

## U.S. Independent ATM Deployer Survey



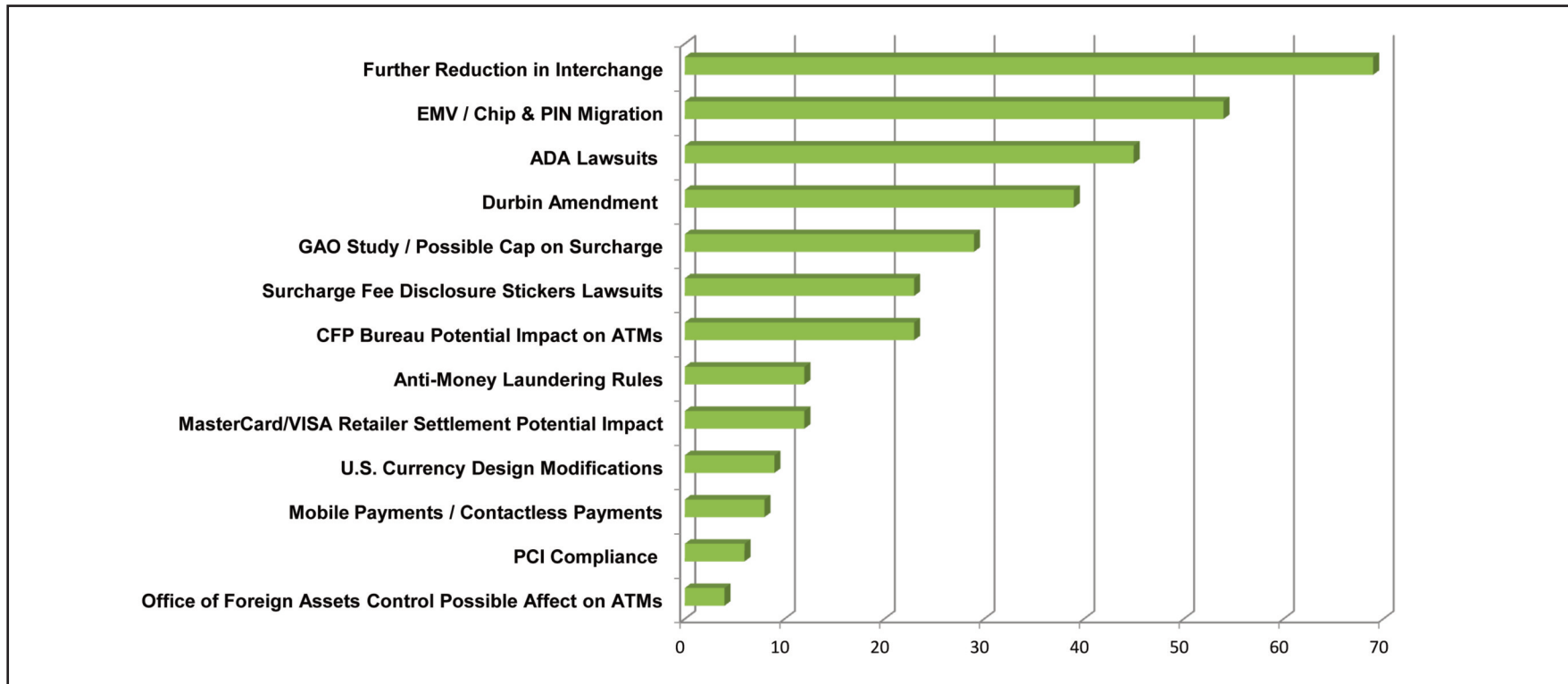
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## About the Survey

- The survey was sponsored by Kahuna ATM Solutions and the ATM Industry Association (ATMIA).
- The survey was conducted between November 13 and December 21, 2012 by Alicia Blanda, a marketing and public relations consultant that specializes in marketing financial services businesses.
- 108 U.S. Independent ATM Deployers (IADs) completed the survey.
- The survey was originally sent by e-mail to U.S. IADs on November 13, 2012.
- A link was posted on a number of ATM IAD Facebook pages, Twitter accounts and on U.S. ATM LinkedIn groups.
- Follow up e-mails were sent by both ATMIA and Kahuna.

## What are your three (3) biggest Legislative / Compliance / Network fears, worries or concerns regarding the health of the ATM industry?



### Top Respondent Answers\*

- |   |              |
|---|--------------|
| 1. Further Reduction in Interchange           | <b>63.8%</b> |
| 2. EMV / Chip & PIN Migration                 | <b>50.0%</b> |
| 3. ADA Lawsuits                               | <b>41.6%</b> |
| 4. Durbin Amendment Possible Impact on ATMs   | <b>36.1%</b> |
| 5. GAO Study / Possible Cap on Surcharge Fees | <b>26.8%</b> |

\*Multiple choice question. Each respondent was allowed to choose 3 answers.

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## Top Responses

1. Further Reduction in Interchange	20.5%
2. EMV / Chip & PIN Migration	16.0%
3. ADA Lawsuits	13.4%
4. Durbin Amendment Possible Impact on ATMs	11.6%
5. GAO Study / Possible Cap on Surcharge Fees	8.5%

## Other Answers

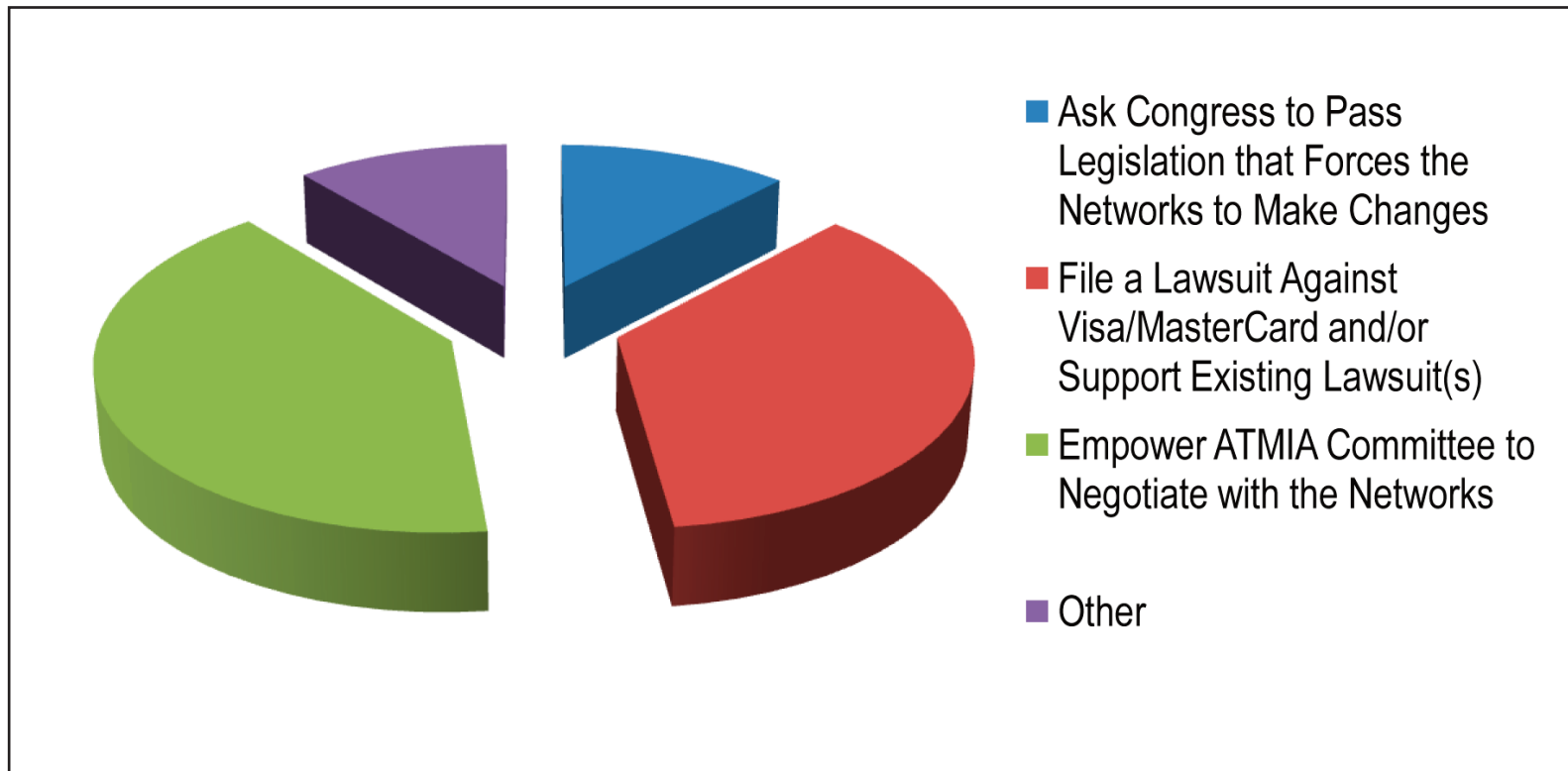
- Network rules
- Vending companies
- Skimming

## Comments

- Ever increasing fees to interchange and unknown government interference are the biggest worries.
- Too much compliance for ISOs from sponsor banks! Non-stop request for data they already have. Help!
- You could combine these into 1 - frivolous lawsuits, 2 - reduction in interchange, 3 - legislative interference with ATMs.
- I selected three on the list, but I am concerned about all of the above. There seems to be no end on the assault on the ATM industry by the Government!!!
- Easily the reduction in Interchange is going to be the biggest effect on the ATM industry. We are moving towards the past as far as having to come up with revenue ideas that allow us to now earn surcharge income because of the impending reduction in interchange. In addition, the EMV legislation could be another ADA/TDES issue where thousands of ATM's have to be upgraded causing nightmares for IAD's and merchants!

*\*Multiple choice question. Each respondent was allowed to choose 3 answers.*

## How do you feel the ATM industry should deal with the reduction in interchange and network rules that restrict competition?



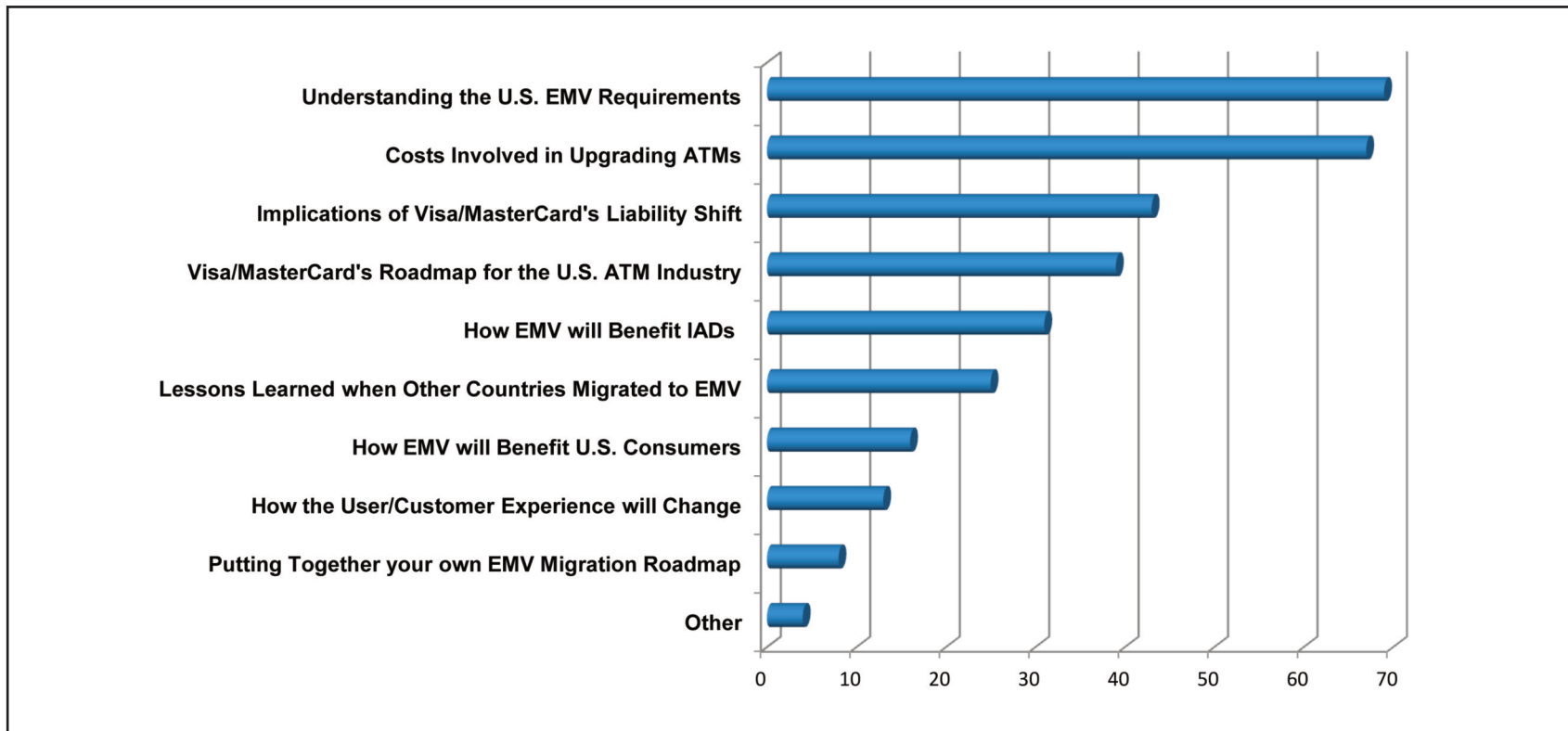
### Top Respondent Answers

1. Empower ATMIA Committee to Negotiate with the Networks **40.7%**
2. File a Lawsuit Against Visa/MasterCard and/or Support Existing Lawsuit(s) **36.1%**
3. Ask Congress to Pass Legislation that Forces the Networks to Make Changes **12.0%**

## Comments

- I vote to empower ATMIA but how much of the installed ATM base in the US does ATMIA represent?
- A class action suit has already been filed by NAC and other ISOs
- More ISO support or join the lawsuit. One day a month shut off visa and MasterCard transactions.
- Why are the networks settling lawsuits with big processors and us little independents are getting screwed?
- None of the above suggestions will likely ever work. It's time to find another way around the problem. If I knew what that way was...
- We need to work with the manufacturers to make a software packages that will allow us make more income in other areas.
- Not sure.
- We need to add value, not just get paid for doing nothing. We access the networks that pay us. How do we bring them value to pay us for bringing them business?
- I don't think Congress has a clue relative to the recurring expenses of running an ATM network. They see the surcharge and assume the owner nets out the entire amount.
- ATMIA should not be so heavily in bed with the banks; they have different agenda then we do.
- If the networks want to reduce interchange then ISOs should be able to implement selective surcharging - but I am in favor of lobbying Congress to implement legislation if recommended by attorneys.
- Create an ATMIA chartered bank to “only” deal with ISO requirements and not only sponsors them but work with their processors so ISOs can spend their time deploying ATMs!
- I think we should start here and explore our options. If we are unable to gain any transaction then I think we move to Congress or file a lawsuit.
- Have the IAD recover more of the surcharge in conjunction with a lawsuit regarding current network rules concerning interchange.
- What is the best way to reduce interchange from the merchant thru the processor?
- Filing a lawsuit is probably our best bet. Our industry does not have enough money to start a large lobby so the only way that we can make waives is to hire a couple of good lawyers and file a lawsuit that may bring some light to the struggles that our industry is facing. Merchants have been heard, Networks have been heard, Issuers have been heard but the ATM industry has not.
- Need more information and better analysis on the issue. Very vague right now. Restricted competition is never a good thing, though. Hasn't Durbin shown us that?

## What would you most like to know about U.S. EMV Migration?



### Top Respondent Answers\*

1. Understanding the U.S. EMV Requirements **64.4%**
2. Costs Involved in Upgrading to EMV Compliant ATMs **62.6%**
3. Implications of Visa/MasterCard's Liability Shift for U.S. ATMs **40.1%**
4. Visa/MasterCard's Roadmap for the U.S. ATM Industry **36.4%**
5. How EMV will Benefit IADs **28.9%**

\*Multiple choice question. Each respondent was allowed to choose 3 answers.

# 2013 U.S. Independent ATM Deployer Survey Report

## Top Responses

1. Understanding the U.S. EMV Requirements	21.9%
2. Costs Involved in Upgrading to EMV Compliant ATMs	21.3%
3. Implications of Visa/MasterCard's Liability Shift for U.S. ATMs	13.7%
4. Visa/MasterCard's Roadmap for the U.S. ATM Industry	12.4%
5. How EMV will Benefit IADs	9.8%

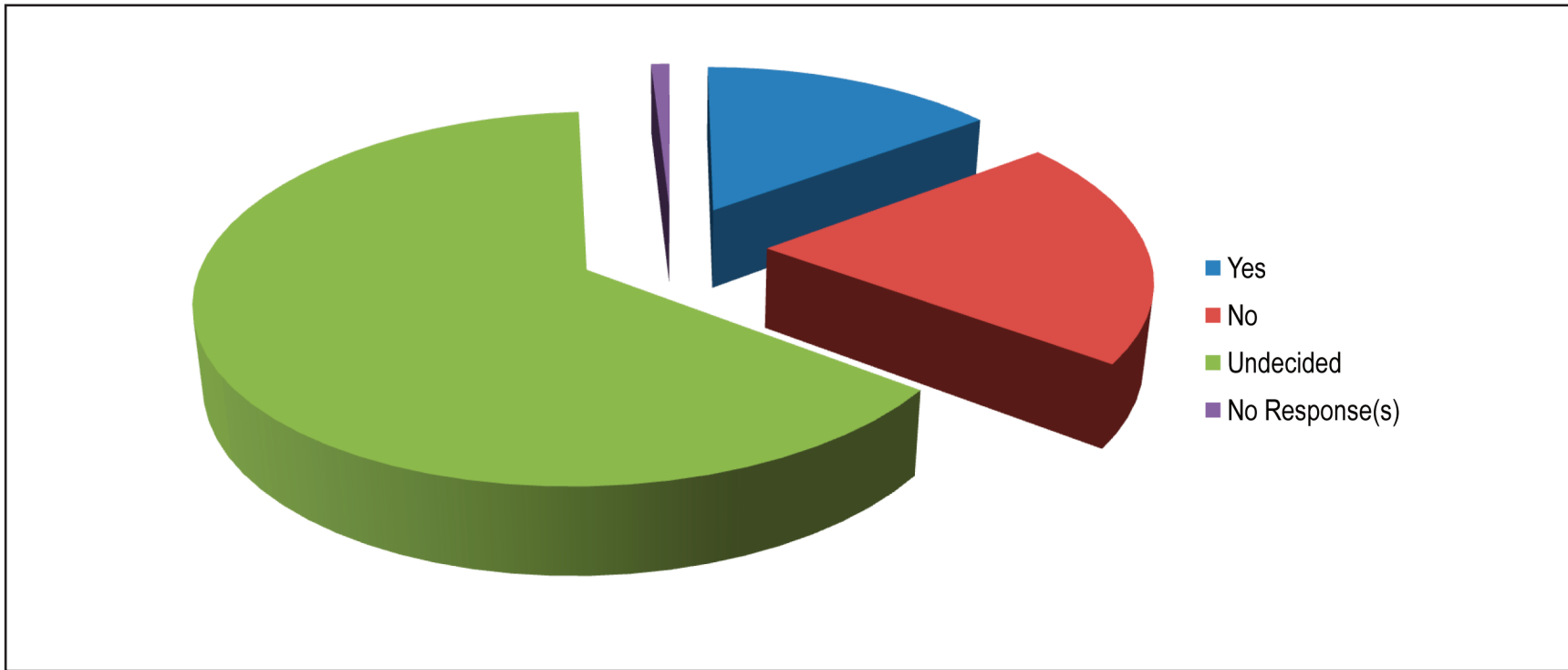
## Comments

- When will ATM manufacturers be ready?
- When will US banks issue cards with chips?
- Visa and Master are going to use this to shut out the smaller networks.
- Less important for us than any other in the financial sector; banks and consumers are affected first. Technology may leapfrog this entire issue.
- Visa/MasterCard are paying less and less interchange, but require us to follow their rules. It seems they have forgotten we are the channel for their users to access their cash. Perhaps an increased interchange for EMV enabled ATMs.
- What is the deadline?
- I would like to see a concrete roadmap; not dates thrown out willy-nilly that change every six months; something that has some substance and gives direction. TDES and ADA always had rolling timelines and I still see plenty of ATM's in the field that are not ADA compliant. There is no enforcement of policy, so for IADs that are doing the right things and making sure their merchants upgrade they may be losing accounts to less scrupulous IADs who say they don't need to upgrade.

*\*Multiple choice question. Each respondent was allowed to choose 3 answers.*



## Do you plan to include Near Field Communication (Mobile/Contactless Payments) as part of your EMV strategy?



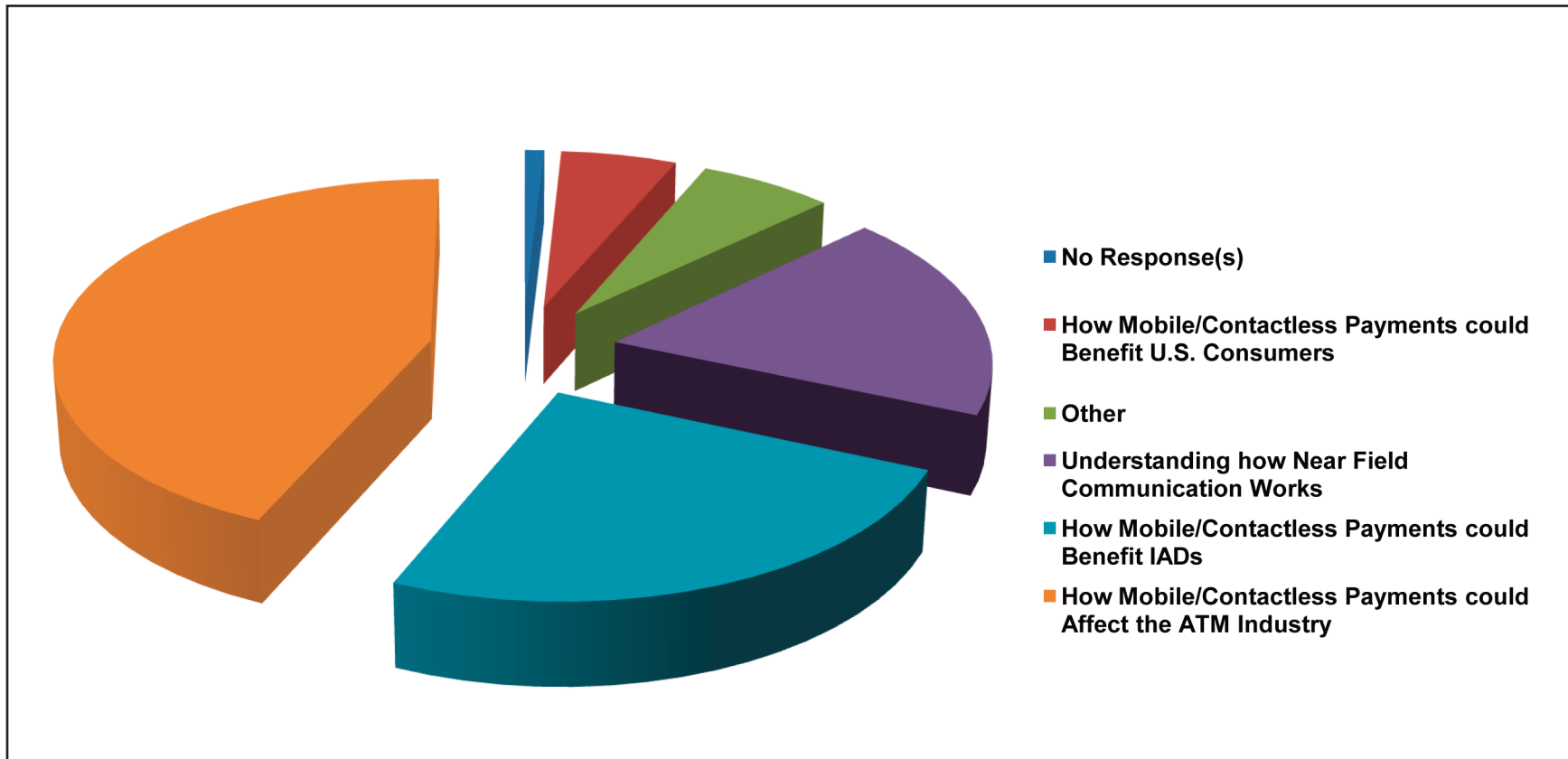
### Top Answers

1. Undecided 63.9%
2. No 20.3%
3. Yes 14.8%

## Comments

- I would like to learn more about EMV and how it will affect my business before deciding.
- Scan ATM with smart phone get cash, no card needed. No liability on ATM. IP tracking through phone GPS and address. Minimal cost to IAD.
- Need to know more about this.
- Not sure what this is!
- What is Mobile/Contactless payment?
- This has been talked about for years and NFC, as always, doesn't have a really huge benefit over taking out your ATM card.
- it is not very safe and am not sure what the advantage is over PIN/Chip.

## What would you most like to know about NFC (Mobile/Contactless Payments)?



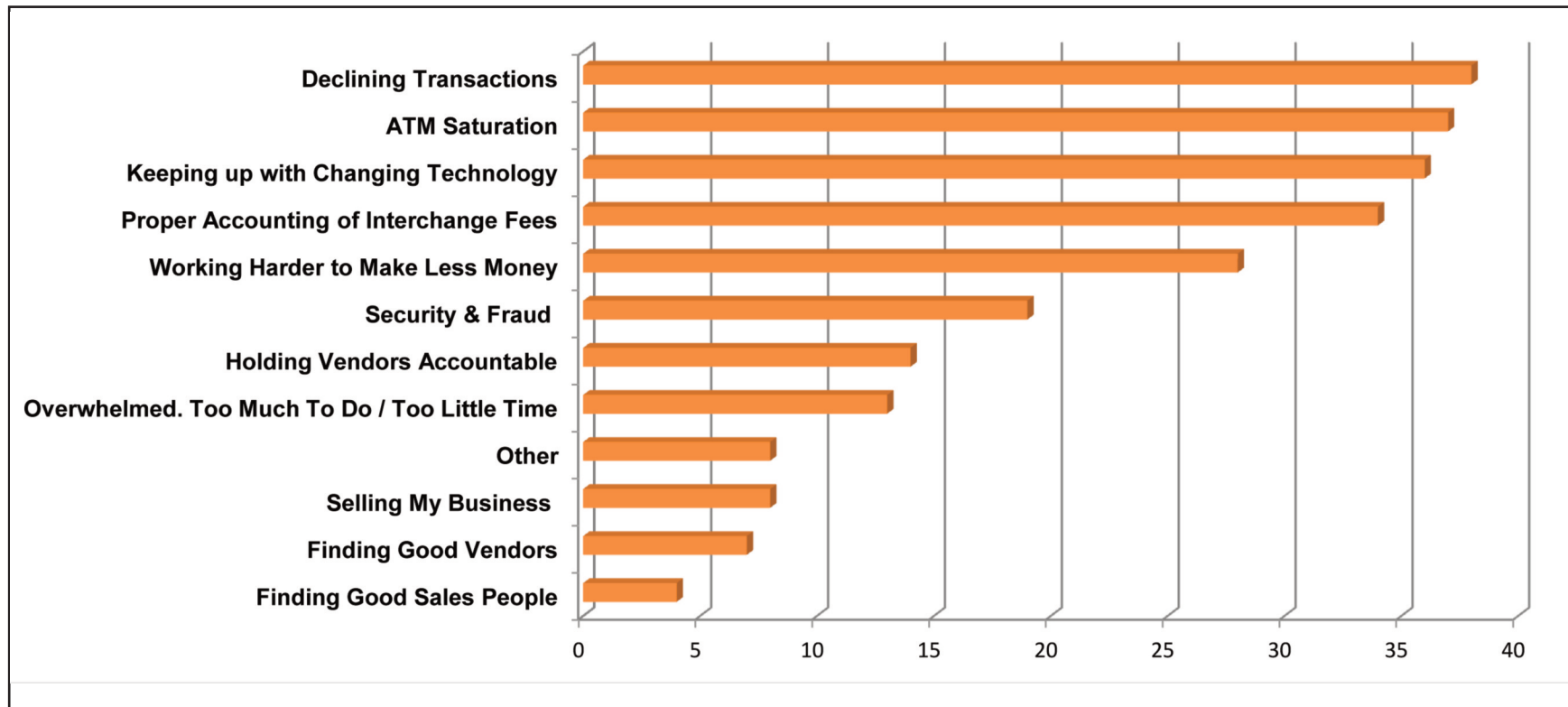
### Top Answers

1. How Mobile / Contactless Payments could Affect the ATM Industry **43.5%**
2. How Mobile / Contactless Payments could Benefit IADs **25.0%**
3. Understanding how Near Field Communication Works **18.5%**

## Other Answers

- Constant upgrades for compliance.
- Big ISO taking over.
- Vending companies.
- Simplification.
- Tax implications for business sale.
- KAM's RTM: will this be accepted and be death of ATM.
- People owning ATMs that do not play by the rules.
- Government regulations.

## What are your three (3) biggest Non-Legislative / Compliance / Network fears, worries or concerns regarding the health of the ATM Industry?



### Top Respondent Answers\*

- |  |       |
|--|-------|
| 1. Declining Transactions                | 36.1% |
| 2. ATM Saturation                        | 34.2% |
| 3. Keeping up with Changing Technology   | 33.3% |
| 4. Proper Accounting of Interchange Fees | 31.4% |

\*Multiple choice question. Each respondent was allowed to choose 3 answers.

# 2013 U.S. Independent ATM Deployer Survey Report

## Top Answers

1. Declining Transactions	15.4%
2. ATM Saturation	15.0%
3. Keeping up with Changing Technology	14.6%
4. Proper Accounting of Interchange Fees	13.8%

## Other Answers

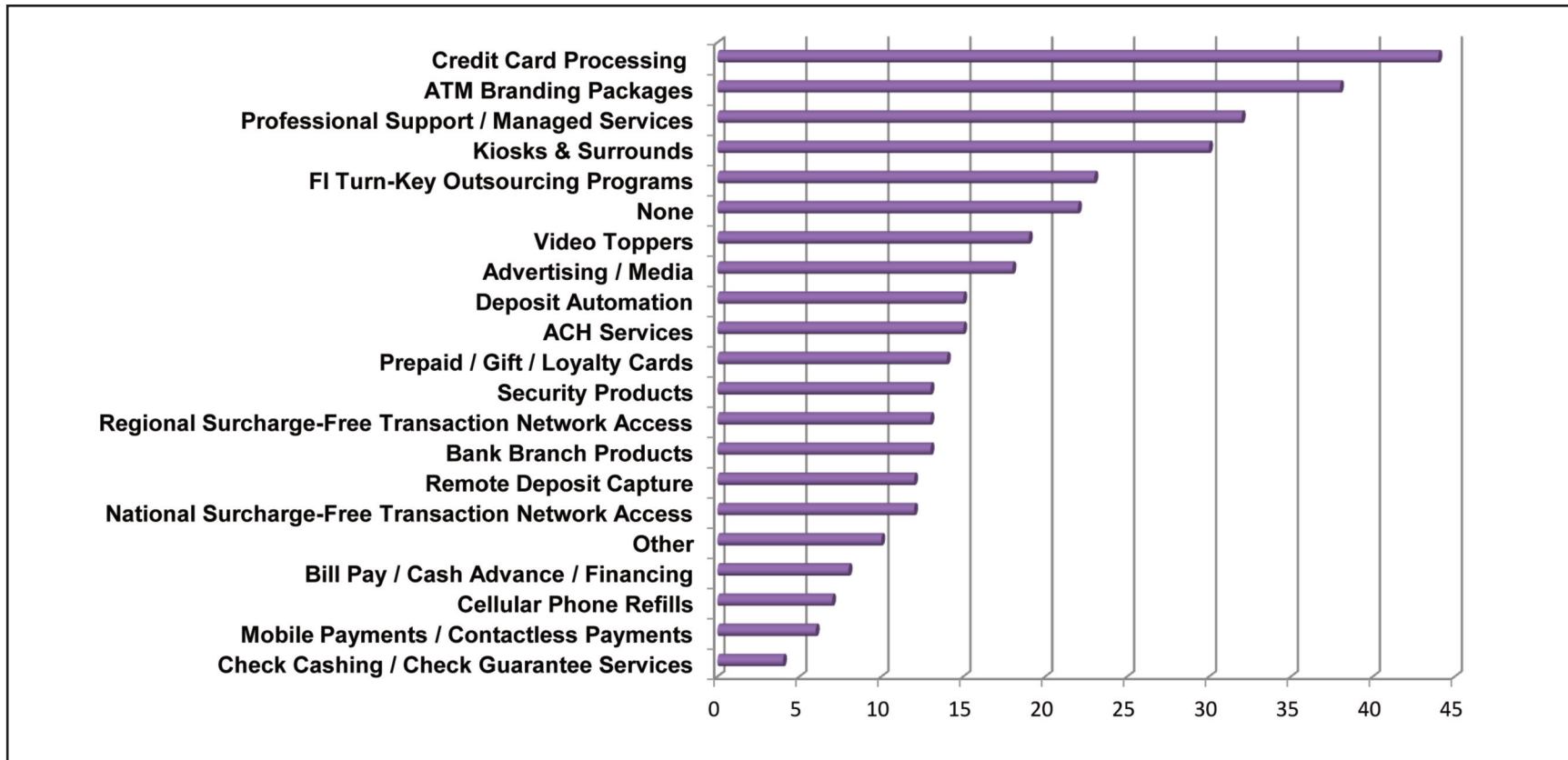
- Security around NFC.
- Migration and the usefulness of legacy equipment.
- Who will support it?
- Not interested in NFC.
- How / if EMV can be defeated via a skimming device.
- What is it?
- How IADs can monetize the switch if it ever happens.

## Comments

- So much technology and options with access to money; this concerns me about consumer confidence and usage. I would be skeptical of mobile personally and fear of security risks around account information and privacy.
- Vending companies taking over locations, turning ATM machines into vending machines.
- Too many numbers. We essentially do a simple thing. Network A pays \$0.30 minus this fee and that fee.....Simplify.
- Our company spends more and more time with being compliant then we do with getting new business.
- This is because of the constant changes to the industry
- Besides the uphill battle with the networks and the decrease of interchange, I believe the biggest loss of revenue in this industry comes within ourselves...offering signing bonuses and giving the lion's share of surcharge to the merchants...where does it stop?
- Reduction in interchange is my biggest concern.
- I think this year the biggest concern will have to do with reduction in interchange everything else will play second fiddle. If we can't stop the momentum in reduction of interchange half of all IAD's are going to go broke or have to change their business model.

# 2013 U.S. Independent ATM Deployer Survey Report

## Other than ATM equipment and processing, what additional products and services do you currently offer your customers?



### Top Respondent Answers\*

1. Credit Card Processing **40.7%**
2. ATM Branding Packages **35.1%**
3. Professional Support / Managed Services **29.6%**

\*Multiple choice question. Each respondent was allowed to choose as many answers as they wanted.

# 2013 U.S. Independent ATM Deployer Survey Report

## Top Answers

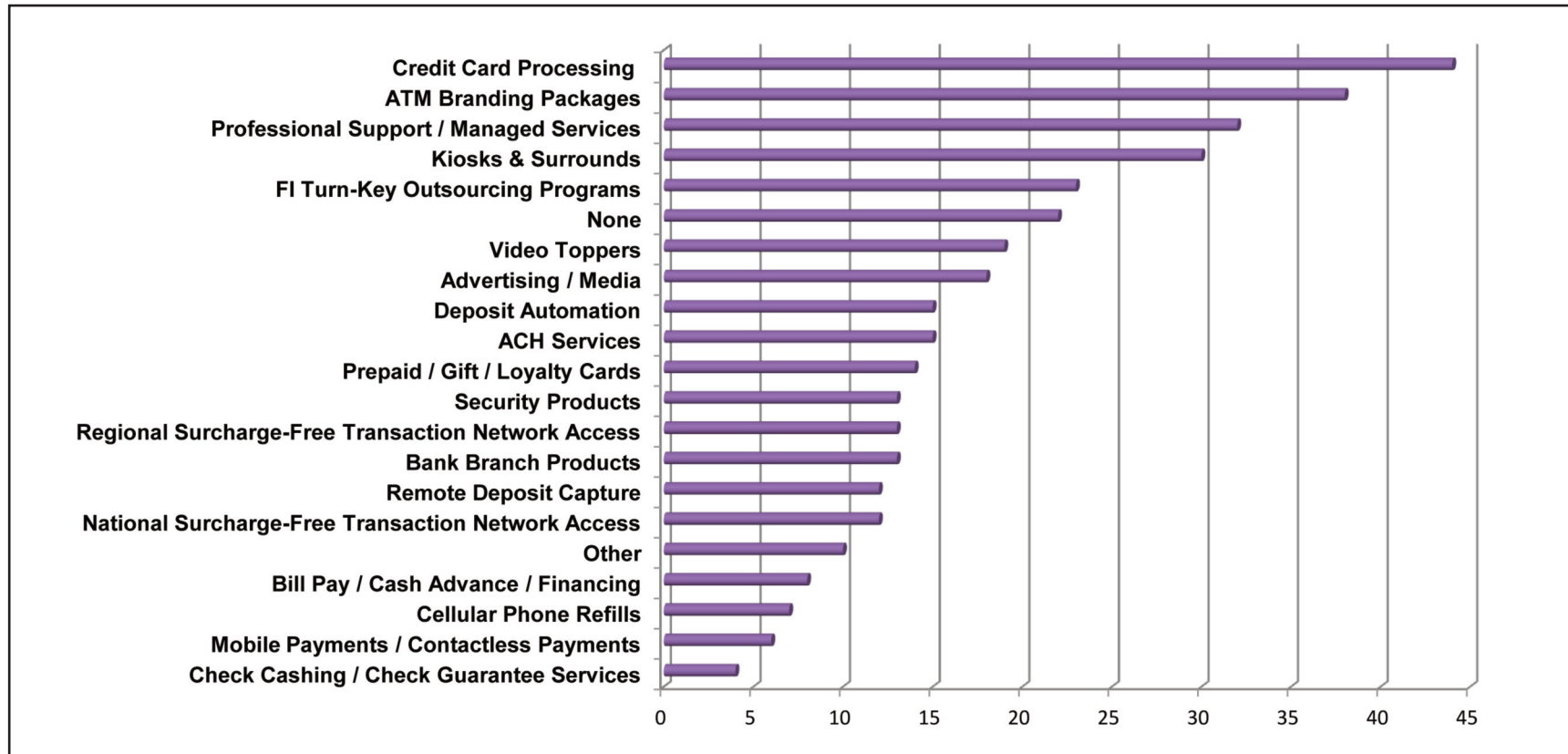
- |  |       |
|--|-------|
| 1. Credit Card Processing                  | 11.9% |
| 2. ATM Branding Packages                   | 10.3% |
| 3. Professional Support / Managed Services | 8.7%  |

## Other Answers

- Amusement game operations.
- Air machines.
- Jukebox, pool table, cranes, video games, any type of coin operated games.
- Vault cash and armored services.
- Amusement operator, background music, music on hold.
- Vault cash services.
- A little of several of the above but not much in revenue.
- Processing of transactions.
- Smart safes.
- Access control units for ATM vestibules.



## What new products and/or services are you planning to offer your customers in 2013?



### Top Respondent Answers\*

- |                                    |              |
|------------------------------------|--------------|
| 1. None                            | <b>37.9%</b> |
| 2. ATM Branding Packages           | <b>20.3%</b> |
| 3. Credit Card Processing          | <b>12.9%</b> |
| 4. Advertising / Media             | <b>12.0%</b> |
| 5. Pre-Paid / Gift / Loyalty Cards | <b>12.0%</b> |

\*Multiple choice question. Each respondent was allowed to choose as many answers as they wanted.

## Top Answers

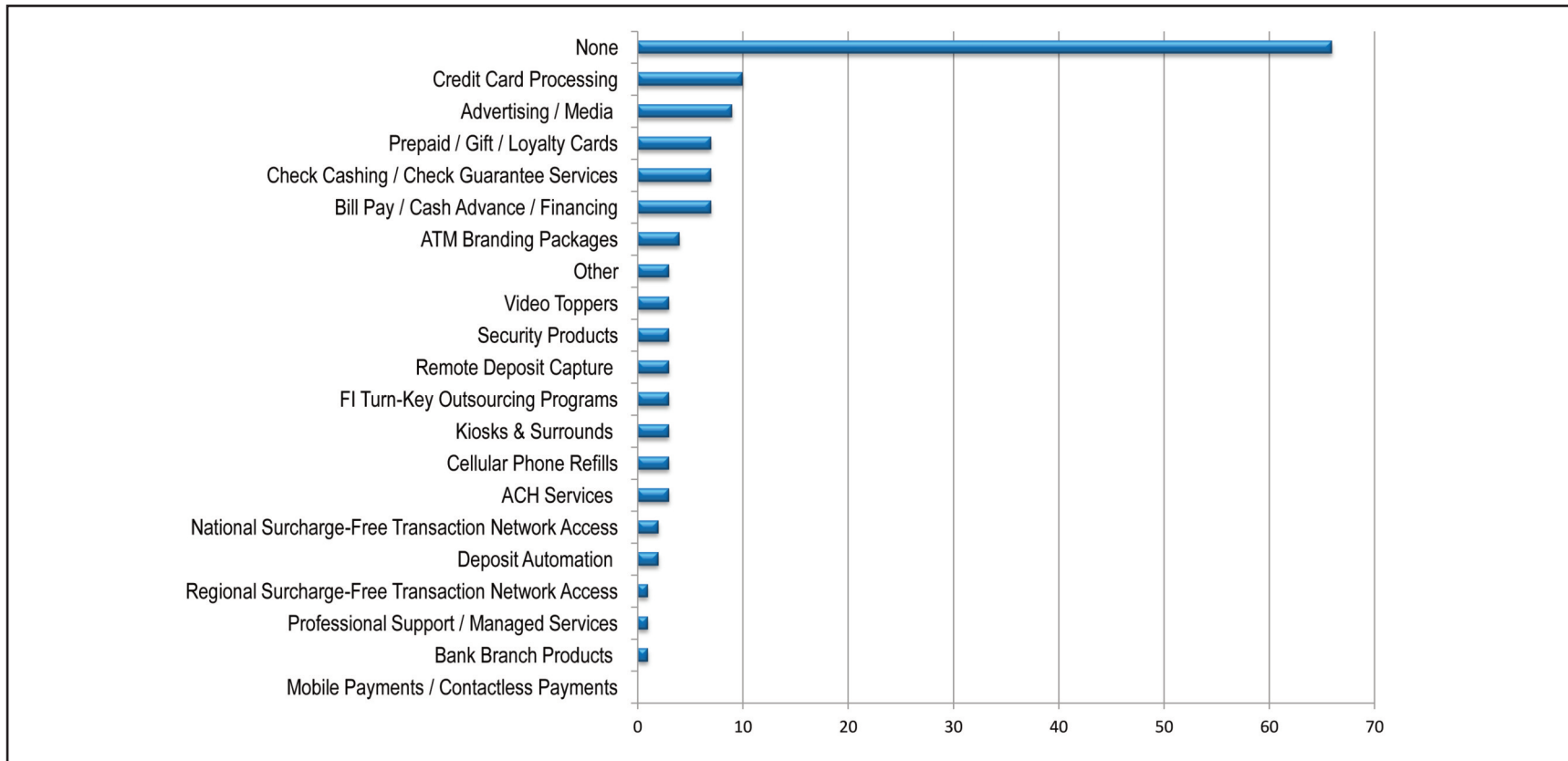
1. None	19.3%
2. ATM Branding Packages	10.4%
3. Credit Card Processing	6.7%
4. Advertising / Media	6.1%
5. Pre-Paid / Gift / Loyalty Cards	6.1%

## Other Answers

- Lottery.
- Script, we can get MasterCard and Visa onboard.
- Still finalizing.
- Visual part ordering system.
- Still looking.
- Access control units for ATM vestibules.

# 2013 U.S. Independent ATM Deployer Survey Report

## What additional products and/or services have you offered your customers in the past but don't anymore for one reason or another?



### Top Respondent Answers\*

1. None **64.0%**
2. Credit Card Processing **9.7%**
3. Advertising / Media **8.7%**

\*Multiple choice question. Each respondent was allowed to choose as many answers as they wanted.

# 2013 U.S. Independent ATM Deployer Survey Report

## Top Answers

- |                           |       |
|---------------------------|-------|
| 1. None                   | 46.8% |
| 2. Credit Card Processing | 7.0%  |
| 3. Advertising / Media    | 6.4%  |

## Other Answers

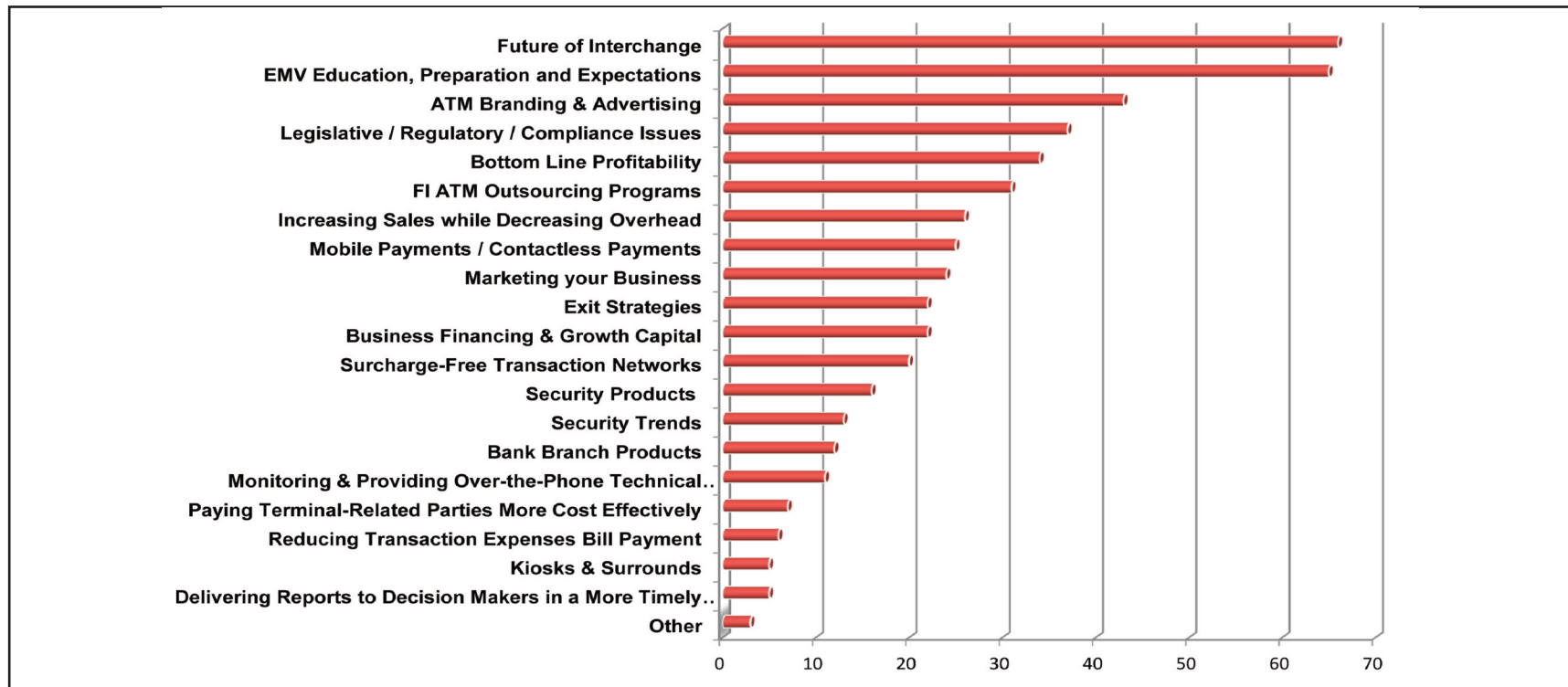
- Field service.
- Check scanners.

## Comments

- We considered offering advertising a few years ago but have not grabbed a hold as it was just starting to become popular.
- Thanks for this survey. I have learned that our company can do more to make money.
- All possible services listed can increase revenue or foot fall...so any effort and investment to offer services which improve margins are better.
- We tried a pilot with Better ATMs for giving out gift cards. It flopped. We also tried a pilot with Phi Media for ATM advertising and they went under.

# 2013 U.S. Independent ATM Deployer Survey Report

Please choose the top five (5) topics you would be interested in learning more about through white papers, executive briefings, industry best practices and/or educational webinars?



## Top Respondent Answers\*

1. Future of Interchange **61.1%**
2. EMV Education, Preparation and Expectations\* **60.1%**
3. ATM Branding & Advertising **39.8%**
4. Legislative / Regulatory / Compliance Issues **34.2%**
5. Bottom Line Profitability **31.4%**

\*Multiple choice question. Each respondent was allowed to choose 5 answers.

## Top Answers

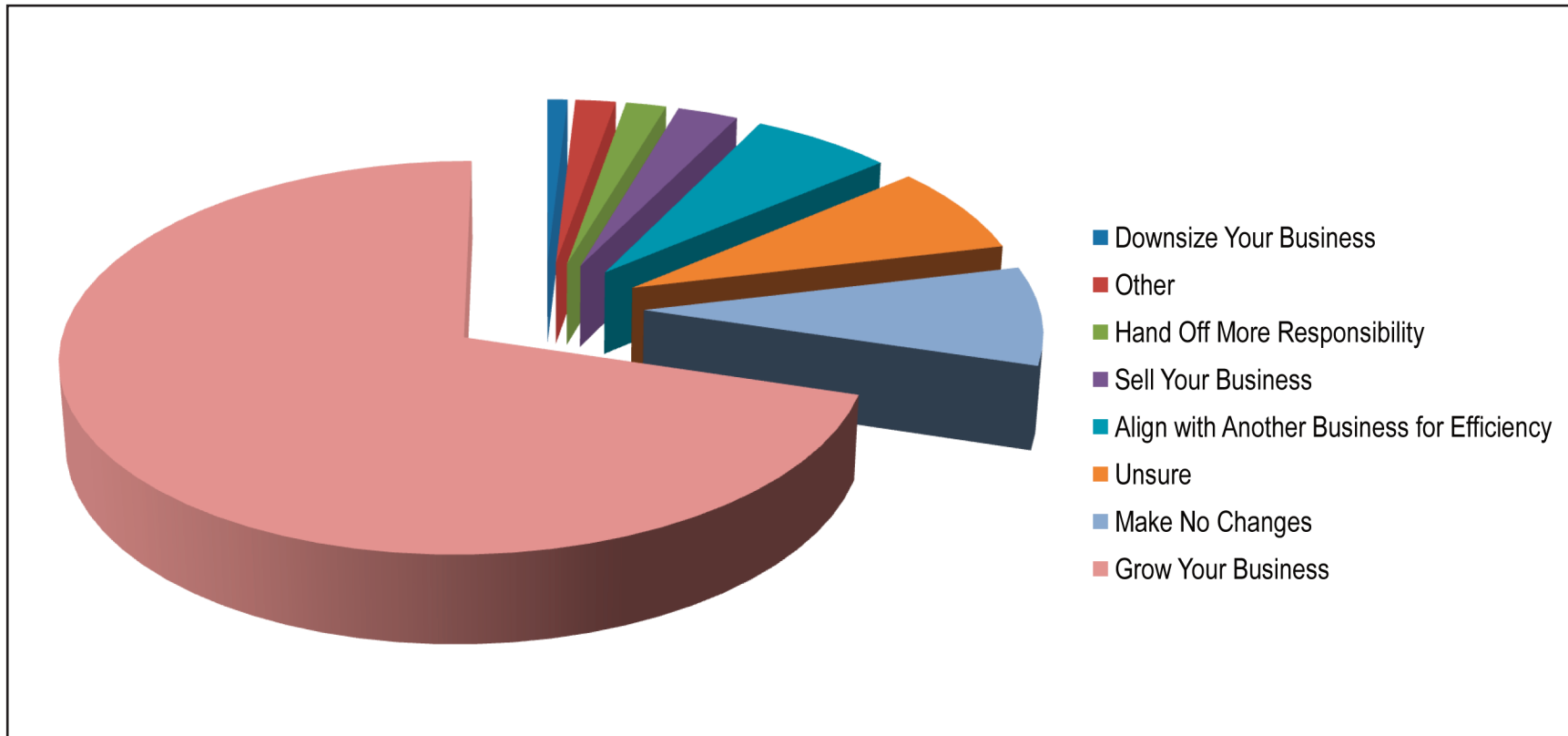
1. Future of Interchange	13.4%
2. EMV Education, Preparation and Expectations*	13.2%
3. ATM Branding & Advertising	8.7%
4. Legislative / Regulatory / Compliance Issues	7.5%
5. Bottom Line Profitability	6.9%

## Other Answers

- Less red tape.
- Controlling access to the ATM cash vault.

# 2013 U.S. Independent ATM Deployer Survey Report

## In the next 12 months, do you plan to:



### Top Answers

	2013	2012	Change
1. Grow the Business	70.4%	67.2%	3.2%
2. Make No Changes	8.3%	5.5%	2.8%
3. Unsure	7.4%	12.7%	-5.3%
4. Align with Another Business for Efficiency	6.5%	1.8%	4.7%