RENOVITE PERSPECTIVE

The fascinating ATM landscape

By Dave Smith, Senior Product Manager, Renovite

ATM industry observers will be aware of the exciting changes in self-service banking innovation taking place across the globe: new hardware peripherals are enriching consumers' service options, and specialist providers in bulk coin handling and branch transformation are gaining market share. There is also the high-profile acquisition of Wincor Nixdorf by Diebold – clearly a signal of the latter's intended 'Battle of the Titans' clash with their long-standing rivals in green.

However, if you think the future of ATM hardware and software depends on this pending struggle then you would be mistaken. Only a thoughtful segmentation of the ATM vendors will provide the needed insight into the disruptive forces brewing beneath the surface.

No doubt some of you would also cite the ATMIA's Next Generation ATM initiative with its prestigious consortium members, impressive interoperability objectives and cloud-centric architecture as catalysts for sweeping changes. However, the strongest influence on the vendor landscape will not be the technological aspects of the NextGen initiative – it will be the wiser, more demanding perspectives of the ATM deployer community.

Let's not forget that the origins of the ATMIA initiative lie in the deep frustrations of the ATM deployers who felt critically underserved by their incumbent suppliers. It was their coordinated action that eventually led to the multi-party ATMIA initiative currently in progress. Will the ATM deployers change their traditional buying habits in the short term? You would have to assume so – otherwise it is hard to explain their stated insistence on change.

True interoperability and buyer choice

Market monopolies are problematic in the long run, resulting in protectionist pricing structures and stifled innovation. It is therefore hardly surprising that genuine interoperability between hardware and software components was number one on the ATM deployers' priority list. This was closely followed by the need to enhance their ATM channels themselves, without an over-dependence on vendor timelines and policies. It seems clear that the question of whether to buy ATM hardware and ATM software from different vendors is being scrutinised more closely than ever. Consequently, we should also anticipate a serious review of vendor relationships alongside any future technology considerations.

But wait – wasn't XFS supposed to deliver interoperability between ATM software and the underlying hardware? Wasn't XFS intended to shift the destiny-shaping power back towards the ATM buyer?

With hindsight we can reasonably conclude that the XFS experiment was only partially successful. It is true that XFS led to some improvement in software choice and a significant reduction in hardware costs for savvy procurement teams. However, significant successes in these areas have been achieved in only a few regions where the domestic vendors have established themselves as the ATM software providers of choice.

Perhaps the true legacy of the XFS initiative is the permanent split in the ATM software market between the independents and the hardware vendors. In this respect there is clear and encouraging evidence at the strategic level concerning the delivery of genuine ATM buyer choice. A growing number of hardware vendors are now placing a strategic emphasis on being software agnostic – actively assisting ATM software vendors to deliver innovative solutions on their hardware platforms. This is in stark contrast to the continued defensive strategies practised by some vendors of inseparable hardware and software packaging and a 'closed-door' mindset towards third party applications.

It is hard to forecast whether greater software openness will become the new norm, although this option is now well established and viable choices are available. If ATM buyers fail to insist on the demonstration of software openness as part of their hardware selection process, then presumably embarrassing questions will surely be asked.

Dave Smith
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▶ **Upgraders vs. Transformers**

Perhaps the definitive proof of the legitimacy of the independent ATM software market is that this segment is now splitting into distinctive sub-segments – segments I loosely call the 'Upgraders' and the 'Transformers'. Let's explore my reasoning and hopefully you will concur with the segmentation split, even if you disagree with my choice of illustrative names.

First, let's consider the Upgraders – the independent ATM software providers who focus their efforts on modernising your fat-client based ATM channel with hardware agnostic, web-ATM technologies to give you greater scope for new consumer services and unrestricted access to any mixture of hardware devices to suit your business goals.

By contrast the Transformers also offer similar ATM software technologies but they additionally provide an expanded ATM Solution suite that includes an ultra-modern payment switch, end-to-end automated testing and CI:CD delivery methodologies. Rather than simply modernising your ATM channel, these Transformers provide the expertise and technology to completely transform your payments business – from the consumer experience through to the back-office function. This inspiring and ambitious strategy is likely to gain the strongest favour with market innovators striving for a comprehensive and sustainable business advantage.

There is a defining question facing today's ATM operators: *"Do you modernise your ATM channel for tactical gains or commit yourself to a deeper, more transformative shift in your business model?"* This is a textbook indication of different market segments and provides insightful guidance for your choice of ATM software vendor. ∎

The Transformer strategy is likely to gain the strongest favour with innovators striving for a sustainable business advantage

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GLOBAL ATM SOFTWARE

Multivendor software on half of bank-grade ATMs by 2022
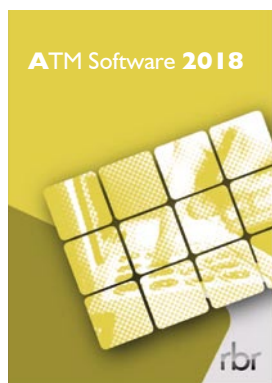
ATM Software 2018

www.rbrlondon.com/atmsw

The number of ATMs using multivendor application software worldwide grew by 14% between 2015 and 2017, according to new research from RBR. The report, *ATM Software 2018*, shows that multivendor deployments – those where some or all of the ATMs are provided by a vendor which is not the software provider – account for 43% of the world's bank-grade ATMs (machines which run a full version of Windows or another operating system).
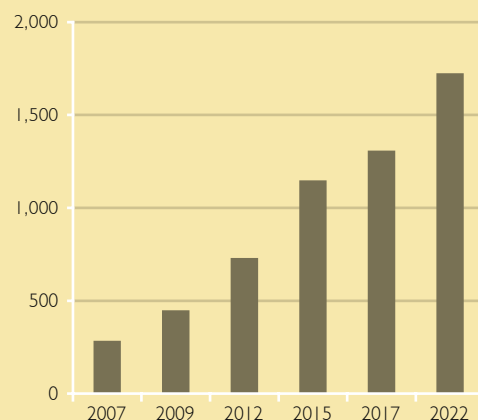
Over half of all bank-grade ATMs will use multivendor software by 2022

At the end of 2017, a total of 3.0 million bank-grade ATMs had been installed around the world, of which 1.3 million were part of multivendor software projects. The number of ATMs using multivendor software has grown by 160,000 since the end of 2015 – new projects accounted for 61% of this growth and expansion of existing projects for 39%. The global multivendor

ATM software market is forecast to grow by 32% by the end of 2022 – compared to just 8% growth for the bank-grade installed base as a whole – and penetration will reach more than 50% by the same date.

Multivendor software
Number of ATMs using multivendor software, in thousands

Source: RBR analysis