



The Benefits of Co-operation in the ATM Industry

A position paper by ATMIA

"Together, we can accomplish more than we ever could separately."

Peter Kulik, Fifth Third Bank

Objective

This paper sets out the case for industry co-operation. It aims to encourage an even higher level of participation in joint industry committee, project work, lobbying and joint problem-solving of ATM industry issues.

Introduction

Management guru, Peter Drucker, author of Management Challenges for the 21st Century, has stated that *millions* of non-government organizations (NGOs) have sprung up in recent times. The scale of their growth probably has a lot to do with the fact that solving large problems often requires the kind of broad-based co-operation and combination of different resources which independent non-profits can best facilitate and bring together.

Solving Complex Problems Together

Today's business world is complex and highly interconnected, joined by vast communication, transport and trade networks. We face some common problems and challenges whose magnitude puts them out of the reach of small-scale solutions. Examples include the credit crunch, rising energy prices and the spread of fraud. Due to globalization, issues and problems often gain a new global dimension.

On the plus side, this new world holds opportunities for exploring an array of international markets.

Co-operation in our industry has never been more important. We have found that the ATM channel is not an island, but forms part of a multi-channel payments landscape where what happens in internet or with mobile phone banking or with the debit card, has implications for the ATM industry.

In the ATM and card industry, more co-operation is needed to enhance security, for example, in keeping card holder information secure and protecting the all-important networks. If cardholders get worried about security of their information, they may stop using electronic forms of payment, making us a target for lawmakers. Undoubtedly, international industry co-operation is now needed to combat the global migration of fraud.

Innovation Through Standardization

The history of technology shows that the surest way to advance a technology is through co-operation leading to standardization in order to drive innovation. It is often the innovators who then gain competitive advantage.

In ancient times, tribes banded together to protect themselves against attackers. They shared technology that would otherwise have remained isolated, leading to the widespread use of tools and, perhaps, to the beginning of the first agricultural societies about 10,000 years ago.

Then in the industrial age, standardization of screw sizes and threads led to greater production volumes for increasingly complex machinery. The Ford Motor company, for example, cut its own screws at the beginning, but through standardization in the 1920s and 30s was able to dramatically increase production and drive innovation of product models and lines. After World War 11, the standardization of TV Broadcast formats led to widespread proliferation of TV sets. Through this mass usage of TV, came many innovations of our modern entertainment industry. Containerized shipping is thought to be one of the most important transportation revolutions in the twentieth century, reducing shipping costs and enabling a rapid rise in international trade. Yet this revolution depended on standardization and industry co-operation.

In the Information Age, the effect of standardization on MS-DOS drove the mass production of PCs. With a standard operating system, engineers could put their efforts into writing software applications and see a broad return on investment from ever-more complex software. By contrast, Apple kept their Apple II and Macintosh operating systems "closed" – they missed the explosive growth of the PC industry and were later forced to reinvent themselves (as a niche supplier of computing equipment and an innovative mainstream supplier of the iPod music player).

These examples show that industrial co-operation leading to standardization can drive mass production and push new levels of innovation.

Increasing Effectiveness Through Sharing Resources and Information

Co-operation is essential not just for problem-solving but also for optimising the sharing of knowledge and resources. This approach can save costs and increase effectiveness. A good example is internet banking. In order for funds to be transferred over the internet from one bank account to another, often held at a different bank, it is necessary for competing banks to join their bank accounts into one inter-connected super-system which allows universal inter-bank payments. The benefits of joining forces in this way? Each participating bank is then able to provide its customers with convenient 24 x 7 multi-channel self-service banking.

And in the health care sector, there are cases of competing hospitals joining together in virtual private networks where data, training, information and advice is shared through a common communications infrastructure. The result? Saving costs, boosting efficiency and improving levels of health care at all the participating hospitals. Working together, these hospitals become greater than the sum of their parts. Buying and sharing technology together saves each hospital in the project investment and overhead costs while at the same time improving quality of service. Sharing technology also cuts down on support and maintenance costs.

A rising tide lifts all boats.

ATMIA has established several joint industry committees which bring together experts in order to leverage their collective brainpower and knowledge for solving difficult issues.

ATM advertising has not yet reached its full potential because there has not been sufficient sharing of ATM estates and technology for joint advertising campaigns for more than, say, 5,000 ATMs. Campaigns of this size would attract the major third-party advertisers like Coca-Cola and Virgin. The technology for large-scale national and regional ATM advertising campaigns already exists in our industry – it is just not being shared yet for strategic partnerships of this kind.

Model of Industry Co-operation Through ATMIA

ATMIA is a one-stop shop for resolution, effectiveness, collaboration and proper self-regulation.

ATMIA – Industry Co-Operation



Graphic kindly supplied by ThoughtKey

Reinforcing and Maintaining Public Trust

Co-operation in an industry shows the public, and the government, that it is serious about self-regulation, that it is working to the benefit of consumers and society in general. The ATM industry provides an excellent service and has established a strong degree of public trust.

ATMIA and its members can, and should, reinforce the reputation of the ATM by:

- maintaining high levels of service
- countering fraud effectively
- abiding by best practices and codes of conduct
- contributing to the betterment of the industry and the community

Information and Knowledge are NOT Scarce

What is crucial to realize in the above examples from banking, PC operating software and health care is that in today's so-called internet-based Knowledge Economy, knowledge and information are *not* scarce resources. And they mostly do *not* lose their value when they are shared. In fact, the opposite happens. They gain greater power by being shared. This is especially true when internet is very open-ended and cheap to use as a source of information and a vehicle for sharing it.

In the industrial age, material resources were finite and hard to find and this created win-lose competition to secure their control. But in the Information Age, co-operation regarding knowledge, information and information technology can really work to everyone's advantage in win-win situations. The exception to this truth would be strategically or commercially sensitive information which should not be shared. There are also privacy laws which sometimes restrict what information may be openly shared.

Greater information-sharing in the area of fraud and fraud prevention, using a neutral, trusted non-profit third-party like ATMIA, would greatly enhance ATM and card security. Greater information-sharing in the field of ATM advertising would generate much larger advertising contracts for ATM owners.

Joint Projects

Co-operation can also lead to large-scale joint projects which achieve a goal that no single participant in the project could achieve on its own. ATMIA is aware of several successful joint projects in such areas as lobbying regulators and preventing ATM crime. Regulation and security are just two examples of many non-competitive issues.

Teamwork can be just as effective for small-scale, less formalised projects. Teams share ideas and solutions. They can generate collective momentum and added motivation.

ATMIA encourages all its members to join at least one industry team – contact Lana at lane@atmia.com to find out what they are and how to join one *today*.

Stakeholder and Supply Chain Management

In the overview of the 1999 World Bank Report, Sir Adrian Cadbury stated: “The aim [of corporate governance] is to align as nearly as possible the interests of individuals, corporations and society.” Alignment with key stakeholders, such as customers, business partners, suppliers, vendors and service-providers, is critical to an efficient supply chain.

Relevant industry information, such as compliance or security information, needs to be effectively distributed all along the supply chain. Stakeholders are the backbone of the organization's value chain linking the company to its niche market.

The efficiency and effectiveness of that chain depends on the degree to which key stakeholders participate in it, and on the communication processes integrating them into the chain.

Drucker's use of the Japanese business concept of keiretsu (a grouping or family of affiliated companies that form a tight-knit alliance to work towards each other's mutual success) is relevant here – suppliers get intimately involved in the company's cost-cutting, planning and product development exercises.

Why are stakeholders so important? The 2002 King Report on Corporate Governance in South Africa stated: "Reputation is a function of stakeholder perception of a company's integrity and efficiency, derived from many sources, such as customer service, employee relations, community relations, ethical conduct, and safety, health and environmental practices." That quote says it all.

Lobbying

In every industry there are areas of common interest as well as common threats. These are best tackled together. This principle also applies to the area of regulation. Since an independent non-profit organization like ATMIA acts as an agent for self-regulation, it has the function of preventing inappropriate or disadvantageous legislation in the industry. It represents the interests of the industry through education, communication and, where required, lobbying. ATMIA has successfully fought more than a dozen pieces of legislation which would have made life unnecessarily harder for ATM operators.

Examples of Successful Co-operation in the ATM Industry

- ✓ Interoperability between networks to create national and trans-national networks for global card use
- ✓ Bank and ISO partnerships for outsourced ATMs
- ✓ Lobbying and government relations committee work
- ✓ Crime and fraud prevention through joint industry and law enforcement working groups
- ✓ Joint ATM advertising campaigns
- ✓ Jointly developed industry best practices
- ✓ Surcharging or non-surcharging networks and alliances
- ✓ Industry codes of conduct
- ✓ Joint industry training
- ✓ Information sharing
- ✓ Global acceptance of the XFS software standard

Conclusion

ATMIA is determined to promote corporate governance and industry co-operation as part of its role as an agent facilitating self-regulation.

Given the many benefits of working together outlined in this position paper, it is in everyone's interests to actively seek to get more involved in committee work, joint projects, partnerships, networking. If we sow a culture of co-operation, we will reap a harvest of power.

By all means, ask "What can the ATM industry do for us?" But don't forget the flipside question: "What can we do for our industry?"

Why not be successful AND fulfilled?

Acknowledgments

This position paper was drafted by Mike Lee, CEO of ATMIA, in consultation with the staff, Executive Board and members of the association. In particular, ATMIA would like to thank its staff as well as the following members for their thoughtful inputs:

1. Ron Schuldt Columbus Data
2. Susan Kohl ThoughtKey
3. Peter Kulik Fifth Third Bank
4. Steve Hensley KAL
5. Shelly Chandler Wachovia
6. Tim Matthews eGlobal ATM

The opinions and thoughts expressed in the paper are those of ATMIA and the association takes full responsibility for their accuracy and veracity.

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