

# TIME FOR NEW FLAVORS

BY DREW FOLEY

**Y**ou might have noticed that the bank up the street now has ATMs that play marketing videos and offer a headphone jack for voice prompting. Or, that your supermarket ATM dispenses stamps, while the ATM at the convenience store shows movie clips. You may have read about ATMs that recharge your pre-paid cell phone.

While you admire the technology, you wonder whether any of these new functions would offer real benefit to your members or your credit union's bottom line. What's clear is that the text-based presentation at your ATMs is starting to look dated and the menu options of withdrawal, deposit, transfer, and inquiry seem like an ice cream store with only four flavors.

While some consumer technology, such as cell phones, are designed for a relatively short lifespan, an ATM is installed with the expectation that it will remain in service for 10 to 15 years with only minor upgrades and occasional maintenance. We value ATMs for their high reliability and familiar functionality. In an age when many of us are stumped by the complexity of our new text pager, PDA or DVD player, the ATM is a loyal and trusted friend, much like the human teller whom the ATM replaced or supplemented many years ago.

The aging population of ATMs that survived Y2K intact now faces a more daunting set of challenges. Forces now in play will require 100 percent of the machines in service today to be replaced or upgraded in the next three years. These challenges include, but are not limited to the following:

- The triple DES security standard mandated by national networks kicked into gear in April 2002. Existing ATMs have until April 2005 to become compliant, but even moving a current machine to a new location may make it

subject to the triple DES requirement. (For more on the triple DES security standard, visit [www.atmmarketplace.com](http://www.atmmarketplace.com).)

- Proposed Americans With Disabilities Act accessibility guidelines would require that ATMs be speech enabled. While enforcement of such requirements is likely to be two or more years away, it makes sense to consider whether ATMs can be speech enabled when determining whether to upgrade or replace them for triple DES compliance.

- The IBM OS/2 operating system that runs on most of today's PC-based ATMs is rapidly being pushed aside by the Microsoft Windows platform. As you might expect, the Windows operating system requires a more powerful processor, additional memory, and greater disk capacity.

- The emergence of low cost "dial-up" ATMs (that go on line only when being used) has yielded functionality comparable to the full-function machines currently installed at most financial institutions. The first generation of these inexpensive ATMs was more suited to convenience stores than financial institutions, but later models offer improved reliability and expanded functionality.

- New consumer standards and expectations are emerging in terms of screen presentation, universal access and channel equivalency. The next generation of consumers considers the Internet the ubiquitous metaphor for modern life. Not only are these members not impressed by the clunky char-



**A variety of factors are pushing the rehab or replacement of plain vanilla ATMs.**

acter-based menu, they don't understand why the ATM lists "Savings" on the withdrawal prompt when they don't have a savings account. Tomorrow's members expect technology to interact, entertain and adapt to their unique situations.

## WHEN IT'S TIME FOR A MAKEOVER

The phrase "if it's not broke don't fix it" no longer applies to your ATM strategy. Your ATMs must evolve or be relegated to the same nostalgia museum as the CB radio and Atari video game console. If we accept that change is inevitable, we are still left with the business challenge of separating strategic trends from passing fads. How much of the buzz around advanced-function ATMs is real and how much of it is hype?

The triple DES mandate is a convenient justification to budget addi-

tional dollars for new ATMs and upgrades to existing machines next year. The simplest way to think about the rehab/replace question is to group your ATMs into three categories:

- **Firmware-based ATMs.** ATMs with functions embedded in hardware rather than controlled via software are less flexible in terms of learning new tricks. These ATMs are not PC-based and may have no upgrade path for triple DES. These machines are the most obvious candidates to replace with newer PC-based models.

- **Newer PC-based ATMs.** ATMs bought less than three years ago can generally be upgraded for triple DES at less than \$3,000 per machine. You will need to check with the manufacturer for specific pricing and configuration information. In general, the machines are serviceable and good candidates to rehab rather than replace.

- **Older PC-based ATMs.** ATMs purchased more than three years ago may require more expensive hardware upgrades. The considerations are similar to the decision of whether to put money into fixing up your old car or purchasing a new one. Spending more than \$5,000 to upgrade an older ATM may not make sense, especially if your credit union is looking to offer advanced functions and Web-based capabilities in the future.

In ATMs you choose to upgrade, there is an opportunity to add new capabilities beyond the triple DES support. A chart of potential service and bottom-line benefits as well as estimated costs for a variety of ATM functions and capabilities is available at [www.cues.org/fyi/n90302.htm](http://www.cues.org/fyi/n90302.htm).

### MORE THAN A MAKEOVER

When replacing existing ATMs with new units, you are faced with a wider variety of models, features and configurations than ever before. Cost and capabilities vary by manufacturer and model, but there are basic guidelines to help you sort out the options.

- **Windows vs. OS/2 Platform.** Would you rather be among the first to install a Windows-based ATM or among the last to install an OS/2-

based machine? If you go with Windows, you may encounter a few challenges during the first installation, but you will have one fewer OS/2 ATM to upgrade later.

- **Dial-up vs. Full Function.** A full-function machine is important if you want to take advantage of many of the capabilities mentioned above, but it may be more machine than you need for basic withdrawals, transfers and inquiries. The real savings for dial-up ATMs is in the cost of the machine rather than in the dial-up communications. You may be able to purchase a dial-up machine that supports basic functionality for half the price of a full-function machine.

- **Web-based vs. Legacy.** If you choose to offer kiosk or home banking-type functions at your ATMs, Web-based machines can extend ATM capabilities beyond the traditional transaction set. While Web-based ATMs typically support legacy functions, the new capabilities require the same type of host integration as kiosk and home banking functions. Unless there is a compelling business need, you may want to put Web-based ATMs in the category of "cool technology" like biometrics and smart cards that has yet to achieve mass appeal.

### TWO MORE CONSIDERATIONS

Once you've analyzed your existing machines, budgeted based upon your rehab/replace decisions, and considered the features and capabilities available, there are two more aspects of your ATM processing environment that must be aligned with your overall strategy.

- **Processing Platform.** Whichever platform you use to drive your ATMs, whether in-house or via a third-party processor, it must support the ATM models and features you wish to deploy. Just as the new generation of ATMs offers new capabilities, there is a new generation of software-based ATM-driving solutions that supports these capabilities.

- **ATM Communications Net-**

## Resources

Planning an ATM rehab? A chart of potential service and bottom-line benefits as well as estimated costs for a variety of functions and capabilities is available at [www.cues.org/fyi/n90302.htm](http://www.cues.org/fyi/n90302.htm).


Read more on ATMs in "Automated Service" on p. 22 of the June 2001 issue of *Credit Union Management*, and in "Plugged In: ATMs Now and Later," on p. 38 of the June 2002 issue.

Read about a credit union that has purchased several "talking" ATMs, in anticipation of the new Americans With Disabilities Act requirements at [www.cues.org/fyi/n90402.htm](http://www.cues.org/fyi/n90402.htm).

View our online archive of stories about ATMs at [www.cues.org/fyi/n\\_operations.htm#atms](http://www.cues.org/fyi/n_operations.htm#atms).

work. Some form of LAN connectivity will improve the speed and reliability of your ATM network. The right network design can leverage your existing communications infrastructure and reduce communications costs. As part of any upgrade plan, it makes technical and business sense to migrate ATMs from 1970s legacy protocols to TCP/IP connectivity. In many areas, wireless communications represent a technically viable and cost-effective option that eliminates the need for dedicated phone lines.

The ATM is finally moving beyond its limits as a glorified cash dispenser toward its potential as a dynamic delivery channel. The ATM of tomorrow will still perform withdrawals, deposits, inquiries and transfers, but these activities will be tailored to the member. In the same way a gas pump now asks whether you want a receipt, the ATM will prompt the cardholder with options that are relevant based upon previous activity and individual preferences.

The ATM modernization strategy that you pursue today will determine your credit union's readiness for the next wave of member-directed transactions. 

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# ATM Upgrade Options Chart

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Upgrade	Member Service Benefits	Bottom-line Value	Recommendation	Projected Cost
<b>Check Cashing</b>	Increased funds availability may be provided based upon the MICR information encoded on the bottom of the check	Encourages deposits at credit union ATMs; provides better initial verification of deposits.	Check cashing is a nice tie-in with a sponsor company or SEG with specific MICR numbers, but higher-end ATMs are required.	\$5,000 - \$10,000
<b>Stamp Dispensing</b>	Provides convenient outlet for purchasing stamps.	May draw additional traffic to existing ATMs; convenience fee is included in stamp purchase price.	For ATMs with less than four cartridges, dedicating a cassette to non-cash items may limit cash capacity of machines and require more frequent servicing.	No costs other than those associated with more frequent machine servicing.
<b>Mini Statements</b>	Offers more information than a basic inquiry.	Increased funds availability may be provided based upon the MICR information encoded on the bottom of the check	Increased funds availability may be provided based upon the MICR information encoded on the bottom of the check	Increased funds availability may be provided based upon the MICR information encoded on the bottom of the check.
<b>Cross Sell/ Target Marketing</b>	Provides information about other credit union products.	Leverage ATM channel to promote other products.	Basic cross-sell functions can be readily implemented but more complex member interaction may not be suited to the ATM channel.	Cost varies based upon desired level of integration with processing platform where member data resides.
<b>Local Graphics</b>	Replaces text-based screens with icons and screen graphics for better visibility and ease of navigation.	Provides opportunities for marketing; increases recognition of credit union ATMs.	Local graphics are an interim tool for "dressing up" older S/2 based ATMs, but will soon be replaced with newer tools for Windows and Web-based ATMs.	\$2,500 - \$10,000
<b>Biometrics</b>	Protects members against identity theft.	Verification based upon unique individual characteristics reduces potential for fraudulent activity.	Significant developments are expected in biometrics over the next three years as the technology matures, but it is too early to distinguish which solutions will emerge as industry standards and which will be the biometric equivalent of the Beta Max.	Costs vary depending upon specific technology.