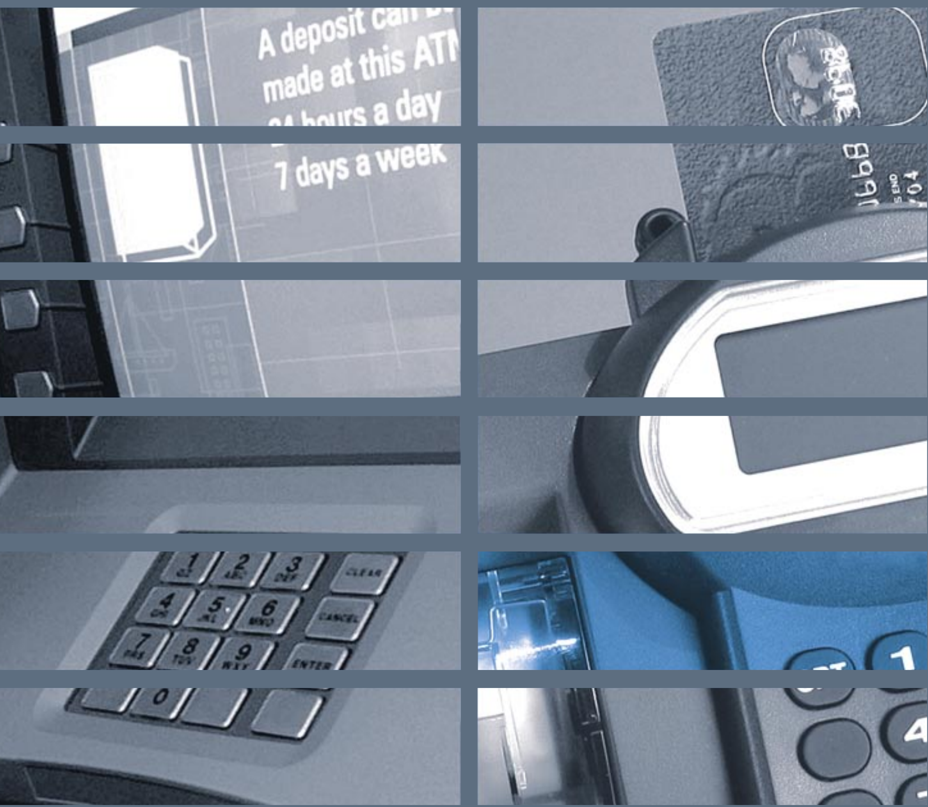
Issue 353 | October 2016

Banking Automation BULLETIN



Financial inclusion campaigns drive global ATM expansion

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Issue 353 | October 2016

First published in December 1979

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Growth rate shifts emphasise new ATM market dynamics

2016 will go down as a momentous year in the ATM industry – the year that the number two and three ATM suppliers combined to form an ATM giant. Industry commentators argue that a slowdown in growth and tougher market conditions forced the two firms together. Are they right, and what is the current state of the ATM sector around the world? The publication of RBR's annual ATM survey (see page 2) provides an opportunity to find out.

The headline figure is that the number of ATMs worldwide grew to a record 3.2 million last year. This represented growth of 4.9% during the year, well below the annual double-digit increases witnessed until the year 2000, and a full three percentage points lower than in 2013, just two years earlier. The market is still growing at a reasonable rate however, and it was unrealistic to expect spectacular increases to continue indefinitely.

Analysis at a country level is also revealing. Most ATM markets continue to expand – Bangladesh, with growth of 24%, was the fastest growing, China at 14% the fifth. At the other end of the spectrum, 19 of the 64 largest countries included in RBR's survey actually saw ATM installations fall – in most countries the decline was modest, but in five (Finland, Greece, Norway, Russia and Ukraine) the ATM market shrank by more than 3%.

It is arguably the changing dynamics in China, rather than the global picture, that has increased the pressure on western ATM suppliers in recent years. Enthusiasm for recycling ATMs led Chinese banks to purchase ATMs from Japanese suppliers at the expense of western manufacturers, meaning the latter have struggled to take advantage of the huge boom in China. It is worth noting that Japanese suppliers are now also under pressure, as Chinese government regulations require an increasing share of banking equipment to be supplied locally.

A slowing growth rate emphasises other market dynamics. There is a huge installed base of ATMs around the world, and these units need to be replaced every 8-10 years, often with significantly higher specification machines. Furthermore, software provision and service and maintenance directly relate to the number of ATMs – both are becoming more sophisticated and offer the chance to boost revenues.

The focus for ATM manufacturers, especially western ones, has therefore shifted from selling ATMs to growing markets to helping banks (and IADs) provide a more effective service. Adapting to these new market dynamics is not easy, but there is a massive opportunity for companies that get it right.

Dominic Hirsch, Editor

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Annual subscription (12 issues):
Printed and electronic (1-5 users) £1,100
Printed and electronic (6+ users) £2,200

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ISSN 1748-5304

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