



ATM Operations in Today's New EMV World

*Transactions are down, operation costs are going up...
What do you do to survive and thrive now?*

ATM operators have been facing increasing difficulties in running their businesses. In addition to decreased interchange and lower transaction volumes, increasing fees from banks, ATM management costs have been on the rise. New state and local regulations, federal anti-money laundering initiatives which have closed ATM operator bank accounts, security upgrades and network fees are all contributing to the growing burden on independent ATM deployers.

"The additional fees and fines from networks, processors and regulators are a burden on my company," said Debbi Haacke, owner of [TransNational ATM](#). "Each party in the value chain bears a responsibility to provide information that will allow me to allocate expenses where they are incurred. Instead of being a partner with our operators and myself, they are simply looking for new revenue without helping us grow our business. I know I am not the only one feeling this way – my clients complain about this all the time."

What Can ATM Operators Do to Survive?

Most business owners understand lowering overhead is the number one go-to when faced with increased operational costs. However, many ATM operators are already running their businesses with as little added cost as possible. Fortunately, there are ways to evaluate backend functions that can assist almost any business in cutting costs.

- **Planning:** Often, the simplest way to reduce expenses is to evaluate and update current practices. Operators can create more efficient cash loading and maintenance schedules by analyzing location performance, machine age and past repairs. This information can be used for better route development to save time and fuel. Better knowledge of requirements can also contribute to vendor negotiations.

ATM operators can save money by partnering with a larger IAD like TransNational. We don't compete with our ATM deployers but are instead focused solely on supporting our clients and helping them to grow their businesses.

Debbi Haacke
TransNational ATM

- **Technology:** Current software and services options provide the ability to save additional time and effort by streamlining scheduling, monitoring and reporting of transactions, cash loads and maintenance/repairs for each location. While these programs require investment, the time and effort saved in vendor calls, report generation and additional monitoring can mean an overall savings.
- **Partner with a Larger IAD:** While being registered directly with a sponsor bank has its benefits, ATM operators can potentially save money by terminating their direct relationship and instead partnering with a larger IAD (independent ATM deployer). Large IADs work with numerous individual operators to leverage the number of ATMs they represent to arrange for lower cost processing, cash loading, equipment and maintenance contracts. Eliminating annual network fees results in a direct savings to the ATM operators' bottom line.

Evaluation of Additional Fees & Fines

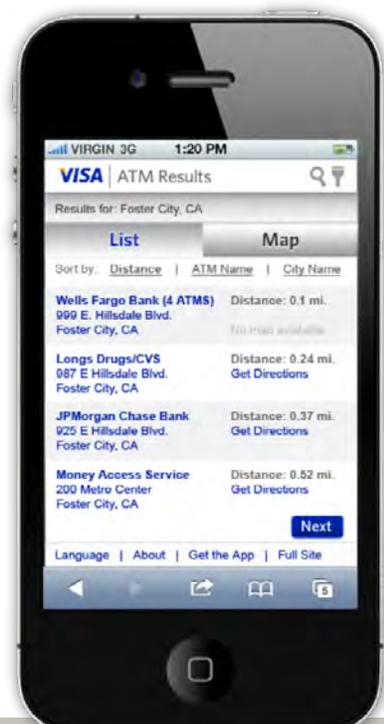
ATM operators have been hit with a wide array of added fees and fines. While some can be reduced through proper action or negotiation, many are currently part of the price of doing business, such as the VISA, Inc. locator fee and MasterCard association and data element fees.

- **Example of a New Network Fee:** VISA, Inc. operates an online ATM location mapping service designed to display ATMs in a geographic area for the convenience of cardholders. VISA has been operating this service for some time at no charge to ATM locations. However, in 2016 the company made the decision to implement a fee to ATM operators. This fee is currently considered non-optional for ATMs that offer the VISA network.

The [ATM Industry Association](#) (ATMIA) and the [National ATM Council, Inc.](#) (NAC) have both spoken out in protest. As VISA's ATM locator has been in operation for several years without this fee and many other networks have similar services without additional charge, the associations argue the fee is uncalled for and have requested the charge be rescinded or an opt-out be set in place for ATM operators. Response from VISA has not been forthcoming.

"The VISA locator is a two-fold issue," said Bruce Renard, executive director for NAC. "Not only are they refusing to add an opt-out for their ATM locator fee, they are also listing the status of each location in regard to EMV readiness. This notification is, essentially, an advertisement to criminals exposing ATM operators to fraud."

ATMIA has had multiple discussions with Visa, in an attempt to help them understand that this is a particularly hard hit for smaller IADs. "Independent ATM deployers do not see the value of participation, and a business case



has not been presented to convince them otherwise,” says ATMIA US Executive Director David Tente. “The typical consumer using an ATM locator is looking for the closest location offered by his/her financial institution – and probably using that financial institution’s mobile app, not Visa’s website.”

- **Negotiate with Service Providers:** Renegotiating current contracts, especially services that are currently running month-to-month can help reduce overhead. Companies that have expanded and/or thoroughly documented and scheduled their requirements for the coming year have additional negotiating power and can easily leverage for better pricing.
- **Review Surcharge Fees:** ATM operators should compare data from prior years to determine location performance versus surcharge-fee levels. This comparison can provide insight into where surcharges can be raised or lowered to best take advantage of demand and traffic at individual machines. Operators should also evaluate any surcharge-free networks in which they participate to determine costs of participation versus revenue lost/gained to determine whether the network is providing benefits or simply increasing overhead costs.
- **Surcharge-Free Networks:** Where sources of funds are merchants, a surcharge-free network can generate new business for merchants through incremental store sales. The demand on cash does not affect the ATM operator, thus allowing the operator to continue using their own resources for acquisition and growth.
- **Minimize EMV Non-Compliance Penalties:** Now that the EMV liability shift has officially passed for all networks, fraud liability now shifts to non-compliant machines. However, networks are also implementing fees for high levels of fallback. Both the fraud liability and the fallback fees are directed to the processors, who then must push costs further down the chain, without a guarantee their customers will be able to foot the bill and without an easy way to allocate costs to a particular terminal.

In light of these additional risks, many processors are considering the implementation of smaller fees per non-compliant ATM transaction. As the majority of processors have not made their final decisions on fee implementation, it is prudent for operators to contact their processors. Some companies, such as Switch Commerce, have begun providing fallback reports, which help operators determine their potential exposure should non-compliance or fallback penalties be instituted.

“It is only a matter of time before the major card brands begin invoking excessive fallback fines,” said [Switch Commerce](#) EVP and Chief Operating Officer Kevin L. Watts. “The key, as a terminal operator, is to do everything you can to ensure successful fully qualified EMV transactions. We understand the need to protect the operators, and improve our processes to address specific conditions, such as Empty Candidate transactions, that can result in fraudulent activity, chargebacks and further fines in the future.”

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Switch Commerce

Watts notes, “To preempt these fines, it is critical that terminal owners utilize the fallback analytics provided by their processor and manufacturer, considering it a part of their normal terminal maintenance. Analytics should not only be used to identify and correct issues, but also as monitoring tools to quickly recognize potentially new issues.”

- **Preventive Maintenance:** One way to proactively avoid upcoming non-compliance and fallback penalties is to reduce the incidence of fallback through regular maintenance. Studies from top manufacturers such as [NCR](#) and [Nautilus Hyosung](#) have shown a majority of card reader malfunctions are due to dirt and grime build-up.

In order to reduce card reader failure and fallback transactions, regular cleaning is recommended. [KICTeam](#), the world leading expert in technical cleaning focused on transactional devices, has released recommendations for general cleaning schedules:

- One time a month for indoor, low-use ATMs,
- One or two times per month for indoor, low-use ATMs where food is served,
- One or two times time per month for high-use indoor locations,
- Once a week for low-use outdoor locations, and
- Up to once per day for high-use out door locations.



“Regular cleaning is essential for proper function of ATM card readers,” said Carlos Siewczynski, director of sales for KICTeam.

“Our standard guidelines are meant as a starting point for establishing proper cleaning schedules. As each machine and location is different, operators should be certain to evaluate ATM performance and cleaning results to create the most advantageous cleaning program for their route.”

“We encourage our customers to clean their EMV card readers on a regular basis and prior to sending them in for a warranty claim. We always ask them to clean them,” says [Genmega](#) Senior Vice President of Sales Wes Dunn. “Regular cleaning is probably a major factor in why we aren’t seeing a lot of warranty claims on EMV readers.”

Watts agrees. “It is as important for IADs to incorporate the cleaning/maintenance of the chip readers as it is for IADs to keep their AIDs current and terminal software up to date,” he says.

Boost Your ATM Revenue with New Products & Services

While it sounds simple enough, growing revenue in the face of the current ATM climate can be a challenge. Fortunately, ATM technology has begun to advance beyond simple account and cash access – providing ATM providers with both traditional and innovative revenue expansion options.

“In the absence of improved economics from the networks, processors and IADs need to embrace new technologies and leverage their resources,” says Tente. “DCC, P2P (person-to-person) money transfers and other new functionality can provide additional revenue. And more and more small financial institutions are looking to outsource ATM operations and services to a qualified partner – an opportunity IADs should explore.”

Portfolio Growth

Perhaps the most obvious way to increase revenues is to increase the number of machines providing this revenue. While this growth strategy requires additional up-front investment and an increase in overhead to supply and service additional machines, the right locations will quickly offset these costs. Other benefits include added negotiation power with vendors, growth in customer base and the ability to leverage new merchant relationships.

“Purchasing additional portfolios is a terrific way of increasing revenue,” Haacke says. “Right now with ATM deployers still upgrading to EMV, additional fees being imposed on IADs and many operators having lost their bank accounts numerous times due to Operation Choke Point, many smaller IADs are evaluating whether to upgrade or sell. It has become a buyer’s market. Now may be the best time ever to increase revenue through acquisition.”

Advanced Functionality

New technologies are offering even more options for consumer convenience...and ATM operator revenue growth. In some cases, these applications are designed to directly generate revenue through interchange or other fees. In others, the goal is to increase convenience, loyalty and transaction volume at the ATM. Some of these new technologies include:

- **Dynamic Currency Conversion (DCC):** DCC allows those who bank in foreign currencies to see their complete transaction in their home currency. Utilizing DCC eliminates the foreign currency transaction fee charged to the consumer by most financial institutions, in favor of a charge for the conversion, paid to the ATM operator.

“For anyone who has used an ATM abroad, it is often difficult to know exactly what fees you are going to be charged on your withdrawal,” said [Triton](#) Vice President of Sales and Marketing James Phillips. “DCC is a great way for IADs to provide foreign customers with a simple, straight-forward transaction at their ATM. And it’s also a great way to further diversify your revenue stream.”

Joel Hill, Director of Relationship Management with Switch Commerce agrees. “With DCC, international travelers can withdraw local currency from the ATM, using their foreign credit or debit card. Visitors from other countries can enjoy the convenience of knowing, right when they are taking money out, the exact amount debited from their bank account in their own currency,” he says.

“These transactions are costing our IADs hundreds of dollars of interchange revenue each and every month. We here at Switch Commerce see it as brand new stream of income. Offering DCC on your ATMs can add significant revenue for terminals in airports, popular tourist attractions and communities with a heavy concentration of international cardholders such as Miami, San Francisco and New York,” notes Hill.

“Foreign transactions are going to happen at your ATM whether you’re running DCC or not,” said Jason Kuhn of Nautilus Hyosung. “With zero cost to deploy DCC, why would you not enable DCC and add revenue to the foreign transactions you already receive today?”



- **Donations:** Studies have shown that 90% of Americans are more likely to trust brands that back social causes. Now, operators can benefit from this favorability by providing the option for donations direct from the consumer’s account via the ATM. Charitable software can run the donation as an addition to current transaction or as a separate transaction, providing additional interchange revenues. Donation software is available for all retail ATMs including Genmega, Hantle, Hyosung and Triton.

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James Phillips
Triton Systems

In regard to taking donations at the ATM, Phillips says “our charitable donation software supports a variety of charities that appeal to a broad range of potential donors and is another opportunity to IADs to make extra revenue.”

“The donation flow is designed to provide marketing messages for the charity, be easy to follow for the consumer and keep screen count to a minimum,” he continues. “Donors are also provided a separate receipt for their donation that details the transaction for tax purposes.”

It is crucial for ATM operators to demand processors improve their systems and incorporate new functionality that drives incremental revenue.

- **Surcharge-Free Networks:** Offering surcharge-free networks at ATM locations can increase transaction volumes and draw in more foot-traffic for merchants. While providing surcharge-free eliminates some surcharge revenue, operators can benefit from the interchange from increased transactions driven by the network’s ATM locators and marketing efforts.
- **Bill Pay:** Taking advantage of customer convenience and additional interchange revenue, some ATMs have begun implementing bill pay software. Companies such as Maya offer a kiosk with software that provides earnings to the ATM operator each time a customer makes a payment utilizing their location(s). Some of these systems even allow ATM customers to pre-stage a bill payment for completion on-site. Operators should speak with their ATM equipment providers/manufacturers to find out more about available software.

ATM Branding

Consumers trust branded ATMs more than standard, unmarked machines. Operators can partner with local financial institutions (FI) to place branded wraps, toppers and screens on the ATM. The FI receives surcharge-free access for their cardholders and, in return, the ATM operator receives additional traffic and monthly income from the FI in the form of a branding fee.

According to statistics from a study by GetBranded.com, ATM branding has been shown to increase ATM transactions by 30% or more. Retailers also receive a boost in revenue – often as high as 20-25% – when the ATM in their location is branded.



ATM Advertising

In addition to ATM branding, new topper technology provides the opportunity for additional monetization of the ATM space through the use of video advertising. As on-site advertising has proven to increase consumer spend, many brands and retailers will pay to have their products targeted to ATM users and those in the immediate vicinity.

Cardless Cash Transactions

As consumers move away from the wallet in favor of their mobile devices, many of the larger FIs are upgrading their ATMs to dispense cash without a card. Bank of America has already upgraded about 8,000 ATMs to accommodate mobile access; Wells Fargo has migrated a substantial portion of its ATM fleet; and Barclays is updating their machines as well.



It is becoming more important for IADs to begin implementing cardless options at their machines.

Providing consumers with this ability helps promote individual locations as trendier and friendlier to more technology-savvy consumers, and access through a cardless transaction can bring in new users and promote loyalty, increasing revenue.

Debbi Haacke
TransNational ATM

“It is becoming more important for independent ATM operators to begin implementing cardless options at their machines,” Haacke said. “Providing consumers with the ability to perform cardless transactions helps promote individual locations as trendier and friendlier to more technology-savvy consumers, and access to cash through a cardless transaction can bring in new users and promote loyalty, increasing current and ongoing revenue.”

Triton’s ARGO line of ATMs is capable of performing contactless transactions via NFC and Genmega is currently upgrading its ATMs to include mobile technology and NFC readers. “The new machines that come out in 2018 will be equipped with NFC,” said Dunn. “We see ATM technology going cardless. We’re doing NFC in Asia already, so it’s not an entirely new technology for us.”

While many banks are using NFC to accomplish cardless transactions, it’s not a requirement for cardless transactions to occur. “Our latest retail ATMs are NFC capable but most of our development to date in the retail space has been for non-NFC applications,” says Kuhn. “We have several cardless programs that have either launched or are launching this year that drive new transactions to retail ATMs. There are a lot of players driving this technology for both on and off rail transactions; everyone from MasterCard and Fiserv to Just.Cash and others. These aren’t simply cardless versions of the card-based transactions you have today, these are new transactions which equate to new revenue.”

“Implementing NFC is not just a hardware problem – it’s a software and processing problem as well,” says Todd Lawrence, [Just.Cash](#) CEO. “Contactless cardless transactions do not have the ability to process across existing rails, which is why a Wells Fargo customer cannot complete an “off-us” cardless transaction at a Bank of America ATM or a retail ATM. For this type of solution, the processors, networks and ATM manufacturers all need to make changes to their existing platforms.”

“Our team believes the retail ATM is a significantly under-utilized asset. It’s difficult to find another asset base that has such tremendous locations, customer familiarity and financial connectivity,” says Lawrence. “With our solution we believe we have found a way for IADs to offer cardless technology.”



Cryptocurrencies

There are successful Bitcoin, Litecoin, Ethereum and other cryptocurrency, ATMs in the United States and worldwide. These machines have become widely popular among the growing number of cryptocurrency users as they provide real-time accessibility as well as liquidity – neither of which is readily available in the cryptocurrency market.

Cryptocurrency is a system of digital money that relies on a computer network that registers all transactions in a publicly available ledger called a blockchain. This system cuts out financial institution to create an autonomous currency.

Having recognized the popularity and increase in adoption of cryptocurrencies many federal and state governments are working to create rules and regulations to monitor and control the use of them.

“I can appreciate the hesitation that some people have with cryptocurrency,” said Lawrence. “One of the really neat things about cryptocurrency is its traceability. Once a cryptocurrency transaction occurs and is recorded on the blockchain, it creates an irrefutable path of record.”

Smart Safes

Due to their reputation for security and acceleration of cash flow, smart safes are beginning to catch on with many retail locations. These safes are capable of counting cash and preparing deposits. Their digital accounting system provides the ability to track and manage access to cash within the establishment – reducing theft. These systems also typically provide the ability to track cash transactions in real-time.

Placing and managing smart safes with location owner partners can lead to an additional revenue stream through new and existing clients. “Smart safes are a great potential cross-sell for ATM ISOs,” said John Clatworthy, senior vice president of client services for [Cash Connect](#). “It helps them provide a total cash solution for both the dispensing and receipt of cash.”

Smart safes are a great potential cross-sell for ATM deployers. By offering smart safes it helps them provide a total cash solution for their retail customers.

John Clatworthy
Cash Connect

Is It Time To Sell?

“For some ATM operators, the time, effort and costs required to update ATMs to meet new expectations and grow the needed revenue is too much,” said Haacke. “For these deployers, sale of the portfolio may be the answer. Don’t abandon your ATMs — evaluate your portfolio and turn it into a profit.”

However, there are many items to consider when you are preparing your portfolio for sale...and EMV is one of the big ones.

EMV Compliance and Resale: Impact of EMV compliance varies based on the contracts in place between the ATM operator and their merchants especially in situations where equipment compliance and liability are the responsibility of the merchant. Thus, impact to the valuation of that location would be minimal. However, buyers will want verification that this responsibility is contractual, so sellers should be certain to have that information at the ready.

If the operator is responsible for equipment upgrades and fraud liability, the valuation will be severely impacted. “Any buyer purchasing a non-compliant portfolio needs to take the costs of upgrading the terminals into account when determining the price for which they are willing to purchase the locations,” says Haacke.

What Buyers Are Looking For?: What a particular buyer is searching for depends on the buyer. However, similar to the purchase of a home, each buyer and seller will come to the table with a wish list of preferences and expectations for the transaction.

“When preparing a portfolio for sale, it is a good idea to have good answers to questions such as why the portfolio is being sold, the type of sale preferred (quick sale or long-term residual) and level of interest in future involvement in the portfolio,” said [Jack Milford Ford](#), an Oregon-based attorney that specializes in ATM portfolio acquisitions and co-chair of the ATMIA Governmental Relations Committee.

“A potential buyer will analyze all aspects of your assets and liabilities to arrive at a valuation to negotiate a purchase price,” said Ford. “Sellers need to be prepared. The more organized a seller is the faster the due diligence process will go and the less painful it will be.”

Ford offers IAD owners who are looking to sell some advice:

- **Corporate Documents:** Be prepared to provide all corporate documents including all state and federal filings, patents and trade names.
- **Contracts:** Sellers need to have a complete list of all current customer and non-portfolio contracts including vendor and employee contracts.
- **Liabilities:** Buyers are going to want to see a current, complete list of all debt obligations and liabilities. If the seller is involved in any lawsuits, they need to be prepared to provide all documentation.
- **Financial Reports:** Sellers should be prepared to provide potential buyers with all financial reports including auditor reports, tax records and any reports done by an outside accounting firm.



Valuing Your Portfolio: There are many factors to valuing a portfolio beyond simple profit numbers. A route with longer term contracts, lower attrition and better, more standard equipment will likely bring in a better price. Other items to consider include:

- Number of merchant-owned terminals versus IAD owned
- Types of locations within the portfolio
- IAD cash loaded vs. merchant loaded vs. vault cash loaded
- Quality of documentation for merchant customers
- Level of EMV compliance and contractual liability conditions
- Processor(s)
- Compliance levels (PCI, ADA, etc.)
- Overhead expenses

“It is a proven fact that portfolios with ATM vault cash sell for higher multiples than portfolios with merchant or ISO supplied cash, says John Clatworthy, senior vice president of client services with Cash Connect. “If you want to sell your business for \$5 million and then the buyer finds out that they need to put an additional \$1-2 million of their own cash in the ATMs and run in circles in loading them, then it dramatically lowers the returns and the appeal of the potential investment.”

This doesn't have to be a time of doom and gloom for our industry. There are many opportunities for IADs to cut costs through negotiation, partnering with a larger IAD like TransNational, better reporting, planning and preparation in the face of potential fees.

Debbi Haacke
TransNational ATM

How Do You Sell Your Portfolio?: One of the most important parts of selling an ATM portfolio is the venue of sale. Many operators will select a listing service and simply post their portfolio in hopes of grabbing interest. However, the level of detail and effort it takes to properly prepare and sell ATM operator routes often require some expertise as well as a level of trust. Operators should utilize their current relationships to help them prepare their route(s), contracts and paperwork as well as find a reputable buyer for their portfolio.

Sometimes the best option to help sell a portfolio may be the ATM operator's IAD and/or processor. They already have deep knowledge of the contracts, equipment and transaction volumes of the portfolio and have a wealth of connections with other ATM operators with which to connect to find a potential buyer. In addition, these businesses have a vested interest in procuring a sale in order to keep the machines live and transacting.

Thriving in a Turbulent Environment

Despite the turbulent environment, there are many opportunities for ATM operators to cut costs through negotiation, partnering with a larger ISO like TransNational, better reporting, advanced planning and preparation in the face of potential fees. But cutting costs is not the only way to stay on top of changing times. New software, advertising and branding options offer the chance for businesses to expand and achieve success. However, should current costs, fees and requirements become too much, portfolio sale is an option to ensure a benefit from the time and effort it took to build the business.

“This doesn't have to be a time of doom and gloom for our industry. While it appears the networks and regulators want to consolidate ATMs to under a handful of large, well-established entities with proven track records, this take this time to accomplish,” said Haacke. “This means our industry has value and smaller operators need to hang on. That's why IADs should look into all of their options for cutting costs and increasing revenue.”