

SEXY ATMs

by [Steve Brown](#)

Beauty is skin deep they say. While true, it does not stop one from falling in love with attractiveness. This sentiment is pretty much how we feel for banks considering upgrading ATMs in 2007 to a new set of image-enabled (also called "envelope-less") machines. On the surface, there is very little not to love. The image-enabled ATM is smoking-hot and some would say even sultry. Forget the envelope, just put the check in and the image is rendered on the receipt. For the consumer, it delivers instant satisfaction. In fact, data from focus groups shows up to a 22% higher customer satisfaction rating with the technology. In addition, many consumers experience faster availability of deposited checks. This is all surface beauty, however. Where the image-enabled ATM is truly tongue-wagging gorgeous is on the cost savings it delivers. Considering that it takes over \$4.00 dollars to process a deposit through a teller and \$1.40 to process an ATM deposit in an envelope, the image-enabled ATM reduces this cost to a mere \$0.20 per transaction. Banks that put an image-enabled ATM in a high-traffic area have an instantly cheap branch. By imaging and reusing currency and incorporating the electronic transfer of items, courier utilization can also be reduced. These ATMs free branch personnel to concentrate on higher-margin business by shifting the 70% of branch customers in line only to make deposits. Add to that a 10% drop in deposit fraud (related to deposits of empty envelopes or check kiting) and the image-enabled ATM appears destined to pay for itself in no time. An image-enabled ATM is not a toy, nor is it an expensive proposition, costing around \$45k per machine (or approximately \$12K to convert an existing ATM). All this is about as sexy as an ATM can get, but if you spend some time around the image-enable ATM strategy, the allure starts to wear thin. First, the track record is a little spotty. Reflecting slow adoption, these machines have been around since 2004, yet there are only roughly 250 such ATMs operating (mostly at the 5 largest banks). Since most ATMs are already located near branches, courier savings is also a joke. Next, since check usage is shrinking faster than date night at Taco Bell, future savings are also harder to come by. ATMs are used mostly to dispense cash and checking deposits are limited to about 10% of transaction volume. While this number can be increased by re-channeling customers and higher consumer satisfaction can be obtained, in most of the usage data we see, ATM deposits don't move much past 22% of volume. Potential savings also assume banks have a back office that is image-ready. Banks not quite in that status will have to spend additional time converting the image to an IRD, wasting some of the benefits. For banks already processing images at both the branch and customer level (which should be a much higher priority), or looking for a replacement ATM in a high-volume area, an image-enabled unit is probably worth consideration. By offering incentives, such as longer processing hours, quicker availability or giveaways to small business users (one of the heaviest and most profitable users of ATM deposits by customer segment), banks can speed customer adoption. Our advice for those banks that don't meet all of the above criteria is to move to other strategic initiatives that have more inner beauty.

BANK NEWS

Regulation O

The FRB has issued an interim ruling simplifying Regulation O and eliminating some reporting and disclosure requirements related to extensions of credit banks make to executives. Amendments eliminated: the need for banks to include a separate report with the Call Report filing; the

requirement for an executive officer to file a report with the bank's board of directors whenever the officer obtains an extension of credit from another bank; and the requirement for an executive officer or principal shareholder to file an annual report with the institution's board of directors during any year in which the officer or shareholder has an outstanding extension of credit from a correspondent bank of the institution.

Way Down

Through the 3Q, the number of bankruptcies filed had fallen by almost 70% from the same period last year, reaching its lowest level since 1987. By type, personal bankruptcies fell 69%, while commercial dropped 46%.

Job Cuts

A survey from HR firm Challenger, Gray & Christmas finds companies increased planned layoffs by 11% in November over the prior month. Increased M&A activity, auto industry cutbacks and softness in the real estate sector have all boosted job reductions.

Darn SOX

The SEC said it will give small companies another year before they have to comply with the audit provisions of SOX. The ruling would apply to companies with market value less than \$75mm and marks the 4th extension since 2005.

Service

A newly released GAO study finds 31% of households of modest means primarily use credit unions, while 41% primarily used banks.

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