

# DIGITAL-FIRST BANKING

TRACKER®

MARCH 2022



## ■ FEATURE STORY

Quontic Bank on the role of ATMs in digital-first banking

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## ■ PYMNTS INTELLIGENCE

The role of cash-recycling ATMs in the future of banking

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# DIGITAL-FIRST BANKING TRACKER®

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■ FEBRUARY 2022  
Digital-First Banking Tracker®

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## EDITOR'S LETTER

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Just 11% of banking customers **turn** to automated teller machines (ATMs) as their primary banking channels, yet 41% still regularly use ATMs for any number of banking transactions. The total number of ATMs deployed globally is **declining**, but multifunction automated deposit terminals (ADTs) — ATMs that can do significantly more than dispense cash — are rising. Many financial institutions (FIs) are updating their existing ATM fleets to incorporate the latest technologies in demand with banking customers, providing a suitable opportunity to examine the benefits of leveraging cash-recycling ATMs. As their name implies, these ATMs are ADTs that recycle deposited cash for dispensing in subsequent withdrawals.

While FIs may have considered cash-recycling ATMs to be cost-prohibitive in the past, the upfront cost has become less of a factor as the price gap between recycling and non-recycling ATMs narrows. Additionally, gains in efficiency, security and overall customer satisfaction can more than offset the initial cost of deploying cash-recycling ATMs.

One of the most obvious benefits of cash-recycling ATMs comes in reduced manual labor and even fewer trips for personnel charged with maintaining ATMs and keeping them stocked with cash. Since this type of ATM can function as a limited closed-loop system, it reduces the number of trips made to remove full deposit cassettes and replace depleted dispensing cassettes. It also cuts down on the work at branch locations, enabling bank employees to focus on other tasks without spending as much time processing cash for ATMs.

Customers can reap benefits as well. Cash-recycling ATMs may offer a greater range of choices in terms of denominations, and they are less likely to be either too depleted to permit withdrawals or too full to receive deposits. Cash-recycling ATMs can also accept larger cash deposits, benefiting small businesses, especially as many FIs reduce the number of physical branch locations they operate.

Both customers and FIs can benefit from the cost savings of cash-recycling ATMs, as FIs can redirect these resources toward human interactions. As FIs look to create more streamlined and automated processes throughout their operations, cash-recycling ATMs fit well with eliminating unnecessary human labor while also ensuring that customers have the services and products they want, both when and where they need them.

Thought Leadership Team

[PYMNTS.com](https://www.pymnts.com)

# Quontic Bank On The Role Of ATMs In Digital-First Banking



## ATMs MAY NOT BE THE FIRST THING THAT COMES TO MIND AT THE MENTION OF DIGITAL-FIRST BANKING,

but they have an essential role in the digital space, according to Grace Pace, senior vice president of digital banking at [Quontic Bank](#).

“Until there’s no need for cash, that’s the only way customers have the ability to access real money in their hands when they’re digital banking customers,” she told PYMNTS in a recent interview.

Quontic owns just a single ATM, but the bank gives customers access to more than 90,000 of the machines across the United States by working with multiple ATM network providers, Pace said. By waiving ATM fees, the FI helps to ensure that its digital banking customers are not limited in withdrawing or depositing cash. Contracting out ATM service makes the most sense for Quontic, as attempting to maintain its own nationwide ATM network would be prohibitive.

“Our focus is providing free ATM access by leveraging ATM networks that our customers can use,” she said.

As the technology around ATMs improves, Quontic’s customers will be able to take advantage of many of those technologies without further investment from Quontic, she explained. All the FI has to do is ensure that its own offerings work with partner ATM networks.

### KEEPING UP WITH CHANGES

“As ATMs evolve, the more services they offer, the better for our customers, because then they’re able to do more at an in-person terminal instead of having to do as much online,” Pace said.

She explained that Quontic can work on the app and software side, enabling functionality such as contactless ATM interactions using a mobile device. The key is staying abreast of features available in its partner ATM networks to ensure compatibility.

“We make sure the debit cards we’re providing are compatible with the ATM networks we’re partnered with. That way, [customers] aren’t required to go to only a certain network. They can use multiple networks, and their cards will work just fine,” she said.

Pace noted that video teller services are not a current focus for Quontic when it comes to ATMs, as it makes more sense to implement those technologies through the FI’s app or online portal.

“We will, in the near future, be offering the ability to video chat, but for us, we offer consumer digital products and find that those products are pretty easy to utilize,” she said.

Pace added that face-to-face conversations with video chat often apply more to services such as digital lending and business accounts, where customers need an adviser to walk them through the process. As Quontic explores new technology implementation, she expects the FI’s video chat services would deal more with troubleshooting account problems or handling situations requiring a screen-share.

“Quontic is focused on innovative products for our customers, so whether it be our Bitcoin checking account or offering some of the highest rates in the nation on our savings and high-interest checking accounts, that’s really our focus,” she said.

Quontic tries to remain nimble, however, and Pace said the FI is keeping tabs on developments that could affect its customers or make its banking experience better — such as Bitcoin ATMs.

## BITCOIN CONVENIENCE

Quontic’s current approach to cryptocurrencies includes a checking account that offers rewards in Bitcoin, with the customer’s earned credits going to a Bitcoin account serviced by a partner provider. Customers who want to cash out their earned Bitcoin as regular currency can initiate a sale and transfer. The redemption can even be initiated within the Quontic app, though the transfer is not quite instant. Funds are usually deposited in a customer’s Quontic account the next business day.

Pace said Quontic also continues to assess the future of direct Bitcoin deposits and withdrawals, however.

“We are aware of Bitcoin ATMs that are popping up, and I think [they’re] definitely something that’s interesting to us,” she said. “We don’t have an immediate plan on interacting, but we’re definitely keeping our eye on that.”

## ATMs INTO THE FUTURE

Pace believes ATMs are not going away anytime soon, either for customers of brick-and-mortar banks or for those of digital-first banks who rarely use cash. As long as cash remains a currency that people might use, banking customers need to be able to move it into and out of their accounts. Quontic’s strategy of partnering with multiple ATM networks and working to eliminate as many fees as possible is based on customers’ interest in ensuring they have that physical touchpoint when they need it, Pace said. ATM access remains a significant concern for all types of banking customers, and that means all types of FIs will continue to provide it.



# Moving ATMs Into The Future With Cash Recycling

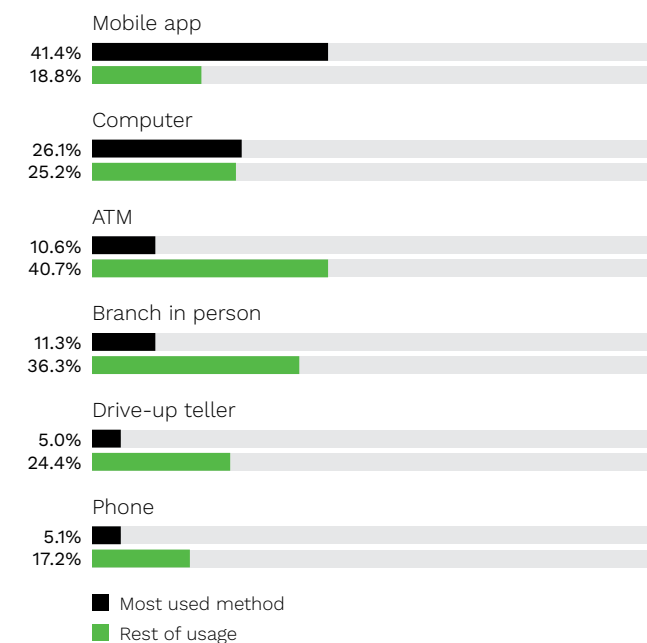
## SINGLE-FUNCTION ATMs ARE ON THE WAY OUT, AND WORLDWIDE DEPLOYMENT OF MULTIFUNCTION ADTs IS PROJECTED TO GROW 8% BY 2026,

even as the overall number of deployed ATMs declines. The Asia-Pacific market led the world in deployment of ADTs in 2020 at 61%, compared to North America, where just 34% of ATMs did more than dispense cash. At the same time, consumers still do a lot of their banking through ATMs. Even though just 11% of consumers in a September 2021 PYMNTS study rated ATMs as their most-used banking channel, 41% said they use ATMs for some portion of their banking engagement.

FIGURE 1:

### How consumers engage with bank accounts

Share of consumers who engage with bank accounts in select ways, by most used method and overall usage



Many FIs are taking advantage of the switch to multifunction ADTs to deploy cash-recycling capabilities. From 2020 to 2021 alone, the number of cash-recycling ATMs deployed worldwide grew from 973,000 to just more than 1 million. That number is projected to exceed 1.2 million by 2026, while non-recycling ATMs are projected to continue to decline. Cash-recycling ATMs are the fastest-growing segment of ATMs globally. This month, PYMNTS Intelligence examines the growing use of cash-recycling ATMs, and the potential benefits FIs can realize by ensuring that their new deployments include recycling capabilities.



## GETTING MORE BANG FOR THE BUCK WITH CASH-RECYCLING ATMS

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As FIs adapt to the digital transformation, many are already looking at improving and updating their ATM fleets. This makes the timing well-suited to **take** a fresh look at the benefits of cash-recycling units. In the past, cost was one factor that inhibited cash-recycling ATM adoption, but the cost difference has declined considerably now that more ATMs are doing more than just dispensing cash.

Additionally, as FIs consider an overall reduction of their ATM fleets, having units that recycle deposits and dispense the cash as withdrawals can help to reduce the cash-in-transit costs associated with maintaining ATMs. With cash **deposited** and dispensed from the same cassette, cash-recycling ATMs can accept, validate and store banknotes quickly and reliably while also reducing the need for cash replenishment. This means fewer trips around the ATM fleet and **reduces** the workload for FI staff who have to receive, count and handle the cash going into and

coming out of ATMs. The projected average operational cost savings of cash-recycling ATMs, combined with cash management software, is 20%. As many FIs continue to downsize or close branch locations, not having to take up staff time processing cash for ATMs has a clear benefit.

Cash-recycling ATMs also bring security advantages, as less cash moving around means a lower chance that something will go wrong in transit. The customer experience also benefits from the reduced likelihood that an ATM will be without the needed cash for withdrawals or will be unable to accept a deposit due to a full cassette. This is in addition to the other customer-service benefits of replacing older ATMs with new, multifunction models. In time, cash-recycling ATMs will likely be the most cost-effective approach to new ATM deployments.

## THE FUTURE OF ATM BANKING

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With consumers increasingly turning to online and mobile banking, self-service technologies **play** a significant role in the digital transformation by combining digital and physical banking channels. Cash-recycling ATMs can help create efficiencies for FIs while still providing customers with a physical touchpoint outside of brick-and-mortar branch locations. Consumers can also have greater choice in available denominations for withdrawal when using a cash-recycling ATM.

There are also benefits to small businesses, as they can use cash-recycling ATMs to make larger cash deposits after hours or at more convenient locations. For a small business in which the proprietor comprises a significant portion of or even the entire workforce, being able to make a short trip to an ATM for a cash drop rather than a longer trip to a bank branch can significantly impact profitability.

As FIs of all sizes look for ways to serve customers efficiently through physical and digital channels, cash-recycling ATMs can potentially reduce costs, lower the amount of time employees spend processing deposits and even ensure greater customer satisfaction.



# NEWS & TRENDS

## CASH-RECYCLING ATMs AND THE DIGITAL TRANSFORMATION

### CASH-RECYCLING ATMs BECOMING MORE COMMON AS PRICE GAP SHRINKS

While cash-recycling ATMs **were** once less popular due to the higher cost associated with their initial purchase, that price gap is closing, driving increased interest in the benefits of cash-recycling ATMs. Particularly as the digital transformation pushes FIs to invest in deployments of multifunction ADTs, which offer expanded services, many are also considering the minimal added cost of ADTs with cash-recycling capabilities.

Cash-recycling units make up approximately 65% of the world's ADTs, and the total number of deployed ADTs rose 1% in 2021 to 1.6 million units worldwide. This growth accompanies an overall decline in the total number of ATMs deployed around the globe, as some FIs retire aging ATMs without replacing them due to the increased popularity of cashless payment systems.



### HOW MAJOR FIs ARE RESPONDING TO THE DIGITAL TRANSFORMATION

Banking in the U.S. was already transforming before the pandemic, but the initial restrictions that went into effect in March 2020 significantly accelerated that transformation. In response to the increasing consumer demand and expectation for better and more ubiquitous digital banking products, some of the largest FIs in the country are **working** on significant overhauls of how they approach banking in the digital age. For instance, JPMorgan Chase & Co. has created a team of 50,000 technologists to develop solutions for mobile banking, electronic payments, cybersecurity and artificial intelligence (AI).

Elsewhere in banking, PNC Bank has had a virtual wallet product since 2012, but it has recently added features to alert customers ahead of potential overdrafts. PNC has also made investments in strategic partnerships to push digital development. Meanwhile, in response to U.S. Bank customers conducting 80% of transactions and 60% of loan originations digitally, the Minneapolis-based FI is revamping its mobile banking app and providing automated data analytics features to help customers make informed financial decisions. Berkshire Bank also recently partnered with AI lending platform Upstart to improve consumers' access to affordable credit.





### THE DIGITAL TRANSFORMATION AT THE COMMUNITY BANK LEVEL

Despite the challenge of keeping up with larger institutions and FinTechs offering digital-first banking products, community banks are still **finding** their place within the digital transformation. Along with expanding their digital offerings, many community banks are adding wealth advisory, trust and insurance services. In addition, 29% of community banks are even looking into offering cryptocurrency services within the next 18 months. While most still express uncertainty about how they will approach the digital transformation, 48% say they have a clear plan to proceed.

Even as branches have remained open, however, community banks face a labor crisis, with 74% rating talent management as a primary concern and 67% saying they are extremely concerned about employee retention and recruitment. Community banks looking to remain competitive and keep operations running smoothly must meet the demands of the digital transformation in ways that save on labor and do not overwork employees.

## DIGITAL BANKING IMPROVEMENTS ARE ATTRACTING CUSTOMERS

### DIGITAL BANKING PRODUCTS ARE DRIVING UK CONSUMERS TO SWITCH FIs

There is good reason for FIs to be investing heavily in ensuring they are offering the latest digital banking solutions their customers crave. During the final quarter of 2021, nearly 250,000 banking customers in the United Kingdom **switched** their accounts through the Current Account Switch Service, including approximately 95,000 in October alone, which was the highest-volume month for account switching in the U.K. since March 2020. Digital-first financial services providers, such as Starling Bank, Monzo Bank, Santander and Virgin Money, made some of the most significant gains in 2021.

In the past, most customers completed account switches for financial reasons, such as cash incentives, but nonfinancial and service-related reasons surpassed that motivation in Q4 2021. Fifty-one percent of surveyed account switchers said they were looking for better online banking facilities. Better mobile and online banking compelled 41% to switch, and 38% were looking for better customer service.

### DIGITAL-FIRST BANKS LEAD IN UK CUSTOMER SATISFACTION

Challenger banks operating in the digital-first banking space are not merely offering more bells and whistles to U.K. customers but are beating out traditional banks in overall customer satisfaction rates. Starling Bank and Monzo Bank led the field in a recent **survey**, with both receiving high marks — 85% and 83%, respectively — for customer service. At the same time, legacy FI Royal Bank of Scotland was at the bottom of the customer satisfaction ratings at 56%.

Just 13% of survey participants said they do not use a smartphone for their banking, with 5% saying they use mobile banking less than once each month. At the same time, 49% of customers who avoid mobile banking still prefer to do their banking through their FIs' websites. Additionally, mobile app accessibility problems are a factor for 18% of those who rarely use mobile banking.

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## ABOUT

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