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# Cash-in-Transit & ATMs: Present Tense, Future Perfect?

ESTA Annual Conference, Berlin  
31 May -2 June 2015



# Introduction

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HELLO!

Ron Delnevo

Executive Director of the  
ATM Industry Association in Europe

# ATMIA Mission Statement

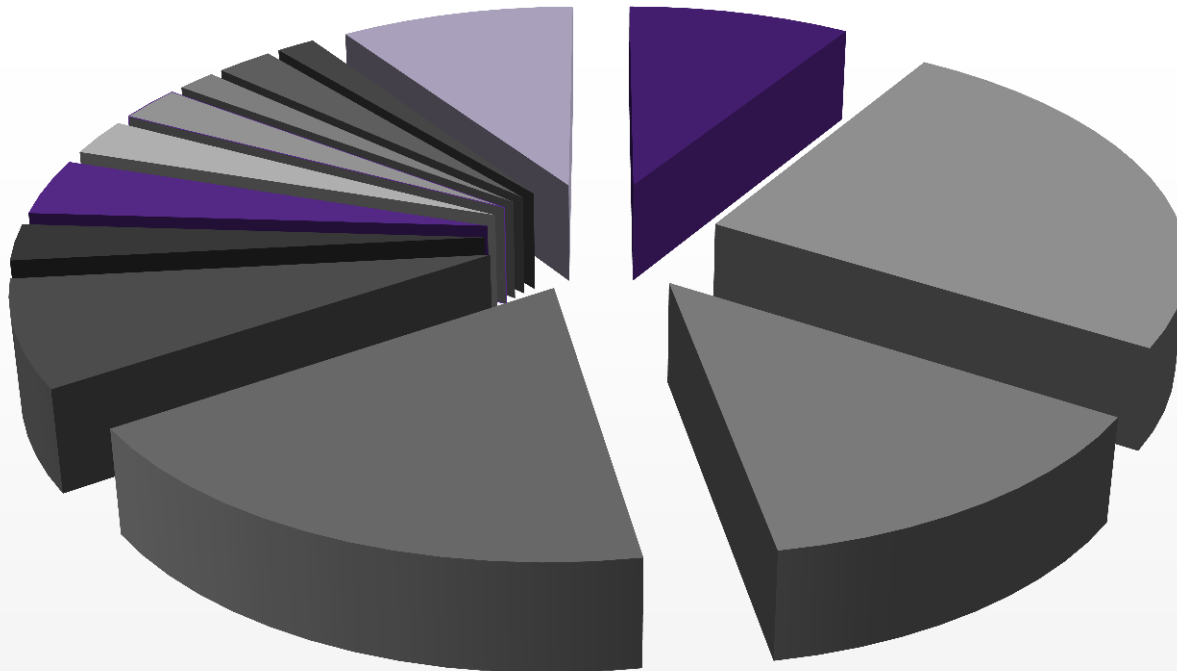
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As an independent, non-profit trade association, our mission is

- to promote ATM convenience, growth and usage worldwide;
- to protect the ATM industry's assets, interests, good name and public trust; and
- to provide education, best practices, political voice and networking opportunities for member organisations.

# ATMIA Industry Representation

**Constituencies**



- Financial Institutions
- IADs
- Manufacturers
- Service providers
- Networks/Processors
- Security
- Software Provision
- Consultants
- Maintenance/Servicing

# ATM Estate Consolidation

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- ATM estates are consolidating in most markets in Europe.
- Why?

# Challenges for Cash Management and Cash Transit

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- The consolidation of ATM estates is in turn leading to changes in the Cash In Transit operators' and Cash Management companies' relationship with ATM operating companies.
- I will examine those changes, looking at a number of different markets.

# Germany

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- Despite the bankruptcy of one CiT contractor, there are 4 CiTs with national coverage and over a dozen small/regional contractors. The largest is a subsidiary of Prosegur.
- The German Market has seen significant numbers of bank branches close and their ATMs go with them. However, the activities of Independent ATM Deployers has kept ATM numbers up.
- One limiting factor here, as in some other markets, is that only around 10% of ATMs are off-branch. This often reduces the work available to CiT contractors, since bank staff play a significant part in servicing branch ATMs. This is typical in many European markets but may change as banks strive to further reduce costs.
- Cash recycling is also becoming of increasing importance in Germany.
- Merchant Replenishment, currently only found in only one or two smaller Eurozone markets, is now possible in Germany but is not yet implemented.
- Bundesbank very supportive of cash as a payment method.

# Netherlands

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- Consolidation: 90% of ATMs are in a shared grouping.
- ATMs are still branded by the operating Bank.
- There has been no consolidation as yet across the shared group, though individual banks have rationalised.
- There are now 2 significant CiT operators
  - G4S
  - SecurCash (a Wincor Nixdorf subsidiary)
- Around half of Cash Centres are Central Bank controlled, half are controlled by individual banks.
- Recycling going on for years, along with Merchant Replenishment.
- Important is attitude of banks towards cash – so more consolidation yet to come, perhaps offset by Independents.



# Poland

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- 2 Polish CiTS remain after consolidation.
  - IMPEL - listed on Warsaw stock exchange
  - KONSALNET – private Polish capital
- CiTs provide cash centres, transport and logistics.
- Cash provided also through national bank cash centres which these companies can access.
- Independents play important and growing part in market.
- Recycling ATMs just being introduced.
- So far, no Merchant Replenishment.

# Portugal

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- There are two significant CiT contractors in Portugal and two smaller. The largest of the four is owned by two banks, so vertical integration has impacted the industry.
- Portugal has a high number of ATMs per million of population, including a significant number of off-branch ATMs. At branch ATMs, bank staff tend to fill the ATMs & carry out first line maintenance.
- In Portugal, banks are not allowed to charge/profit from any ATM transactions. This places severe pressure to reduce costs, which in turn impacts CiT contractors.
- There are no Independents and no Merchant Replenishment in Portugal.

# Spain

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- There has been significant recent and continuing reduction in branch numbers, due to consolidations and cost cutting.
- The vast majority of ATMs are at branches and they go when the branch goes.
- There are two significant CiT contractors in Spain, with the biggest being Prosegur.
- Branch staff do most replenishment work but this may change with cost cutting.
- Probably the most innovative banks in the European ATM market, with BBVA and La Caixa designing bespoke ATMs & introducing many new transactions & technologies.
- One bank has just introduced direct charging at its ATMs for non-customers. The other 2 large banks may follow. This may have an impact on ATM and cash usage.
- Currently no merchant replenishment and only a very small number of Independent ATMs.
- Recycling is in pilot and likely to roll out quickly to significant number of ATMs.

# Sweden

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- One bankruptcy and exits from the market have left only two CiT contractors.
- In 2004/5, the Swedish Central Bank transferred the production and management of cash to Bankernas Depå AB (BDB)
  - BDB has 16 cash depots in operation
  - costs have increased significantly since then.
- Five major banks have consolidated their ATMs estates under one brand, Bankomat, and only one CiT company –Loomis- has a contract to service those ATMs.
- Bank branches (with exception of Handelsbanken) no longer handle cash, further reducing opportunities for CiT contractors.
- The other CiT contractor – Nokas - operates its own ATM estate, with off-branch ATMs situated in retail premises and the like. Once again we can see vertical integration in the industry.
- There are Independents and Merchant Replenishment in Sweden.
- The Security Industry is funding a marketing and advocacy campaign to support cash.

# UK

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- Bank branches continue to close. Now only 9,000 compared to nearly 18,000 25 years ago.
- A significant increase in ATMs in last 15 years. There are now 70,000, only around 19,000 of which are at Bank Branches.
- Around 20,000 ATMs in UK are merchant replenished.
- 36,000 of the 70,000 ATMs are IAD operated. Two of the major IADs have their own CiT operations and a couple of others mainly have Merchant Replenished ATMs. So the opportunity has been reduced for CiT contractors.
- Cash recycling has yet to be launched in UK but is imminent.
- Currently, only two major CiT companies – G4S and Loomis - engaged in cash movement in the UK, with a few small or in-house completing the line up in the market.

# What is the Impact of the Changes?

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- The price of CiT cash collections / deliveries ( including to ATMs) is low
  - It is difficult to make a profit from these basic services.
- Generally, costs to CiTs are not reducing
  - Cost of cash is not reducing and in some cases is increasing e.g. Sweden
  - Pressure on cost of staff, petrol and other elements.
- Why prices low?
  - Forced down by banks and big retailers.
- All of this results in pressure on margins.

# What is the Impact of the Changes?

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- In the ATM sector, major markets have seen growth in ATM numbers over the last 10 years.
- Smaller markets are different. In several, there has been a concerted attempt to reduce cash usage, leading in some cases to reduced numbers of ATMs deployed.
- In certain markets, there has been a pooling of ATMs.
  - This has tended to reduce ATM numbers and number of service providers used. This can have serious economic effects on CiT contractors in the market and, once again, put massive pressure on pricing.
- What has that meant?
  - Generally, consolidation or departure from markets.

# What Does The Future Hold?

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- As the “War On Cash” increases in intensity, there is almost certain to be further contraction in bank ATM numbers in many markets, probably partially offset by growth of Independents.
- Continued closure and automation of bank branches. Whilst bank ATM numbers will reduce, there may be increased role for Cash-in-Transit contactors, perhaps offset by cashless branches and increasing ATM recycling of cash.
- Potential for more vertical integration, as all components of supply chain are under pressure to reduce ATM life-cycle costs.
- Increased marketing and advocacy activity by the industry – the WHOLE ATM industry – to support cash as a payment method. Cash is Europe’s ONLY Payment Scheme.



THANK YOU



Thank

You

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