

CREDIT UNION TIMES

Vol. 16, No. 34

Weekly Independent Report On Credit Unions

August 24, 2005

Nine Reasons to Drive Your ATMs Now, and One Reason Not to...

Ever wonder why the fancy ATM in the lobby that you just upgraded for Triple DES doesn't do much more than the old machine it replaced?

Ever wonder why the ATM in your state-of-the-art corporate headquarters still sends transactions to a third-party data center in Duluth, only to be routed to the core system that sits a few hundred feet away?

Why is it that your electronic services department is the last to know when your lobby ATM is out of cash?

Is the wave of ATM outsourcing a wash out after all? Ten years ago, you may recall the strong trend toward bringing ATM processing in-house. Financial institutions were discovering the benefits of taking control of their ATM operations. In reality, expensive hardware investments, staffing requirements, and complex compliance issues conspired to dampen the enthusiasm of the early in-house adopters.

In recent years, the pendulum swung towards outsourced ATM operations. Financial institutions were drawn to the idea of streamlining their internal operations. Yet again, the reality of network consolidation, the frustration of reduced operational control and the increased variable costs of

outsourcing have led some again to question the "outsource-it" approach.

We are now entering a time period when savvy financial institutions find surprising benefits to returning to the in-house approach, or to updating their current in-house environment. These benefits go beyond a strong cost/benefit justification. Here are nine reasons to drive your ATMs in-house and one reason not to.

Reason #1 - The Infamous ROI

These days, ATMs have become devices on a network much as PCs are, and so ATM driving software operates on just another server on the network. Less expensive hardware platforms and open-standard environments make today's in-house ATM management solutions more cost effective. A financial institution with as few as 10 ATMs can realize a positive return within 12 to 18 months, thanks to saving network charges, administrative fees and per-transaction costs.

In evaluating ATM solutions, keep in mind that you should no more expect to hire additional staff to maintain the ATM system

than you would to operate a mail server or other network application.

Reason #2 - Control and Flexibility

Cash management, balancing and reconciliation, card activation, rewards programs, marketing promotions and rapid deployment of new terminals are just a few areas where in-house ATM management solutions shine. ATM screen changes



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can be made in minutes rather than days and updates to limits, hold days and other business parameters can be implemented on your schedule.

Reason #3 - Responsive Service

If a cardholder asks about a deposit at your institution's ATM, can your front-line or telephone representatives help them on the spot? Or do they promise the customer they will get back to them, and then have to open a ticket with another call center?

Few financial institutions

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would outsource customer service; it is considered a “core competency.” Remember that for many accountholders, the ATM represents their primary point of service delivery. An in-house solution permits higher levels of service for deposit automation and funds availability – particularly for the most valued depositors. In many cases, outsourcing provides a “one size fits all” level of service.

Reason #4 - ATMs as a Strategic Point of Contact

Is the ATM industry is at a key transition point in its evolution? Or do you see the ATM as a static tool for automating routine transactions? Will screen presentation remain static or evolve into a dynamic interaction?

Institutions that pursue in-house ATM control are those that view the ATM as a strategic delivery channel rather than a transactional commodity. They see the opportunity for ATM interactions to tie in with the Web, deposit automation, cross selling, and more.

Reason #5 - Integration Across the Institution

Today, what a cardholder experiences at the ATM can be driven by customer relationship management and the financial institution’s goals for personalization of service.

For the cardholder, the ability to access all account relationships at the ATM or to

respond to a targeted marketing promotion in real time or to enjoy additional funds availability for official check deposits are examples of integration more readily supported in an in-house environment.

Reason #6 - The Increasing Importance of Security

Your cardholder data is an important asset. So too are encryption keys and other sensitive data. In-house control of these assets limits the institution’s dependence upon external points (i.e., an outsourcer) where data may be compromised.

Financial institutions with in-house control of their own ATM network can establish PIN verification localized at the ATM such that these PINs are never transmitted in any form.

Reason #7 - Information is Intelligence

If knowledge is power, then information is intelligence. In-house ATM processing solutions enable your institution to capture critical information about cardholder activity. Data on cash management trends, terminal usage patterns, and cardholder preferences provides the business intelligence needed for strategic decisions.

Reason #8 - Innovation

Is your institution a follower or a leader? The institution that has full control of its ATM network has the advantage of speed

and flexibility in deploying new advanced functions in the area of deposit automation, wireless communications, Web integration and other upcoming technologies. The outsourcing model strives for economies of scale.

Reason #9 - Differentiation

With an in-house environment, service can be tailored to a user’s preferences or habits.

Seemingly simple customizations such as allowing the individual to select his or her preferred “quick cash” amount may cultivate a relationship based upon service and personalization rather than fees and discounts.

And One Reason Not to...

For all of the reasons listed to choose in-house ATM management, each financial institution must determine the best fit for its own needs. Rather than following the dictates of expert consultants or the current trend, there is no one right decision. While you may choose to outsource many routine functions, critical thinking and the ability to make strategic decisions regarding your organization should never be outsourced.

Ultimately, the choice of in-house ATM management or outsourcing is yours. Whichever path you take, make sure that your choice is guided by a forward looking approach and that you select the right path for the next five years rather than following the trend from the past five years.