

# Three Ideas for Revitalizing Your ISO ATM Business

Surcharge-free ATMs, prepaid cards and third party advertising can increase revenue for ATM deployers.

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By Robin Arnfield,  
ATMmarketplace.com

**Total ATMs in the US:  
425,000**

**ATM ownership**

- IAD-owned ATMs: 222,500
- FI-owned ATMs: 202,500

On-premise versus off-premise ATMs

- Off-premise ATMs: 290,000
- On-premise ATMs: 135,000

Off-premise ATMs

- Financial institution-owned: 67,500
- Independent ATM deployer-owned/operated: 222,500

Source: National ATM Council, based on 2010 EFT Data Book and Tremont Capital 2009 ATM Industry Fact Sheet.

The continuing increase in debit card purchases by U.S. consumers at the expense of cash transactions presents a significant challenge for ISOs. Because of the rise of mobile and online banking, consumers are making fewer visits to ATMs, as they can transfer money, deposit checks and pay bills from the convenience of their homes. Also, with the rise in ATM surcharges, consumers are rationing their ATM usage and increasing the amount of cash they withdraw per visit. The average amount withdrawn at ATMs rose from \$78 per transaction prior to 2008 to \$84 in 2011, according to an ATM Marketplace article by Bryan Bauer, president of Kahuna ATM Solutions. Meanwhile, the average ATM surcharge fee levied by U.S financial institutions rose from \$1.75 in 2007 to \$2.10 in 2012, the U.S. Government Accountability Office (GAO) reveals in its “Automated Teller Machines: Some Consumer Fees Have Increased” report. The GAO also surveyed 100 ATMs owned by independent ATM operators and found that the average surcharge fee at these ATMs in 2012 was \$2.24.

Fortunately, there are strategies that ISOs can employ to combat this trend. By providing surcharge-free access, selling prepaid cards and advertising merchants’ and financial institutions partners; products ISOs can go a long way in revitalizing their ATM business.

“ISOs are facing the race to zero, where all their fees are being squeezed,” said Todd Nuttall, CEO of Better ATM Services, a Mesa, Ariz.-based firm whose technology enables ATMs to sell prepaid cards. “So ISOs are looking at new ways to generate revenues—for example, by selling products that don’t cost them any extra and leverage their existing investments.”

**Surcharge-free ATMs**

“By offering access to a surcharge-free ATM network such as the MoneyPass network, both ISOs and merchants can benefit,” said Steve Gernes, ISO Segment Manager at Minneapolis, Minn.-based ATM and debit card processor Elan Financial Services. MoneyPass, which is owned by Elan, offers



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surcharge-free access to more than 23,000 ATMs across the United States to 60 million active MoneyPass-linked cardholders and has more than 1,500 participating financial institutions and more than 20 participating ISOs.

“Merchants will get more purchases in their stores if their ATMs offer MoneyPass surcharge-free access,” Gernes said. “A customer who needs to make an ATM withdrawal is much more likely to enter a store that’s not going to charge them for that transaction; once they make that withdrawal, there’s a good chance they’ll spend some of that cash with that merchant. It’s a winning proposition for both the merchant and the ISO.”

Gernes adds that ATM operators will get more ATM transactions if they offer surcharge-free access, which then generates greater interchange revenue for them. In addition, MoneyPass-participating ISOs receive a higher interchange fee per MoneyPass-card transaction — up to 70 cents per cash withdrawal.



“Offering surcharge-free access is very important for ISOs and smaller banks and credit unions,” said Ed O’Brien, director, banking channels advisory service at Maynard, Mass.-based Mercator Advisory Group. “Mercator’s consumer research has found that consumers will seek out surcharge-free ATMs, but they need to know where these ATMs are located. ISOs participating in a surcharge-free network should make sure their ATMs are included in the surcharge-free network’s ATM location mobile app, and participating financial institutions should promote this mobile app to their customers. If I know there is a surcharge-free ATM nearby, I will walk further down the block to use that ATM, rather than a nearer ATM that isn’t surcharge-free.”



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— Todd Nuttall, CEO of Better ATM Services

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### Prepaid cards

O'Brien says that offering prepaid products such as gift cards or general-purpose reloadable (GPR) prepaid cards at ATMs provides a good way for ISOs to differentiate themselves. The majority of financial institutions have yet to begin selling prepaid cards, which an ISO can offer through its ATMs with 24/7 access.

“Our research found that 70 percent of ATM users buy prepaid products, but nine out of 10 of these purchasers buy their prepaid products from nonfinancial locations such as stores,” said Nuttall. “So, if they can be persuaded to buy their prepaid cards from ATMs, this is a win for ISOs.”

Better ATM Services has developed thin prepaid cards that are dispensed through an ATM's existing cash mechanism. Each card consists of three detachable parts: the actual gift card, a panel displaying the terms and conditions and activation information and a panel offering promotions or incentives. In Better ATM Services' business model, ISOs generate revenues from selling the prepaid cards and from adverts on the cards' promotional panel.

Following a pilot in Arizona, Better ATM Services' technology received approval from Visa in October 2012. This means that any US Visa issuer can use the firm's technology to offer Visa-branded prepaid cards at its ATMs. In December 2012, Better ATM launched a pilot of myGift, a Discover-branded multi-retailer prepaid card that is dispensed at ATMs. The card can be used only at merchants that participate in the myGift program.

“We don't just plan to offer gift cards at ATMs,” said Nuttall. “We're interested in any prepaid card product that can be offered at ATMs—for example, GPR prepaid cards and transit cards. We also see an opportunity for ISOs to sell 'local community' gift cards at their ATMs that can be used at all the merchants in a small town.”

Nuttall says that ISOs wanting to offer prepaid cards need to have data on the types of customers using their ATMs, so they can sell appropriate products to them. In the past, the only relevant data was the number of transactions at an ATM. Now it's important to understand the types of customers using the ATM so that you can provide the types of products they'll need and use.

### Advertising

By printing promotional offers on the back of ATM receipts or displaying adverts on ATM screens, ISOs can generate additional revenue, which helps pay for the cost of their ATMs, says Gernes. For example, a local restaurant's lunch or dinner special of the week could be displayed on ATM screens. Additionally, an ISO could offer to waive the surcharge for a customer who is



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willing to watch a short video provided by a merchant.

“ISOs that provide banks and credit unions with white-label ATMs can offer advertising for these financial institutions’ products at their ATMs,” Gernes said. “When the bank or credit union’s clients use one of these white-label ATMs, the ISO can provide information on all the bank’s products on the ATM’s welcome screen.”

Also, adverts can be displayed while the ATM is processing the customer’s cash withdrawal request.



O'Brien suggests that ISOs should work with their bank or credit union’s white-label ATM clients to offer personalised advertising for these financial institutions’ customers. “It would be good if ATMs can be tied into advertising that is relevant to consumers,” he said.

Also, providing advertising at ATMs can help banks and credit unions attract new customers, according to executives at Elan Financial Services. According to an ATM Marketplace white paper by Graphic Tickets & Systems, ATM advertisers have realized response rates of 10 percent and higher for campaigns, far higher than the 1 percent to 2 percent success rates of traditional direct mail campaigns, and at very little to no incremental cost.

**About the sponsor:** *Elan Financial Services is a business unit of Minneapolis-based U.S. Bank. For more than 40 years, Elan has provided a full range of payments, products and services to IADs and financial institutions. It drives more than 38,000 ATMs nationwide and owns and operates the MoneyPass surcharge-free ATM network. Visit [www.elanfinancialservices.com/atm-debit-iso/](http://www.elanfinancialservices.com/atm-debit-iso/) for information about Elan’s offerings for the ATM ISO market.*