



ATM OUTSOURCING

DONE RIGHT

ATMs are a widely-used resource for consumers to quickly access their accounts and cash while on the go. Over a quarter of consumers in the US use ATMs to access cash. And as bank and credit union cardholders flock to mobile, reliance on the ATM is increasing. Over half (54 percent) of frequent mobile banking users report an increase in ATM use, according to a study from Raddon Research Insights. This number has also spiked for individuals who prefer online banking, with 58 percent reporting an uptick in their visits to the ATM.

Technology has begun to generate a greater reliance on the ATM as a resource for cash access, but this newfound popularity for the classic self-service banking machine has become a double-edged sword for many financial institutions (FIs).

The Ugly ATM

ATMs used to be a revenue generator for many banks and credit unions. Consumers visited branches, regularly kept cash on hand, and accepted additional fees as the price to be paid for the convenience of an ATM.

Now 71 percent of consumers report actively avoiding ATM surcharges, according to a Mercator Advisory Group study. An industry report from ATM Marketplace notes 79 percent of consumers say access to fee-free ATMs are either “very important” or “essential” in their decisions regarding financial institutions.

As a result, surcharged transactions are dropping at an average rate of 3 percent per year. FIs are joining surcharge-free networks or implementing surcharge reimbursement programs in order to expand fee-free access to the ATM. But these changes are eating heavily into the revenues formerly used to operate institution machines.

Regulations and Upgrades

As if growing consumer demand for surcharge-free was not enough, the digital age has brought the ATM into the stoplight for criminals and governments alike.

While in the past machines were almost prohibitively expensive, they were a long-term investment which paid out in convenience and revenue over years if not decades.

ATMs are slightly less expensive now, when accounting for inflation. However, FIs have been hit with an onslaught of regulations and requirements since the implementation of PCI Data Security Standards (PCI DSS) for the ATM in 2008. Since that time, Automated Teller Machines have been hit with a range of requirements including:

- ADA Compliance
- EMV Migration
- Windows 7 Migration
- Windows 10 Migration (coming January 2020)
- Ongoing PCI DSS

Each of these requirements have called for costly equipment, software, and service.

Hidden Costs

Larger banks and credit unions may have dedicated personnel to handle the management of their ATM operations. These employees manage the day-to-day functions of each of the FIs machines including:

- Cash forecasting
- Cash delivery scheduling and follow-through
- Customer service
- Maintenance scheduling
- Error and crisis management
- Telecommunications
- Vendor management
- Reporting



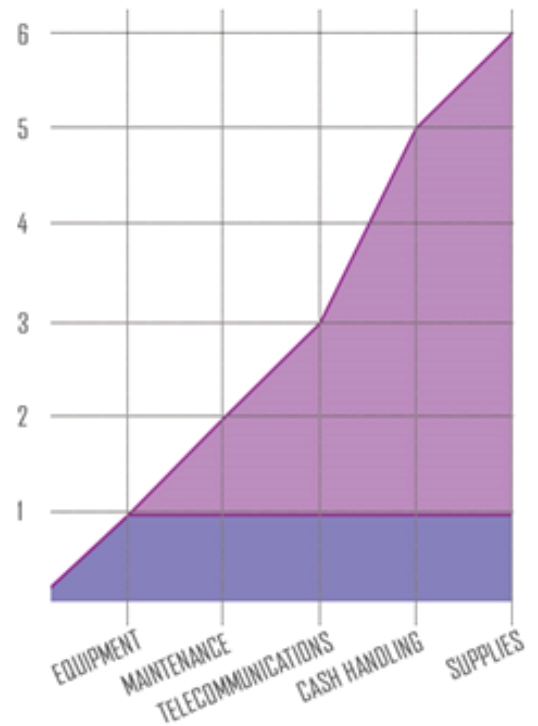
However, many FIs do not have the employees to dedicate to ATM operations full-time. In most cases ATM operations are a component of an employee's position with the bank or credit union, often with the ATM program as a background focus. As a result, areas where the FI could be saving time, money and improving customer service may slip through the cracks.

The “Managed Services” Solution

Banks and credit unions are smart. They realize their cardholders rely on ATMs and search for solutions to provide those services in a way that will avoid overtaxing their institution. Programs such as surcharge-free networks and shared branching are examples of this ingenuity.

When it comes to ATMs most FIs see the costs and time required to operate a completely in-house program. Instead they typically opt for a “Managed Services” approach – partnering with top vendors to provide all the equipment and services for their machines. Some tasks that are typically under a managed service contract include:

VENDOR MANAGEMENT BY SERVICE COMPARED TO COMPLETE ATM OUTSOURCING



- **Terminal Processing** – A processing partner will be selected and the designated FI staff will monitor transaction information as it is provided by the processor.

- **1st and 2nd Line Maintenance** – The FI will contract with a company, often their main equipment provider, with trained ATM technicians. Bank and credit union staff will then manage service calls, follow up with the maintenance company, and monitor processor information to proper service and uptime is restored.

- **Cash Handling** – More FIs are choosing to hire armored carriers to transport and deliver cash in order to reduce shrinkage and promote employee safety. FI staff is then tasked with ordering cash loads, scheduling delivery, and following the delivery process.

The **ATM Outsourcing** Difference

Rather than a patchwork quilt of providers, “Outsourcing” is contracting a single ATM operator to completely manage the operations and day-to-day management of one or more machines. True ATM outsourcing offers a range of benefits including:

- **Reduced Vendor Management** – One vendor means one report and one contact to request answers, information or report an issue with any contracted machine.
- **Better Service** – When there are multiple vendors there are often multiple opportunities for miscommunication. A single-vendor operation reduces the instances of errors and helps increase uptime.
- **Easier Compliance** – Most outsourcing providers offer regulatory compliance guarantees, reducing the worries and costs generated by ongoing changes to ATM requirements for FIs.

The ATM is a required resource and touchpoint for financial institution cardholders. However, consumer trends and regulatory changes are increasing costs and turning a former revenue generator into a greater hassle. Fortunately, there are alternatives to costly in-house management and “managed services” or multi-vendor solutions. Financial institutions who are tired of the hidden costs, time consumption, and continual compliance requirements can turn to a reputable ATM outsourcing provider to find a better solution.

For more information on Star Financial’s ATM Outsourcing options, contact us today!

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