



Redefining the Case for Effective ATM Management

Despite the emergence of internet banking and, increasingly, mobile banking, the global installed base of ATMs is expected to grow by 41% between 2007 and 2013 (*). For banks looking to get the most from their ATM networks, outsourcing can be a major advantage. Andrew Morss, Vice President of Self Service Solutions for First Data in EMEA, discusses.

ATMs are now playing a key role in banks' interactions with their customers. They provide a wide range of services and enable the bank to communicate directly with users of the ATM units. Rather than being a necessary cost of doing business, ATMs can be viewed as a means of enhancing customer service and a potential source of revenue.

In the current economic environment, however, some banks have been reluctant to make the investment necessary to refresh their networks. In some instances, plans to refresh the network have been put on hold as banks feel the need to conserve capital. To justify a decision to refresh the ATM network, banks need a business case that includes the generation of new revenues and takes into account capital expenditure, the potential cost of operations, improvements to the quality of service provided and the costs/benefits of the introduction of innovative technology.

Redefining the Business Case

As an alternative to the challenges inherent in this business case, banks may choose to make use of a specialist third party. This enables the bank to outsource management of the ATM network and redefine areas of capital expenditure, costs, service and innovation, while concentrating internal bank resources on core business.

When it comes to ATM management, there is no substitute for expertise and experience. As networks develop and change, so do the nature of the management role and the degree of knowledge and resources required. Such resources are scarce and, for many banks, there comes a point when 'doing it all yourself' is no longer a viable option.



Capital

Investment decisions regarding the deployment and refresh of ATMs will be dependent on such factors as reciprocity issues and the calculation of interchange. From a capital perspective, an outsourcer can take on existing assets and the deployment of new ATMs, finding third party sites and deploying machines with appropriate software on behalf of the bank. This could be carried out on a shared risk-reward basis. The outsourcer will also bring cost advantages in optimising contracts with principal suppliers and ensuring that appropriate machines are deployed at each location.

Cost of Operation

A bank needs to consider the most cost-effective and productive way of managing its ATM network, including taking a view on whether there are economies of scale to be achieved that are not available to an individual ATM deployer.

(*) Source: Retail Banking Research, Global ATM Market and Forecasts 2007-2013

Managing an ATM network involves a vast number of separate tasks. These include site selection, purchasing hardware and software, signage, marketing and managing relations with third party service providers such as Cash in Transit providers. Other activities include screen design, cash management, transaction processing, network design, helpdesk, maintenance (first and second line), security, service and the introduction of new functionalities.

To control costs, banks have first to identify them. In many instances, and given current organisational structures, this is not as easy as it sounds. The management of ATM networks is normally spread across a range of business units, with resources shared with other bank services. Personnel, helpdesk services, dispute management and compliance costs are examples of shared services that would not normally involve a dedicated ATM resource. For the ATM deployer, the result is not just unclear reporting lines but difficulty in assigning a true cost to the management of the ATM network. This begs an obvious question. 'If you don't know the cost, how can you control it?' By comparison, working with a service provider such as First Data gives banks a single contract for all ATM services and a single point of contact.

For owners of large and small networks, outsourcing the management of ATM services can boost the bottom line by between 15 and 20 per cent. And it is not just about costs – outsourcing service customers can also take advantage of specialist expertise to ensure use of up-to-date technology and an improvement in customer service.

Service

As customers have become reliant on the ATM to access bank services, so it becomes more important that machines are available and able to perform the task required. Continuing availability of the full ATM service offering – dispensing cash with receipts, deposit-taking or other services – is the key to maintaining customer satisfaction.

Innovation

Increasingly, ATMs are being used to provide services beyond cash dispensing and strategic innovation is now seen as key to effective ATM deployment. ATM services may be categorised as:

- standard banking services, such as cash withdrawals;
- advanced banking – to include Intelligent Deposit and transfers;
- value added services such as mobile phone top-up and direct currency conversion;
- marketing of the bank's own services or third party advertising.

Banks should be able to use their ATM network to differentiate service, increase revenue and add value to customers. Failure to respond to the availability of new functionality not only means lost revenue opportunities but also forfeiting competitive edge to more astute ATM deployers. Banks may need to engage with a partner to identify strategic innovation opportunities and add services that are beneficial to customers with the potential to generate revenue for the bank.

An Outsourcing Approach

There is little doubt that, with the right supplier, outsourcing network management services can enable ATM deployers to compete more effectively, offer the right services in the best locations, maximise communication opportunities with their cardholders and achieve economies of scale.

Commercial arrangements with an outsourcer can vary and may potentially include risk-reward business models. Services can be provided end-to-end or on a modular basis. Making contact with a respected and experienced outsourcer can be the first step to defining a robust business case for your ATM network.

For more information on how First Data can help your organisation develop and implement an ATM strategy, please contact Andrew Morss at First Data: Andrew.morss@firstdata.com
