

## The demise of OS/2 and the introduction of Windows XP based ATMs heralds a new beginning!

Modern ATMs are now capable of delivering more value than before. Most vendors have adjusted to the introduction of Windows based ATMs by porting their applications to XP. In other words they "survive" on Windows rather than exploiting the power of XP or the Pentium processor within the ATM. It is the same as porting a DOS application to run on Windows XP - you just wouldn't do it.

### Original concept

From its inception, the ATM was designed as a device to efficiently and securely dispense cash. Over the years this has been extended to provide basic enquiry and additional transaction services such as Bill Payment and Mobile Top-Up. For most of us, this is as far as the technology has delivered.

The original design of ATM networks was ground breaking. However legacy hardware, protocols (NDC/912) and switch standards (ISO8583) were designed to primarily address simple card based transactions and not modern dynamic session based interactions.



Legacy ATM acquiring protocols have no consideration for:

- Personalised branding
- Customer Intelligence
- CRM delivery
- Flexible services
- Integrated fraud alerts
- Customer notifications

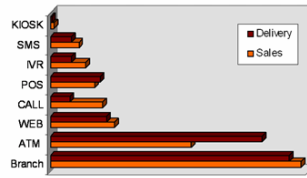
In fact, given the design approach taken, it has precluded the delivery of these features. (See above diagram)

### The ATM cost centre

The industry is all too aware of the significant costs in deploying and maintaining an ATM acquiring infrastructure. Viewed by many banks as simply a necessity, some organisations have outsourced their network in an effort to drive down costs. We have also seen the advent of the ISO/IAD who believes through

surcharging or from acquirer fees, they can make a profitable margin. However even these initiatives have their casualties.

Rate the importance of the following channels to your bank in terms of sales



In the UK market place up to 65% of all transactions now occur at another bank's ATM. Couple with this the fact that in excess of 40% of all retail banking transactions occur at the ATM. This means that many banks are in effect losing contact with their customers. A CR2 banking survey in 2005 revealed however that the ATM is the second most critical channel after branch, so how can banks continue to let the ATM simply stagnate?

### The future?

Bank drivers	Customer drivers
<ul style="list-style-type: none"> <li>▪ Efficient way to dispense cash</li> <li>▪ Drive bank's brand</li> <li>▪ Effective CRM</li> <li>▪ New revenue services</li> <li>▪ Targeted customer offerings</li> <li>▪ Ability to innovate</li> <li>▪ Share ATM costs effectively</li> </ul>	<ul style="list-style-type: none"> <li>▪ Access to cash</li> <li>▪ Broader range of information</li> <li>▪ Extra security</li> <li>▪ Broader range of services</li> <li>▪ Personalised interaction</li> <li>▪ Single view of all accounts</li> </ul>

Modern XP-based ATM's are capable of delivering these services but the legacy software which runs on them is not.

The opportunity presented by an XP-based ATM is that the ATM can now be treated as an intelligent channel, seamlessly integrated with other channels: Internet, kiosk, SMS, call centre and branch.



This change enables your customer to have access to more account information, more services and to be presented with a more personalised interaction. However this does require a new generation of switch controller which is part of a multi-channel infrastructure. Finally CRM @ the ATM has arrived and the ATM is no longer an isolated silo.

### The iTM



I believe that XP-based ATMs will behave as, what we in CR2 term, an iTM, **Intelligent Teller Machine** - an ATM empowered by software designed for Windows and the multi-channel era which redefines ATM services. The CR2 new generation multi-channel solution which includes seamlessly integrated ATMs is:

**Personalised** - An ATM which can dynamically change its branding and service offering depending on the card type, customer segment, time of day or in response to a local event.



**Fraud preventative** - an ATM which can remind the customer where and when their card was last used, or present a statement by channel (Branch, Internet, POS, ATM, SMS)



**Integrated** – an ATM which can alert the customer of other banking information, e.g. that their current a/c is overdrawn, the loan has been approved or that they are pre approved for a credit card.

**CRM enabled** – An ATM which can deliver a targeted campaign to the customer and capture their feedback



**Innovative** – An ATM which can be easily changed or updated to add new services

- present utility bills prior to payment
- sell ringtones
- allow overseas transfers to be collected

For many years these options have been talked about but failed to materialise. Only significant investment in new XFS ATMs, new generation controller software and modern multi-channel management applications are now finally delivering the **iTM** at last.

### Tackling fraud

Nowadays, we are all only too well aware of the various fraud and identity theft scams which appear to multiply by the day.

Initially card systems were the key focus of fraud but the advent of EMV and the uptake of Internet usage have

seen continued growth and a diversification in approach.

So why have current anti-fraud initiatives failed to date:

- Focus on a single channel
- Rules used are complex and generate too many false positives
- Focus is primarily on existing account fraud
- Suspect fraud feedback is typically delivered to the customer too late

With a continued growth in attacks, CR2 sees a need to really put the customer in charge of their own relationship. Customers understand their own transaction patterns better than any neural network or fraud analysis system. By ensuring that critical information on recent account updates, new transactions or exceptions are presented to the customer and also by allowing them to configure their own alerts, CR2 believes customers will bridge the gap which current systems fail to address.

### Identity theft

Most fraud systems are currently focused on identifying fraud in existing accounts, yet recent studies published by Mercator Advisory Group in the US show that 33% of fraud incidents relate to new account creation using identity theft. In addition these types of fraud tend to be financially far more damaging with average losses of \$11.3K per incident as opposed to existing account fraud with average losses of \$2.2K per incident.

### Making the most of the ATM

As a channel which is trusted, relatively secure and frequently used, the ATM has the potential to play a significant role in keeping the customer in touch with all their account incidents, new products etc.

For example, one of the most common identify theft initiatives is to change the customers address. Here the iTM could be used to verify to the customer that their address details had been changed the next time the customer uses it.



### The future is here

The XP-based ATM will become an empowered member of the multi-channel banking family rather than the orphan channel which it currently is. The **iTM** has a bright future which we have only just begun to imagine.

Exploiting the technology changes requires new thinking and new software providers. Solutions are no longer easily segmentable into the ATM or switch side providers divided by NDC/912. New generation ATM solutions require vendors with end-to-end domain knowledge not possessed by many vendors; multi-channel, switch experience coupled with native Windows-based ATM applications are all required to provide these solutions.

Simply porting an O/S2 application leaves the ATM isolated and constrained to surviving within the limitations of legacy.

Not a recipe for competitive advantage!

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