**White Paper**

Cardless ATMs – The Evolution of Cash Access

# Cardless ATMs –<br>The Evolution of Cash Access

Since the ATM was first introduced nearly 50 years ago, the way people access cash has remained almost unchanged. While nearly every other aspect of financial services has been transformed over the years by digital innovations, the ATM has continued to operate on the same card-and-PIN fundamentals it did a half century ago. But today, consumers' expectations for accessing and managing money are changing.

Life moves fast. People rush out the door, forgetting their cash and cards; they leave a purse behind in a restaurant; their wallet is stolen while they're out of town. Even in such circumstances, consumers expect access to their money – access to cash – anytime, anywhere.

In order to satisfy accountholders and to attract new ones, financial institutions are turning their attention and efforts to technology that makes accessing cash safer, faster and more convenient.

## Consumers Expect Convenience and Digital Innovation

On-demand digital experiences – everything from Amazon® to Uber® – have conditioned consumers to expect seamless, intuitive technology experiences. Those expectations extend to mobile banking. In particular, consumers expect their financial institutions to deliver powerful, easy-to-use banking applications to their smartphones.

Financial institutions have responded to consumer expectations with a wide variety of technology solutions from mobile deposits and bill pay to real-time payments and notifications. The next intuitive step is to leverage technology to enable cardless access to cash.

Integrating cash access into smartphone offerings is a natural progression given smartphone ownership is now the norm across generations. According to a study from Pew Research, 68 percent of adults owned a smartphone at the end of 2015. Mobile banking adoption and usage also continues to make gains. Fiserv research released in 2015 showed a 17 percent increase in households banking by smartphone between 2013 and 2014, reaching 44 million households by 2015.

Mobile-driven access to cash is also likely to increase customer satisfaction among millennials, who represent both the largest consumer demographic in the U.S. and the group with the highest smartphone adoption rate – 86 percent according to Pew Research. According to Fiserv research, millennials are unsurprisingly the most likely to adopt technology-based financial services products, such as mobile banking and mobile bill pay. And, while all generations access their financial institutions through multiple channels, millennials use the mobile channel the most.

Another recent Fiserv study found consumers of mobile banking have, on average, 2.3 banking products as compared to 1.3 products for branch-only customers.

There is a significant incentive associated with increasing the attractiveness of mobile banking offerings by including options related to cash access. Put simply: Consumers who adopt mobile banking make significant use of it, and once they do, they use all financial services more frequently. It is also worth noting that consumers favor convenience regardless of channel, and convenience is the key driver of consumers' choice of a bank or credit union.

The research makes it clear there is a need for financial institutions to meet people where they are – wherever and whenever that might be. The ability to easily access funds even when a debit card is not available represents a significant step toward the anywhere, anytime connection today's consumers expect.

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Financial services innovation across mobile channels is essential to meeting consumer expectations and to delivering on the return-on-investment potential of mobile – to all consumer segments. According to Expectations & Experiences: Household Finances, a quarterly consumer trends survey conducted by Harris Poll on behalf of Fiserv, users of mobile payments reported using their financial institution's mobile app more than twice as often as households in general.

**Security Is Top of Mind**

Coupled with growing expectations for digital innovation is consumers' increasing mindfulness of fraud. In fact, according to Fiserv 2015 research on billing and payments, a representative sample of more than 27 million Americans say they are more concerned about security than they were a year ago when it comes to receiving and paying bills.

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had their cards compromised in 2014

This kind of concern extends to card security as well. According to card fraud research compiled by NASDAQ, more than 31.8 million consumers had their cards compromised in 2014. When the unexpected occurs, consumers have come to expect an interim solution to access their funds. A cardless service that provides cash access is a just-in-case solution that delivers what consumers need at exactly the moment they need it. Such an approach may also lower the costs financial institutions incur during card replacement – close to $365 million annually, according to NASDAQ – by reducing the need for expedited mailing.

While lost, stolen or counterfeit cards directly contribute to growing losses at ATMs, according to 2015 ATM Marketplace research, skimming – the practice of stealing magnetic stripe data at the ATM or retail terminal – is linked to 98 percent of all ATM losses globally. Industry experts estimate fraud losses associated with skimming at approximately $1 billion globally.

Given the high stakes involved, risk mitigation should be of paramount importance in the development of any technology solutions that provide access to cash.

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## Meeting the Needs of Consumers and Financial Institutions

| Insight | Consideration |
|---|---|
| If a credit or debit card is lost or stolen, the consumer needs an easy way to obtain cash. | Create options to obtain cash at an ATM that do not require a physical card. |
| Tens of millions of cards are replaced each year, leaving consumers in need of immediate access to their funds. | Consumers need just-in-case options for interim access to cash. |
| Consumers require the most secure solutions possible. | Tokenization – the process of replacing sensitive information with a unique dynamic identifier – adds a layer of security to payments and funds-access transactions. |
| Younger consumers are less likely to have credit cards to use as a backup if their debit cards are lost or stolen. What these consumers do have are mobile devices. | Build options that capitalize on mobile technology. |

## Demand for Cash Remains

While usage of digital and card payment channels continues to rise, there are times when cash is still needed. Some consumers may use cash to manage spending or they may prefer cash to repay a friend for dinner or a movie. Plus, everyone has encountered merchants who only accept cash, such as toll booth operators, street-fair vendors and independently owned stores. In some places, a lower price is available for those who pay with cash at gas stations.

In the U.S., cash remains a common payment method, especially for small-value purchases or payments to others. Federal Reserve data indicates currency in circulation grew annually between 2009 and 2015 at an average rate of 7.6 percent per year.

There are times when the need for cash is unavoidable, and these are precisely the times when consumers expect their financial institutions to be there for them. It's essential that financial institutions offer technology to make it easy for consumers to access cash without returning home to retrieve a forgotten wallet or waiting for a card to be replaced.

## Rethinking How Cash Is Accessed

Consumer payment preferences, combined with their expectations and use of technology, create a set of market dynamics that drive the need for faster, safer more convenient ways to access cash. In other words, the time has come to reimagine the existing cash-access system and make it work more efficiently and effectively for everyone.

This presents an important question: How can faster, safer and more convenient access to cash be attained?

Faster: According to Advertising Age, the average length of an ATM transaction is 42 seconds. While that may not seem long, solutions that reduce transaction time are generally viewed positively by consumers.

The vast majority of transaction time is spent conducting the transaction – inserting (and retrieving) the card and selecting the amount and account. But what if the process could be streamlined by eliminating the need for a card and by allowing a piece of the transaction to be conducted elsewhere – such as in a consumer's home? If the order for cash could be placed and the associated identity authentication could be verified before a consumer arrives at an ATM, the duration of the ATM transaction time could be reduced.

Safer: Consumers want their personal information protected and, when it comes to cash access, they also want to limit their real-time risk exposure – to ATM skimming, for example. In practical terms, this means transactions that feature dynamic security protocols, such as tokenized identification, that change with each transaction; limits on transaction value and frequency; and expiration timeframes for access codes – specifically tokens that allow people to access their cash.

More convenient: The definition of "anytime, anywhere" has broadened from the original notion people had of ATMs a half century ago. Back then, it was enough for consumers to be able to drive a few miles to access cash after hours at a financial institution. Today the best solutions extend outside a financial institution's service area to meet consumers' need for cash wherever they may be.

Cardless solutions are ideal for those who lose or forget their cards, experience theft or wish to leave their wallets at home.

While it is clear that consumers sometimes need cash, it cannot be assumed that people always have access to their cards. There are many instances in which a cardless solution could be preferred.

## Today's Consumers Need Cash Without the Card

Some common use cases include:

### Emergency Cash

When consumers experience a lost or stolen wallet, they need a solution that allows them to access funds when they need them most.

### Interim Access

Cardless options allow consumers to access cash while waiting for a lost, stolen, or breached card to be replaced. The option also potentially reduces the need for express delivery of the replacement card.

### Convenience

There are instances in which consumers simply don't want to carry cards, purses or wallets, such as a night out or a trip to the beach. Cardless solutions accommodate consumers' desire for convenience.

### Security-Conscious Consumers

Consumers are more mindful of security than ever before and are always looking for more secure options. Tokenization adds a layer of security to cardless funds access at ATMs.

### An Opportunity for Cash Without the Card

Cardless options are currently being introduced by a few of the largest financial institutions in the U.S. These are customized products specific to individual financial institutions.

The opportunity exists to offer cardless cash options that address the needs of a broader group of financial institutions and consumers. In particular, smaller financial institutions can offer cardless options that enable them to compete with larger institutions by implementing a solution that features these core components:

- Ease of Implementation – A replicable technology solution that can be implemented by financial institutions of all sizes is needed. This would allow a financial institution to offer the service without developing its own customized, and potentially costly, solution.
- Nationwide Access – Many solutions are tethered to a financial institution's network of ATMs. This fails to address the scenario in which consumers need to access cash while away from their financial institutions' service areas.
- Ultra-Secure – Cardless options can and should be tokenized. Combined with a cardless solution, such an approach reduces the risk of skimming, shoulder surfing and fraud associated with physical card use. To further enhance security, financial institutions should consider setting limits on transaction value, frequency and the length of time an access code (i.e., a token) can be used.
- A Solution Designed to Evolve – Any viable solution should be adaptable and built to enable future integration into valued, trusted and widely used channels such as mobile platforms and person-to-person payments.
- Brand Awareness – A solution that leverages a recognized and trusted consumer brand can provide a financial institution's consumers with the confidence that transactions will be conducted easily and securely.

### The Evolution of Cash Access

It is clear that consumers continue to require cash, at least occasionally. At the same time, unexpected situations occur every day and consumers' on-the-go lifestyles sometimes make it difficult to keep a card on hand. And most importantly, consumers have come to expect intuitive technology solutions that are easy, safe and convenient.

To satisfy consumers, financial institutions will soon need to offer cardless solutions in order to stay competitive. This will likely be the only way for institutions to keep pace with the evolution of cash access and respond to people's needs – anytime, anywhere.

# About Fiserv

Fiserv is driving innovation in Payments, Processing Services, Risk & Compliance, Customer & Channel Management and Insights & Optimization. Our solutions help clients deliver financial services at the speed of life to enhance the way people live and work today. Visit fiserv.com and fiserv.com/speed to learn more.

**Fiserv, Inc.**
255 Fiserv Drive
Brookfield, WI 53045

800-872-7882
262-879-5322
getsolutions@fiserv.com
www.fiserv.com



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