencies and the initiatives that deliver the greatest value to their organisations.

[1] Dieringer Research Group Conjoint Consumer Survey, 2011

Traditional outsourcing models focus on optimising the operations of a single financial institution, but there is increasing interest in mature ATM markets on co-operation between institutions (Channel Aggregation) and particularly in "Pooling", in which multiple banks enter an agreement to operate a shared infrastructure, including all elements of the ATM value chain. There are successful examples of pools at the local level as well as the national level, and we look at the benefits, drawbacks and opportunities for growth of this "outsourcing plus" model.

Regardless of the outsourcing model a financial institution might choose to pursue, a leading concern—and a major success factor—is the selection of a strategic service provider with the right expertise for the situation. When a bank or a group of banks puts the responsibility of operating any or all facets of its ATM channel in another company's hands, it is critical for financial institution to know they have the right partner. Later in this document, we explore the desirable attributes of a strategic outsourcing partner.

The ATM landscape is changing. It is time for financial institutions to take a closer look at their ATM operations and consider how ATM outsourcing can help control costs and turn prospects into customers.

Introduction

In recent years, disruptive forces such as the global financial crisis and the confluence of open standards software and the Internet have put a spotlight on ATM operations. These and other influences are putting pressure on banks to re-examine their ATM channel strategy and operational tactics to find cost savings and new revenue opportunities, and to improve customer service.

The Economy – The global financial crisis and the lingering economic malaise continue to squeeze financial institutions at every turn. In the EU, the European Banking Authority is pressuring many banks to increase their capital reserves after unsatisfactory results in recent stress tests. Across the pond in the U.S., financial institutions are reeling from massive interchange revenue reductions stemming from the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. These are just two examples of intense economic pressures that bank executives feel every day. In these conditions, financial institutions are hesitant to commit capital to an ATM channel. Bank leaders are asking, "If this is a channel we have to have, how can we operate it more efficiently and effectively?"

ATM Economics – In a recent study from Dove Capital Partners, David Dove estimates that large banks in the U.S. could save almost 20% on their direct costs per month per ATM by outsourcing to a third party managed services provider. His calculations are based on a hypothetical example of 750 ATMs and show annual savings of more than US$1 million.[2] See Figure 2 below to see where the cost savings would come from in this scenario.

While efficiencies will vary from bank to bank and from market to market, any strategy that can produce savings of 20% *and* free up capital must be investigated.

FIGURE 2: ESTIMATED COST SAVINGS FROM ATM OUTSOURCING

	Large Bank Off-Premise ATMs: Cost/Month	Third Party Managed Services Provider: Cost/Month	Savings/Month	%
Armoured services	$ 208.00	$ 172.00	$ 36.00	17.3%
First/Second level maintenance	$ 165.00	$ 90.00	$ 75.00	45.5%
Communications	$ 150.00	$ 50.00	$ 100.00	66.7%
Cash/cash management	--	$ 115.51	($ 115.51)	n/a
Processing	$ 85.56	$ 64.17	$ 21.39	25.0%
Total	**$ 608.56**	**$ 491.68**	**$ 116.88**	**19.2%**

Source: Dove Capital Partners

Notes:
All amounts are in US$
Armoured services: Contract rate differences
Maintenance levels: Contract rate differences
Communications: Move to wireless or leverage in-place frame relay in retail environment
Cash/cash management: Third party provides cash and cash management; put bank cash to use
Processing: Move from in-house terminal driving to outsourced with gateway

[2] David Dove, "The Case for Outsourcing ATMs," Banking Strategies, August 3, 2011

Evolving customer expectations – Web services have changed the way people think about customer service. Data-driven mass customisation allows companies in any industry to provide very personalised products and services to their customers, which in turn deepens the relationship between company and customer. Consider Amazon.com; when a returning customer logs on to Amazon's Web site, Amazon greets the customer by name and suggests books, music or other products that are very likely to appeal to that specific person. This practice drives sales for Amazon.com and improves the customer experience.

ATM devices that utilise open systems software make it entirely possible to incorporate mass customisation into the customer experience. Examples include a preferred "quick cash" amount, or a personalised offer for a home improvement loan for a homeowner whose house is thirty years old.

Why banks shouldn't own their ATM estate: Rapid advances in technology

The ATM was invented more than four decades ago, but that doesn't mean it is standing still (figuratively, that is). The pace of technological change is increasing, and many financial institutions are finding it challenging to sustain an estate that requires frequent support. Maintenance and support can take anywhere from a few minutes (for example, to install an anti-skimming device on the card reader) to a few hours (perhaps to install a new operating system) and may require special expertise to perform the work. Then there is the cost. In addition to the cost of labour and downtime of each device, the bank may have the expense of new hardware or software components and integration with other systems.

Of course, financial institutions don't have to deploy every exciting new technology that comes along if the advances do not support the institution's ATM channel strategy. On the other hand, banks may not have a choice in some of the industry advances, such as new card readers to support EMV, or voice-enablement to facilitate legislated accessibility. Meeting customers' needs is an important consideration, as well: as customers change so do their expectations for technologically-advanced conveniences.

More functionality means higher complexity. Today many financial institutions are choosing to lease their ATMs from the manufacturers or distributors. These companies are usually better equipped to perform technology updates or to provide wholesale replacements when needed. When a bank enters into an end-to-end outsourcing contract or an ATM pool, generally the service provider will take ownership of and complete responsibility for the devices. The bank gets the benefit of updated technology without the pain of having to implement or pay specifically for the enhancements.

Significant technology developments that have an impact on the ATM channel:

Development	Advancements
Migration of the device operating system from IBM OS/2 to Microsoft Windows NT/XP/2000	Enables a wide range of new functions and capabilities via open standards software
Widespread use of Internet protocol and wireless communications technologies	Increases viable placement of ATMs in locations where telecommunication infrastructures have traditionally been poor or hard to reach
Adoption of EMV/ Chip and PIN in many regions	Eliminates the use of fraudulent magstripe cards at the terminal
Voice-enabled or talking ATMs	Enables deployers to meet ATM accessibility requirements and to appeal to illiterate customers
Videoconferencing/ interactive interface with a live teller	Enables "live chat with a banker" to provide a more intimate customer experience
Integration with customer relationship management (CRM) applications	Enables a highly personalised one-to-one banking experience and increases up-sell and cross-sell
Anti-skimming devices	Protects the integrity of the card reader to reduce fraud
Cash recycling	Reduces the frequency of cash replenishment by reusing deposited cash
Touchscreens	Provides an updated customer experience
Biometrics	Enables customer recognition based on a finger scan rather than a card

Information from third parties could be integrated into the experience as well. For instance, a personalised offer at an ATM for discounted goods within a shop. Today's consumers expect the companies they do business with to know them as individuals, understand their needs and provide them with highly personalised services.

Technology that is readily available today enables this from the modern ATM. Service providers with the expertise to deliver 1:1 marketing and customer experience programs can help banks meet this higher level of customer expectation.

Innovation – Those who innovate more often lead and define the market. However, many banks fear innovation because of risk. Chris Skinner, chairman of the Financial Services Club, recently wrote: "What with legal, compliance, regulatory and financial obstacles, innovating within a bank will always be the most difficult thing you can try to do." Because of economies of scale, outsource providers can lower the cost of innovation for individual banks, allowing them to explore new ways of doing business without investing capital to do so.

General outsourcing trends – Outsourcing of individual functions such as ATM payment processing has long been common. On the upswing now is the outsourcing of extended management services such as ATM monitoring and incident management; and the outsourcing of the complete end-to-end ATM supply chain which allows banks to withdraw management focus from service operations and focus on business optimisation.

Market maturity – Maturity in the context of the ATM channel may be gauged by the level of opportunity that still exists to deploy ATMs in new locations on a sustainable basis. The business model to which that "maturity" migrates varies from market to market but the trend towards more expensive and marginal sites to locate ATMs universally increases cost pressures and therefore promotes cost saving strategies such as outsourcing and channel aggregation.

ATM Channel Strategy

Before evaluating any model or options for ATM outsourcing, the bank's leadership team should re-examine its ATM channel. The following are some of the fundamental questions to be addressed:

How is the ATM channel viewed?

How financial institutions as well as customers around the world perceive the ATM channel varies widely by region and this in turn affects a bank's attitude toward outsourcing some or all aspects of its ATM operations.

In the U.S., Canadian, Southern European and many emerging markets worldwide, the ATM channel is viewed as a competitive advantage for many banks and credit unions. Financial institutions compete for new customers and seek to deepen existing customer relationships using a plethora of ATM innovations such as videoconferencing and voice guidance. These organisations would likely place a strong emphasis on how an outsourcing partner could help the bank leverage innovation for a competitive advantage.

On the other end of the spectrum, many banks in Northern European countries primarily view their ATMs as utility devices to dispense cash and core services. Their focus in outsourcing is more likely to be cost reduction.

Despite this wide variation in how the channel is viewed, there are types of services of common interest to all ATM providers:

Retail banking services – Regardless of the bank's attitude to the strategic use of the ATM channel, all banks will still recognise the benefits in providing a wide range of standard retail banking services at the ATM, for convenience of access and considering that not all customers will have access to services through an Internet banking channel.

Revenue-building opportunities – To this fundamental service layer almost all banks will also wish to explore revenue-building options such as mobile phone top-ups and dynamic currency conversion. In addition, opportunities exist to offer third party products and services that can provide new revenue streams for the bank.

Brand enhancement – Most banks also recognise the opportunity for brand enhancement whether they wish to market products simply by means of the channel or extend to more customised 1:1 marketing.

What requirements will ATM operation impose in the future?

Secondly, an institution will need to examine the requirements imposed by ATM operation going forward, to ascertain whether these can be fulfilled internally, and in particular:

Capital investment – The maintenance cost of the hardware and software renewal of existing ATMs and installation of new locations requires capital investment. Moreover, the institution must consider what capital is required to support specific known market events, such as upcoming regulatory changes for EMV, PCI and accessibility (disability) compliance. Of particular interest is the timing of these investments and whether they can be justified in the current financial climate.

Human resources – Personnel skilled at various activities are required to support the regular maintenance of the ATM operations. A more open question is what personnel will be required to support specific known market events and the development of the channel to meet strategic requirements. And again, the timing of these developments and whether these investments can be sustained in the current financial climate is a consideration.

What are the trends in the profitability of ATM operations?

Bank leaders are all keen to know if the operation of an ATM channel will become more or less profitable during the next investment cycle, and how volatile this outlook is.

Revenues – Financial institutions are monitoring the trend of existing transaction volumes and whether they are increasing or decreasing. One concern is whether interchange revenues are likely to change (either the mechanism or the level). Additionally, banks are tracking closely the growth of mobile and other contactless payment options. Decreasing transactions per ATM may be a result of mobile commerce's success, with mobile payments potentially replacing the use of cash for low ticket transactions.

Costs – The pressure on operational costs requires introspection on several considerations. For example, are costs of third party services likely to increase (or perhaps decrease) due to regulatory or environmental factors? Will pressure for good sites increase site costs materially? What costs are associated with the security of the network, and will there be increased costs through requirements such as PCI, and the introduction of enhanced physical security?

The future of your ATM channel

If the answers to the above questions indicate that the institution's existing infrastructure cannot deliver the future services required in a cost efficient manner and that significant time driven investments are required, it is probably appropriate to review outsourcing options.

In the sections ahead, we explore the leading outsourcing models that can lower the Total Cost of Ownership (TCO) of your ATM channel; improve your focus on your core business functions; bring your bank up to date with cutting-edge technology; and ensure you meet your regulatory requirements.

ATM Outsourcing – Levels of Outsourced Service Provision

Within the general umbrella heading of "ATM Outsourcing" there are many different levels of service provision which increase the opportunities for cost saving but also increase the importance of choosing the right service partner. In broad terms the levels include:

- ATM Driving
- ATM Driving and Management
- End-to-End ATM Outsourcing
- Channel Aggregation

ATM Driving

Well established and common as an outsourced service amongst banks because of the level of specialist skills required, this service provides connection to ATM devices, payment schemes and partners, processing, settlement and reconciliation of transactions.

These services are typically outsourced by smaller to mid-range financial institutions that do not generate the volume of transactions required to make the retention of the infrastructure and expertise cost effective.

ATM Driving and Management

In addition to ATM Driving and Transaction Processing services, this model includes a range of value-add management services such as intelligent device monitoring and intervention management allowing proactive ATM maintenance, support and performance tuning in order to maximise availability.

Within a developing ATM market, as cost pressures increase, the rationale for deploying additional services to improve the management of the ATM channel increases. So, too, does the availability of credible outsourcing providers as a means of providing the services without capital investment. These services are typically therefore adopted by those who already outsource ATM Driving operations and to whom the Management services represent a logical way of fulfilling extended requirements.

End-to-End ATM Outsourcing

In addition to ATM Driving and Management services, the outsourcing provider takes on the contractual responsibility for all operational services related to the ATM including maintenance, cash replenishment and security. This allows the provider to maximise the cost efficiency of the supply chain through aggregation of scale through its combined customer base.

A decision to adopt End-to-End Outsourcing will typically result from a strategic review of ATM channel positioning and a recognition that services can be provided at a lower TCO. It will usually be triggered by a defining investment event such as a need to renew the ATMs or the end of life of the core processing systems.

Channel Aggregation

All of the levels of ATM Outsourcing above refer to the proposition of connecting to a single financial institution by a service provider. These propositions in themselves can be seen as a form of channel aggregation, in that banks outsource to a common provider who reuses a common infrastructure to achieve economies of scale.

"Reciprocal Access" or "Network Access" Agreements also have long provided a form of sharing. Such agreements let smaller institutions provide fee-free access to their cardholders where their own estates are limited. However such access does not present the benefit of supply chain aggregation to push down TCO. Nor does it typically include joint branding. A network/ agreement situation does not just preclude brand enhancement—it effectively pushes one financial institution's customers to the ATMs of a potential competitor.

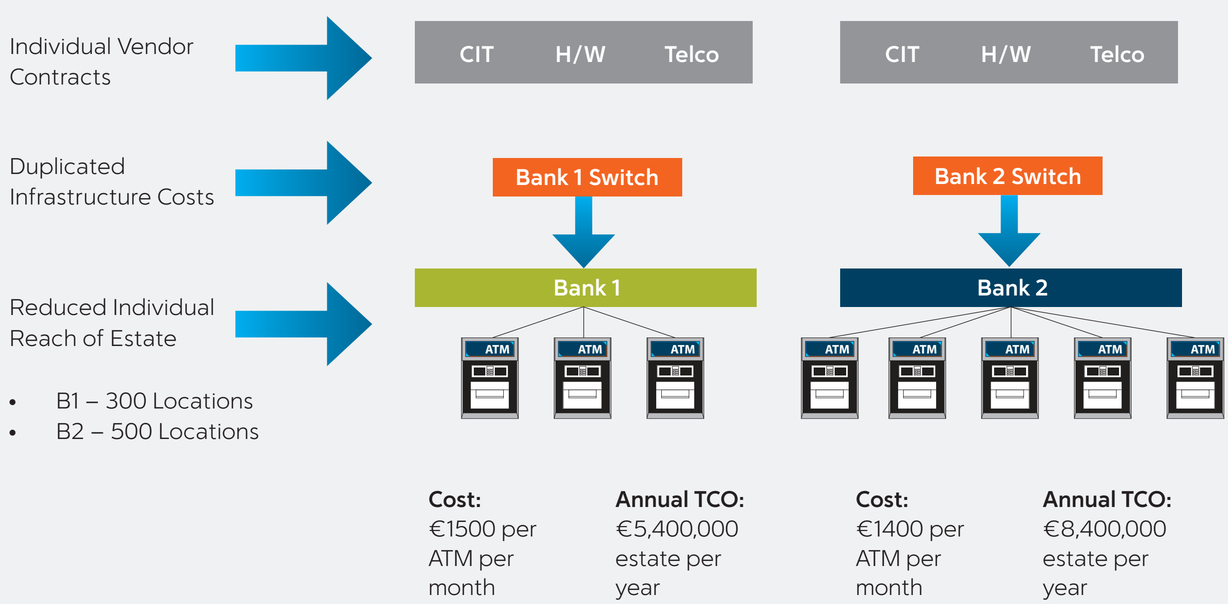
In mature markets we are increasingly seeing examples of banks going further and coming together to share their ATM infrastructure itself. This can range from sharing individual elements of their supply chain to the ultimate form of aggregation referred to as Pooling, where all elements of the value chain are shared and cardholders of the participating banks can use any ATM within the "pool" as if it were their own bank's ATM. Collaborative branding is part of the pooling option, as well.

Pooling

In a Pooling arrangement banks have the ability to offer a much broader ATM estate to customers while enjoying greater operational efficiencies as well as the latest in technological advances and automatic support for regulatory requirements.

The concept is illustrated in the two figures below. In Figure 3 we have two banks that are completely independent of each other. Each bank has its own infrastructure, including the switch for transaction processing and the ATM devices. Because of the duplicated infrastructure and contracted services costs, Bank 1 has an annual Total Cost of Ownership amounting to €5,400,000 for the estate. Bank 2's annual TCO comes to €8,400,000.

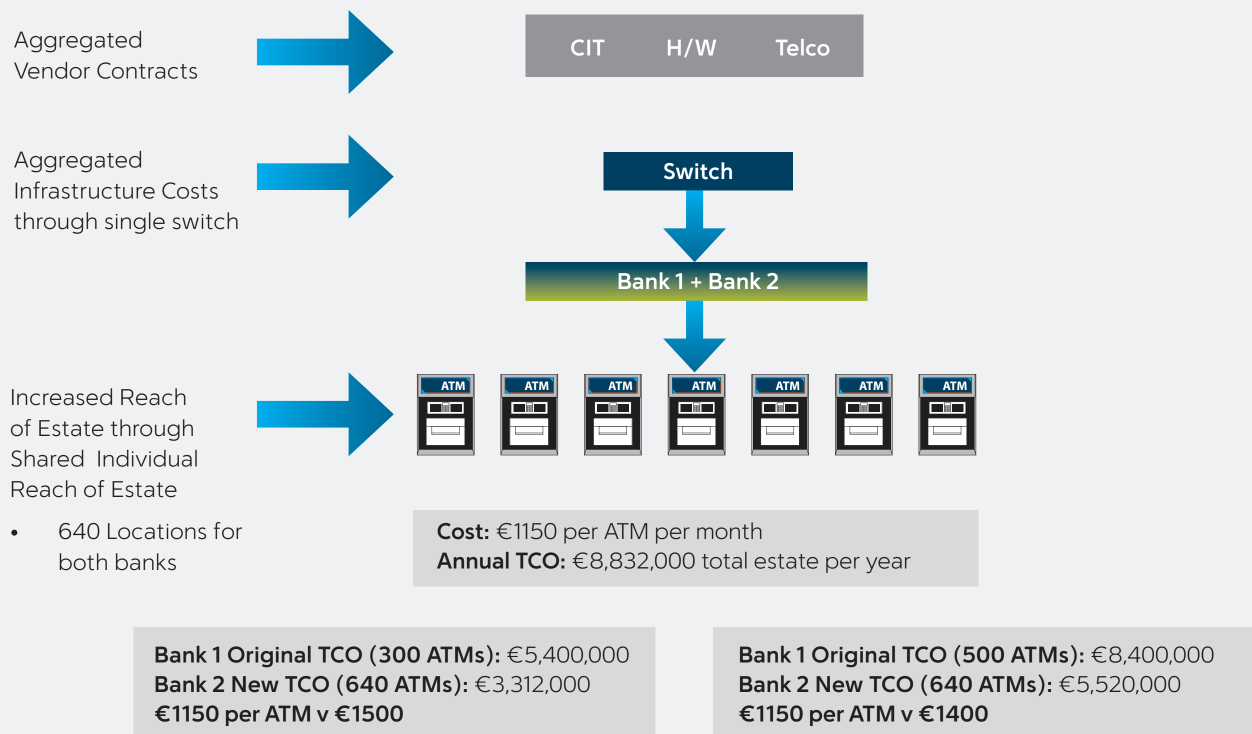
FIGURE 3: THE BANKING MODEL PRIOR TO ATM POOLING



Source: First Data

In Figure 4 below, the two banks have pooled their infrastructure to share a single switch and all of their ATM devices. With a single set of contracts for their service providers, they have eliminated many of the duplicated costs that drove up their annual TCO. Bank 1 now has an annual TCO of €3,312,000—a decrease of €2,088,000, or nearly 40%. Bank 2 has lowered its annual TCO to €5,520,000, yielding a savings of €2,880,000, or 34%. Moreover, they have expanded their reach to their customers because both banks now have full access to 640 ATMs in the pool. (Note that some ATMs from the combined pool can be retired due to overlapping locations.)

FIGURE 4: THE BANKING MODEL WITH ATM POOLING



Source: First Data

Who is jumping into a pool?

Although the model has been around for a very long time, ATM Pooling is a model gaining particular interest of late in Northern and Central Europe. There are several successful pool in existence today (as discussed in Appendix A) and there are active discussions underway in other countries. These markets are receptive to the pooling model for several reasons. Firstly, the banking industry in general and ATM channels in particular are quite mature. This makes it easier to negotiate the required contracts to operate the shared infrastructure but also means that ATM deployment is rarely a significantly profitable activity for a bank as good sites for ATMs are already occupied. Second, the ATM channel is primarily seen as a utility for dispensing cash. Banks do not compete markedly on their ATM offerings. And finally, many of these countries have relatively small populations with a few dominant banks that tend therefore to be of similar size and stature and have broadly similar business objectives. This means the participants can feel comfortable that their interests will continue to be served by the pool as no one partner will dominate the other(s) in the pooling arrangement.

From these examples we can distill the typical attributes of the participants within a pooled service:

- The key participants are not in themselves operating very large estates (in excess of perhaps 3,000 ATMs) whereby they can achieve economies of scale on their own.
- They share common business characteristics, such as size, objectives and outlook.
- There are relatively few key participants (usually three to six) in the pool.

In terms of the benefits, issues and level of planning required it is useful to draw a distinction between National Pooling and pools that are not national in their scope (referred to as "ATM Clubs" and described below).

National Pooling

We consider National Pooling to be the case when a pooling of ATMs creates a dominant deployer within the national market in which it operates. Exact interpretation will vary but this pool will typically contain 40% or more of the total ATMs in the country and will be able to process transactions against the majority of domestic bank accounts.

As with any business model, there are pros and cons to the chosen approach. On the plus side for this model, a National Pool creates the ultimate level of optimisation and efficiency in terms of the ATM network infrastructure and can drive towards a national objective to reduce cash utilisation in a way that could not otherwise be envisaged.

On the other hand, the fact that the nation is dependent on this single pool for cash distribution opens it up to close scrutiny and regulation from the central government. Regulators want to be sure that the pool operates in the interests of consumers; is fair and open to competition; and provides a stable platform for the vital process of cash distribution. It may also be seen as easier to implement government policies, as in the case of financial inclusion. It might also be difficult to unwind the network if or when circumstances change; for example, if new banking channels or products come to market that impact the pool. The participants would certainly need to build mechanisms into the arrangement to allow for flexibility.

ATM Clubs

ATM Clubs don't create a dominant deployer within the national market in which they operate. A pool of this scope allows for optimisation of the infrastructure of the participants and can allow them to compete on a level basis with larger national players. An ATM Club is simpler to conclude than a National Pooling scheme but still requires clear alignment and commitment by the participants.

Branding options in a Pool

There are different ways that ATM branding can be approached in a pooling situation. One approach results in individual ATMs getting branded externally with a particular bank's badge. However, all the participating banks are still able to advertise to their customers when one of their customers' cards is inserted. In the Nordic ATM club involving Sampo plc and Nordea Bank AB, the two banks use both their own brands and a neutral brand on the ATMs as follows: In locations where Sampo has the greater presence, Sampo leads the branding and vice versa where Nordea has greater presence. They've also used neutral branding or high impact branding in special situations. Figure 5 below shows a sample of Sampo Nordea's unique high impact branding.

FIGURE 5: EXAMPLE OF SAMPO NORDEA'S HIGH IMPACT ATM BRANDING

An alternative branding approach has the club creating a completely new brand. The participating banks still keep their own brands but the group creates a new jointly owned brand. This is the case in Finland where the group has adopted the joint brand "Otto." which means "withdrawal." Figure 6 shows the branding of Otto.

FIGURE 6: NEUTRAL BRANDING FOR OTTO

Expected future and growth of Pooling

As stated above, Pooling is not a new concept; the idea of sharing infrastructure was fundamental to the growth of interchange networks which continue to this day. What is new is the level of interest in the development of pooled networks at this time driven by the growing maturity of some markets, the financial crisis, and the growing maturity of experienced end-to-end service providers. With the financial crisis looking likely to be a factor within the European banking markets for many years and the other factors only maturing further, we can expect to see more examples of Pooling in the years to come.

→ See Appendix A at the end of this document to view examples of channel aggregation models.

What to Look for in a Primary Outsourcing Partner/Pooling Provider

Where a bank is choosing a single partner to manage all its ATM services, whether this be for End-to-End Outsourcing or Pooling, it is vital that the partner has the right expertise to fulfill this role as these services are intrinsic to the day to day survival of the bank and its image to its customers. Here, then, are our recommendations for the attributes to look for in an outsourcing management partner.

- **Operational experience –** The company should have prior experience running an ATM network or pool, not just from a technical perspective but also from a business perspective. This management partner will be evaluating, selecting/recommending, and managing sub-contractors, so it's important that the leading service provider understands how to orchestrate all the players to optimise the experience for the bank.
- **Flexibility –** The company has the ability to custom design a sourcing strategy that best meets the needs of the financial institution and works with all major global ATM suppliers already.
- **Trusted –** The company is recognised by the financial institution or the pool participants as a "safe pair of hands" for the business it will conduct.
- **Longevity –** The service provider can be guaranteed to be in business for the length of the contract or the pooling arrangement and be expected to persist into the foreseeable future.

There are a few additional attributes that are important in choosing or establishing the company to provide the services associated with a National Pooling arrangement:

- **Commercial aptitude –** The company should have experience of optimising the profitability of large ATM networks on their own behalf and can pro-actively guard against challenges to the commercial viability of the pool.
- **Broader payments background –** The service provider can bring a broad perspective to the commercial exploitation of the network and can offer experience from other markets. This company is a more stable partner in terms of its ability to develop the service going forward and its ability to adapt to different circumstances within the pool for competition arising within the country.
- **Independence –** The company is recognised as being objective without having allegiance to any individual participant(s) of the pool.
- **Local understanding –** The company has a thorough understanding of the local context in which the Pooling arrangement will operate

Summary

The economic times worldwide dictate that financial institutions take a fresh look at ATM outsourcing business models, including Pooling in mature markets. How well any of the models we outlined above fits a given bank depends on many factors both internal and external to the organisation. Internal factors include the size of the institution; its financial health; its culture; and how it views the ATM channel. External factors include the maturity of the banking market the financial institution plays in; the political climate and propensity for regulation; the region's economic outlook; and what competitors are doing.

As a global leader in ATM Outsourcing and payments processing, First Data has a broad and unique perspective on the factors that are driving the trend toward outsourcing. If you would like additional information about First Data's services, please contact your First Data representative or visit www.firstdata.com.

Appendix A: Examples of Channel Aggregation

Portugal – National ATM Pool

There is a single shared network in Portugal called Multibanco which is owned and operated by Sociedade Interbancaria de Servicos S.A., or SiBS. The 27 member banks of Multibanco control SiBS. Multibanco is a fully-integrated interbank network and is known for offering services beyond the typical ATM channel. Extended services offered include:

- Pay gas, electric, water utility bills
- Buy tickets for concerts, shows, cinema
- Pay Social Security contributions
- Pay income tax
- Pay Value Added Tax
- Recharge mobile phone credit

Multibanco links almost 14,000 ATMs, which represents 87% of the installed base. (Three banks that are not part of Multibanco also run small proprietary networks.) The convenience and availability of the machines may contribute to why Portuguese citizens use ATMs for cash about twice as often as the average EU citizen.
Multibanco controls the sourcing of all new ATMs to the requests of individual banks in the network and manages the supply of services to maintain them, but the ATMs retain individual bank brands as well as bearing the Multibanco brand. A common software application (developed by SIBS) provides a common set of services to all ATMs.
Multibanco has been running since 1983 and continues to dominate the Portuguese ATM landscape.

Finland – National ATM Pool

Finland has one major network of ATMs that accounts for 97% of the market. Automatia or "Otto." is an independent company that was formed in 1994 and bolstered in 2004 when it merged with another network, Samlink. The Automatia name was retained after the merger. The banks that initially formed Automatia sold their ATMs to the independent company. In addition to cash dispensing, Automatia's ATMs offer limited functions, including a mobile top-off facility and third party advertising.

Automatia has optimised the ATMs deployed to such effect that per ATM transaction usage is the highest in Western Europe. This has led to several companies exploring the opportunity to enter the market as independent deployers. Automatia's current only competitor in the Finnish ATM network market is Eurocash, which currently accounts for the remaining 3% of the market but has plans to deploy many more ATMs. It will be interesting to see how the national pool (Automatia) responds to this competitive challenge.

Baltic region – ATM Club

In 2006, two European banks jointly launched a new ATM network across the Baltic region. The original participants were Nordea Group, a leading financial services group in the Nordic and Baltic regions, and Sampo Bank, Finland's premier bank. By 2009, the pool had expanded to include Nordea, Danske Bankas, Ūkio Bankas and Parex in Lithuania; Nordea and Danske Bank in Latvia; and Nordea and Sampo Bank in Estonia.

The ATM network operated by First Data has nearly 500 ATMs in Lithuania, Latvia and Estonia. It is the largest project in cooperation with banks in the Baltic countries. This project shows that active competitors can successfully cooperate for the good of their customers. This network helps banks provide higher quality payment card service and ensures better access to these services for bank customers. With the creation of a pooled ATM network, the quality of client service in banks has considerably improved. It is profitable not only for the users but also for the banks, which will optimise expenditure on installation and maintenance of ATMs.

Greece – ATM Channel Aggregation

In Greece, Alpha Bank facilitates the deployment of ATMs by smaller Greek banks on to the processing and communications infrastructure that it has itself established, allowing cardholders of these smaller banks to use any ATM within the shared network. Again, First Data acts as the shared service provider.

The network has been in place for a considerable period of years and provides another example of the different ways in which institutions can share infrastructure to mutual advantage.

Australia – Common Outsourcing Provider

In Australia, First Data provides an End-to-End Outsourcing service for many small to mid-range banks based on a shared processing platform and external supply chain. The service supports approximately 5,500 ATMs in total.

And in the pipeline...Pooling in Sweden

The largest five banks in Sweden have awarded a contract to deliver standardised services for the banks' ATMs in a pooled infrastructure. The services include administration, software management, transaction processing, settlement and operational monitoring. A combined transition project will make all 2,800 ATMs part of the service over the course of 2012.

The Global Leader in Electronic Commerce

First Data powers the global economy by making it easy, fast and secure for people and businesses around the world to buy goods and services using virtually any form of payment. Serving millions of merchant locations and thousands of card issuers, we have the expertise and insight to help you accelerate your business. Put our intelligence to work for you.

About the Author

Richard Pitt, ATM Product Owner, EMEA, First Data
Richard is responsible for the development of products with the ATM channel for First Data in EMEA. Richard has 17 years experience in the ATM business and an even longer experience within broader financial payment systems. He worked for the Bank of England, LINK Interchange Network Ltd (now VocaLINK) and Phoenix Interactive before joining First Data.

Richard has worked with banks across the EMEA region to develop outsourcing propositions including the end-to-end outsourcing of the entire value chain and the development of Pooling propositions in several countries.

For more information, contact your First Data Representative or visit firstdata.com

1696