

The Banking & Payments Show: The role of ATM's in retail media

Audio



Today's podcast episode of The Banking & Payments Show explores the future role ATMs will play in retail media. Host Rob Rubin is also joined by Stuart Mackinnon, COO of NCR Atleos, to discuss why ATM networks continue to grow despite the surge in options for cashless purchasing. We also discuss how advertisers on the Chase Media Solutions platform can use purchase history data to target ads on Chase's digital platforms. Listen today!

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Episode Transcript:

Speaker 1 (00:00):

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Rob Rubin (00:29):

Hello everyone and welcome to the Banking and Payment Show behind the numbers podcast from eMarketer, brought to you by awin. Today is May 14th, 2024. I'm Rob Rubin, head of business development at eMarketer and your host. Today we're going to discuss what future role ATMs will play in retail media. And I know this sounds funny, if you think of ATMs solely as cash dispensers, and there's probably nobody better to have this conversation with than Stuart McKinnon, who's COO of NCR at Leos, and those are the guys that make the ATMs. Stuart, before we jump into it, let's play an icebreaker game called Quickfire so our audience can get to know you better. So first, Hey Stuart, how you doing?

Stuart Mackinnon (01:15):

Hey, good morning, Rob. Great to be here. Thank you.

Rob Rubin (01:18):

Yeah, it's great to have you. I really appreciate having you on the show today. And just so the audience can get to know you a little bit more, where are you recording from right now?

Stuart Mackinnon (01:28):

I am at my home office here in Dallas, Texas. So enjoying the weather in the spring here.

Rob Rubin (01:35):

Yeah, but at Leos isn't headquartered in Dallas and you're the COO. So where is at Leos headquartered?

Stuart Mackinnon (01:40):

We are based in Atlanta, Georgia. So just enjoying a little bit of the time away from the office this week.

Rob Rubin (01:47):

How often do you go into the office? Actually,

Stuart Mackinnon (01:50):

Pretty much every week, so this is a rare treat for me.

Rob Rubin (01:53):

Oh, so you travel, do you leave on a Monday and come home on a Friday or you do a Tuesday Thursday kind of thing?

Stuart Mackinnon (01:59):

You got it pretty much the Monday, Friday thing. So lots of time in Atlanta. All

Rob Rubin (02:03):

Right. Dallas is nice. Atlanta's nice too though,

Stuart Mackinnon (02:06):

Right? Great cities, both great cities.

Rob Rubin (02:09):

But you're not going to go to Atlanta cold time.

Stuart Mackinnon (02:12):

Well, my wife and I are still having that discussion, let's say.

Rob Rubin (02:15):

So I don't want to get in the middle of that discussion. So I think that we should jump to our first segment of the show, which is the headlines.

Rob Rubin (02:27):

In the headlines. I pick a recent article on our topic to discuss, and today the topic is the role of ATMs in retail media and the article I picked is from the financial brand and it's titled as Third Party Cookies Crumble. Chase shows how first party data can be a boon for banks, and I put a link in the show notes if anybody wants to read the story. The part of the article that I want to focus on is about Chase's announcement of the Chase Media Solutions platform to

enable advertisers to target Chase customers based on their actual purchase history. So Google can use your search history as a way to help advertisers target. So the idea there being if you're, the things that you're searching for are things you're most interested in and that provides a lift. Chase is doing it based on what you actually buy across all of the different retailers that you purchase with compared to Amazon who does it based on what you've been purchasing and looking at. On Amazon, Chase has already executed 30 day ad campaigns for Air Canada, Solo Stove, Blue Bottle, and Whataburger. So they claim that the brands have seen a lift and have gotten traction with those ads. So what do you think of this development?

Stuart Mackinnon (03:47):

I think we've all grown up, you and I certainly in the era where all of a sudden we started seeing things pop up of things we might've looked at right in our internet browser, and all of a sudden we started seeing things come into our email for things we looked at. At first it felt creepy and now it's just part of our everyday lives. So to now

Rob Rubin (04:06):

See, I get to see, I don't know what, my wife and I are somehow connected, so I see stuff that she's looking at too, which is kind of

Stuart Mackinnon (04:13):

Exactly, you're having a conversation about something in the living room and then the next thing it shows up in your email. So I think this is probably the next evolution. It's something you've actually purchased, so it feels a little more targeted. I don't know if it feels more intrusive, but it feels like it's certainly the next evolution. I bought something at Whataburger and now I've got an offer to buy something that I'll probably, I live in Texas, which is sort of the Whataburger state. I'll probably, well,

Rob Rubin (04:41):

That's good because I didn't even know what Burger, I assumed it was a burger place, but from the name, but I've never had a Whataburger.

Stuart Mackinnon (04:48):

Welcome to Texas. You'll have many of them and then they'll send you more ads for them if you happen to be a Chase cardholder, I guess. But I guess it's the next evolution. They've

certainly chase where I live, there's a Chase branch on every corner, and if you are an advertiser looking for certainly more direct focus on your core customer, these guys can give you that access certainly better than I guess do wheel can. Right.

Rob Rubin (05:12):

So I was going to ask this question in a better way, but what could go wrong if you're a Chase customer? What are the risks for doing it this way? What do they face?

Stuart Mackinnon (05:25):

Well, when you're on the internet doing things that you maybe don't want other people to know about, there's ways to sort of go about doing that, right? There's VPNs and all kinds of other things that people, it's not something I think about every day, but certainly a lot of people like to have their privacy, and I'm not sure that there's a way to do that when you're buying things. So if I'm out buying things with my Chase card and I don't necessarily want advertisements about them, I'm not sure that there's a way to achieve that, right? There's no incognito mode for my Chase card.

Rob Rubin (05:56):

Not yet.

Stuart Mackinnon (05:57):

Not yet. So I guess there's probably some things we're going to learn along the way that this is new ground, I guess, that we're breaking. And so there are some pitfalls that we're going to discover along the way. I certainly as a Chase card holder, and I am a Chase card holder because they're the most convenient bank. I may not bank with a lot of banks because I do a lot of testing. I have a lot of banks that are customers and I like to try things out, but I would certainly want to know what was happening with my purchase data before I went out and purchased things.

Rob Rubin (06:30):

So you'd want to know what are you going to do with the data before I actually make the purchase

Stuart Mackinnon (06:35):

Today? I feel comfortable that, I think, I feel like I know my purchase data on the internet is probably not very private, but I feel fairly secure that when I go and use my card that that's just kind of between me, the merchant and maybe my bank. For some reason, I feel that level of confidence. I don't know if I should, but I do.

Rob Rubin (06:56):

I don't think you should because merchants, partners, the bank's partners, right? You've agreed to give them all some level of access to what you're actually doing, I think.

Stuart Mackinnon (07:07):

Yeah, I think when I signed that 67 page document that I just sort of agree on when I get my credit card, scroll, scroll to the bottom of it. That's right. Feel very comfortable about that.

Rob Rubin (07:18):

How do you think that this model could extend to ATMs? And I'll point out that Chase operates over 15,000 ATMs in 40 states in the us, so that's a lot of retail locations for points of advertising.

Stuart Mackinnon (07:33):

When people are in front of an ATM, there's two really good points where you have really their absolute focus. First, when they put their card in, they're staring at the screen waiting for something to happen, and that's called the idle cycle. And we generally have some type of advertising on that cycle, and if you're at a retail location, we're advertising something at the retailer. If you're at the bank, we're usually advertising a mortgage rate, a savings account, a checking account. So that's good advertising space. And then once you're waiting for something to happen, the cash to come out or the shutter to open to take your deposit, another 20 seconds of advertising space where you're eyeballs are absolutely locked on that screen. So I think for Chase, again, good time to take advantage of this program they're putting together and bring in. Third parties are maybe not a Chase deposit account, but maybe a Whataburger opportunity.

Rob Rubin (08:21):

Right. Well, I want to continue this discussion and dig deeper into how ATMs will play a role in retail media with our next segment called Story by Numbers.

Rob Rubin (08:38):

In our final segment story by numbers, I pick a number or two that we can discuss about our topic, and I want to carry this conversation from the headlines or I want to continue it because according to the ATM Industry Association at the end of 2022, the estimated number of active ATMs in the US was between 520 and 540,000 ATMs following a growth of about 21,000 terminals from 2021. So a question which I think is really kind of interesting, and then we'll get more into the retail media component, but with the advent of all these ways to buy things without cash today, why are ATM networks still growing?

Stuart Mackinnon (09:24):

I think you've got a number of factors. I think some of that growth is almost that pandemic. A lot of ATMs went dark during the pandemic, and so they're coming

Rob Rubin (09:34):

Back. So it's not net new growth. It's sort of getting back to where we were growth.

Stuart Mackinnon (09:39):

Yeah, I think that's Stuart's opinion, and I think I have a pretty good view of how ATMs exist in the world, but you do have a lot of people who want choice, and paying with cash is a choice. I want to pay with cash because it's a good budgeting tool. I want to pay cash because as we just talked about, it's privacy. So now that is an option that it is not trackable or advertisable or stored somewhere to either be used for or against me in any way. So a lot of people choose to pay with cash. We also, in the US have a tremendous amount of UN and underbanked people who will live in a cash world every day.

Rob Rubin (10:15):

I've done some work on my house. What I find is that when a contractor gives you a price, there's the price, and then if you ask, what if I paid in cash? You get a different price. There's a lot of, as you point out, cash is sort of less traceable than other things. So there's a lot of demand to save money essentially by paying cash.

Stuart Mackinnon (10:39):

I mean, the cash discount is alive and well for many reasons. And one of the primary reasons for a contractor, it's a 3% fee for them to take a card. So they don't have the type of volume

that a large retailer is. So they're paying the most expensive fee that they can pay to take a credit card or a debit card. And so for them, taking cash is a far more economical way to manage their business. If it's a thousand dollars, they're going to get a thousand dollars,

Rob Rubin (11:07):

And if they have unbanked people that work for them, they have an easier way to pay them

Stuart Mackinnon (11:11):

A hundred percent. So there's still a very vibrant cash economy. Our transactions and our network in the retail environment, we're up roughly 8% plus year in the us. And so cash is still a very vibrant part of our sort of overall payments ecosystem.

Rob Rubin (11:27):

Not that I know personally, but I have heard from friends. I live in New Jersey, is that if you go into a marijuana dispensary, you have to pay cash.

Stuart Mackinnon (11:38):

Yes, that's absolutely true because of the federal banking regulations. And so because marijuana is not federally, legal banks will not allow payment processors to have payment terminals inside a marijuana dispensary. So marijuana is a hundred percent ash business,

Rob Rubin (11:55):

And they have ATMs in probably all those dispensaries.

Stuart Mackinnon (11:59):

Some of them allow them and some of them don't. A fairly highly regulated part of the at m industry as well. Oh,

Rob Rubin (12:05):

Really? I didn't know that. Yes. That's interesting. I want to ask, so I mentioned that there's 520 to 540,000 ATMs. How many does at Leos have their fingers on?

Stuart Mackinnon (12:17):

We own about 50,000 in the US and we touch about another 250,000 in the us. So we touch about 300,000 ish. So if you break that 500,000 up, about 125 are in bank locations, and the rest are in retail locations. So it's still a very sort of vibrant retail-based ATM economy out there. And so we've got a lot of independent operators running machines, and then banks operating machines as well.

Rob Rubin (12:43):

One of the interesting things is that, as you mentioned, you do serve ads on these retailer, if I go to Walgreens and there's an ATM and I'm getting cash at the Walgreens, I'll see an ad for something at the Walgreens that I could buy, but it's not typically targeted, meaning that they don't have any information about what I like to buy when they're serving up that ad. So do you think serving targeted ads from third parties will work? Do you think that would be a better thing if you had that connectivity with a retailer to be able to dynamically serve an ad to somebody at the moment that they're pulling cash?

Stuart Mackinnon (13:25):

Yeah, I think that would be sort of marketing nirvana for both the retailer and the card issuer. So if you think if I've got a Chase card and I'm in a Walgreens and Chase knows that I buy a lot of orange juice or whatever diapers, I serve that guy an ad for shaving cream, and it's a mom who buys orange juice and doesn't buy men's shipping cream, the ad is not very effective. But if I can deliver a diapers or an orange juice ad and a coupon that accompanies that from a CPG group, that's a win for the CPG, for the retailer and for Chase who's delivering that targeted program that they've just announced. I think that'd be a very powerful thing.

Rob Rubin (14:03):

The complexity of that though, of the use case that you described is that when you stick your trace card in, there's connectivity to Chase at that retailer, the off-premise, not owned by Chase ATM in a Walgreens. I wonder how hard it's going to be to get all of these different disparate data sets to actually talk together to be able to do something like that.

Stuart Mackinnon (14:29):

I think we're not that far away from that. In reality today, that transaction goes to Chase to ask if the person has \$20 anyway, right? And web api APIs being very relatively simple to light up. If Chase is building this program already, then they're going to have to have a way for

people to bounce off the program and say, Hey, what kind of ad can I deliver to this Chase person right through it? It's going to be tokenized and anonymized, but there's got to be a way for Chase to deliver to essentially say, Hey, what does this Chase card holder want?

Rob Rubin (15:02):

And then there has to be an arrangement between the retailer and the CPG and the bank.

Stuart Mackinnon (15:08):

So there got to be, so as with any of these programs, there's going to be hands and pockets along the chain. So I'm sure people are going to be stepping up to deliver these sort of programs to allow these linkages to happen. When you see a Google ad show up for something that you searched, somebody is helping sort of essentially assemble all of those links in the chain. So I am sure with Chase putting this together that there are people ready and able to deliver those things for a few cents if you're willing to pay up for it.

Rob Rubin (15:38):

Do you think bank owned operated ATMs or off-premise ATMs located at retail locations will be more successful in selling retail media?

Stuart Mackinnon (15:48):

I think when you're in the retailer, there's more instant gratification. If I get a coupon for orange juice and I'm in a store that sells orange juice, I don't have to remember to do anything. I'm right there and I can instantly consume that rebate. If I'm in a bank and it's not a bank delivered product, I have to remember to do something right? I either have to scan a QR code and do something, or I have to remember to bring that coupon to the store to get the orange juice. So I think just the proximity to consumption is probably leaning in favor of the retail ATM and banks haven't traditionally partnered with third parties well or dynamically. Now that's changing with the likes of the chimes and Navarros and these sort of neobanks who have done a good job of bringing in third parties, but the traditional community financial institutions will really have to start amping up their digital game to start delivering those kinds of third party services to really benefit from this.

Rob Rubin (16:46):

The way I look at it is that banks sort of culturally are very product centric, and I would find it hard to see a bank offering a rebate or a coupon or a discount for a third party product if there wasn't some tie in to one of the Chase products in some form or fashion. So the easiest example is if you buy that, you need to use the Chase card in order to get the discount.

Stuart Mackinnon (17:17):

It isn't intuitive to what they've traditionally done as, so it's a step away from their

Rob Rubin (17:22):

Core. But retailers like a drugstore, your prescription drugs aside, but the sort of food and beverage items in a drugstore, they don't make a lot of margin on the items. They make their money in retail media. It used to be selling end caps and product placement on the shelves, which it still is a big business, and they've extended that into a digital domain where they really are very active. So I take the opinion that I think that the retailers are going to be much better at selling retail media to advertisers because they're already selling other things to them about what happens in the store. So they're going to be much more in line with like, Hey, let's turn this ATM on to get more money out of the manufacturers.

Stuart Mackinnon (18:09):

Yeah, I think you're right. They're more naturally inclined to it. They've been doing it, as you've said for many years, and they are great at leveraging every square foot of space inside that location.

Rob Rubin (18:20):

That's right. So I think retail media is going to be a great opportunity for ATMs. I understand that Chase has built Chase Media solutions. That's great, but I think that they'll be more successful on those sort of where they have off-premise ATMs that are located in shopping malls and other places, that they use those outlets to get consumers to drive traffic to the retailers, and they'll do better that way than doing an offer with a product tie in at one of their retail stores.

Stuart Mackinnon (18:51):

Yeah, it'll be certainly interesting to watch how this plays out.

Rob Rubin (18:54):

Well, this has been a really fantastic discussion. It's sort of an oddball, how do ATMs and retail media, what do they have in common? Or why are we talking about them at the same time? And there's a tremendous reason to talk about them. So this has been a fantastic discussion, Stuart. I really appreciate you coming along today.

Stuart Mackinnon (19:13):

Yeah, thanks for having me on. Rob. It's been great. I

Rob Rubin (19:15):

Also want to thank everyone for listening to the Banking and Payment Show and eMarketer podcast brought to you by Awin. Also, thank you to our editor Victoria. Tune in tomorrow for another episode of Behind the Numbers with Marcus Johnson. Don't miss it. Bye Stuart.

Stuart Mackinnon (19:30):

All have a good day.