

# “Branch in a Box”

## Expert Looks at ATM Use

Does your credit union own or brand an ATM? If not, a “branch in the box” could provide you with not only the ability to compete with larger financial institutions but also the opportunity to assume a slice of this \$80-billion industry. An expert shows how his company has put automated teller machines to work for CUs. *By W.B. King*

“If the facts don’t fit the theory, change the facts.” When appropriately applied, this remark by Albert Einstein is both brilliant and true.

Since every business model requires a sound theory, it’s logical that the variables, or as Einstein said, the facts, require revisiting from time to time. This month, let’s take a closer look at the role of the ATM from a theoretical stand-

point while deciphering available technologies, a process that presents new variables.

Industry analysts rightly call automated teller machines (ATMs) “branches in a box.” This \$80-billion-a-year industry provides credit unions with the ability to compete against larger financial institutions. To date, there are roughly 395,000 ATMs nationally with 27 million transactions occurring every day. Approximately 75 percent of all ATMs are not owned or branded by a financial institution, which provides the perfect opportunity for credit unions to assume a slice of this proverbial pie.

New machines are expensive and can run as much as \$40,000 a pop; however, they’re on-call 24/7, never get sick [less maintenance] and offer a host of progressive services. Today’s machines have vast capabilities. For example, “smart” ATMs have the ability to identify a cardholder’s financial institution and display screens featuring the respective financial institution’s user interface, branding and advertising. In essence, participating organizations teamed with select ATM services can reach their audience at more locations, thereby providing a significant advantage for credit unions.

Whether onsite or in a strategic offsite locations, an ATM’s core value is supplying automated deposit, some with remote capture, and withdrawal capabilities. In turn, tellers receive more time to handle members’ requests on potentially lucrative products and services.



*Josh Ettesvold – Express Teller Services, Inc.*



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### Going Behind the Scenes

Because of demanding schedules, senior level executives have limited time but are required to make the correct decisions about implementing technologies the first go-around. So as not to operate without a net, it's recommended to engage a third-party consultant or a trusted vendor representative who can assist from the discovery phase to adoption.

"Our solution enables the credit union to focus on their members' needs, while we perform the necessary services behind the scenes," says Josh Ettesvold, president of the Phoenix, Ariz.-based Express Teller Services, Inc. The company provides low-cost ATM equipment, connectivity to electronic funds transfer (EFT) networks, and ATM deployment and management. "We search for new technology applications that allow the credit union to expand their footprint and services at the same time," he adds.

Ettesvold's approach is exhaustive, leaving no stone unturned. Client evaluation includes deciphering foot traffic, location and business hours. Additional considerations include marketing initiatives. Leading industry trends include ATMs

that are capable of dispensing prepaid gift cards. Another approach that is gaining momentum is machines that display digital advertisements via green technologies – a process that uses one-tenth the electricity of an incandescent bulb.

"Our goal is to set each credit union up with the right application," says Ettesvold. "Once we complete our assessment, we make recommendations on ATM configuration and features based on the type of application." These features include marketing to non-members via on-screen advertisements as well as coupon-driven marketing messages. "Once the program is selected, we execute the process," says Ettesvold.

### CU Profits From ATMs

Express Teller Services works with credit unions of all sizes, underscoring the need for such services in order to compete. In past years, smaller credit unions were slow to adopt such technologies.

"At the time that Josh approached our credit union, we were under \$15 million in assets. Even up to eight years ago, most of the options to purchase [an] ATM required a large



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**Express Teller Services, Inc.**  
 1125 W. Pinnacle Peak Rd.  
 Suite 128  
 Phoenix, AZ 85027

**Location:**  
 MHS  
 2601 E. Roosevelt  
 Phoenix, AZ 85008

**Requested:** 5/29/2008 10:32:17 AM  
**Sorted By:** Date/Time DESC

**Terminal ID:** LK374136

**Balance:** \$56,740.00

Date/Time	Acct No	Card Exp	Amount	Surcharge	Auth Description	Comp ID	Tran
5/29/2008 7:14:56 AM	5594	4660200000001507	\$20.00	\$2.00	APPROVED	AUTH	AWDD
5/29/2008 7:11:08 AM	5593	4744880000001288	\$20.00	\$2.00	APPROVED	AUTH	AWDD
5/29/2008 7:09:31 AM	5592	6402740000004356	\$20.00	\$0.00	APPROVED	AUTH	AWDA
5/29/2008 6:30:39 AM	3091	4168320000009269	\$20.00	\$0.00	APPROVED	AUTH	AWDD
5/29/2008 5:47:47 AM	5590	4239260000003788	\$40.00	\$0.00	APPROVED	AUTH	AWDD
5/29/2008 5:37:29 AM	5589	6402740000003291	\$150.00	\$0.00	APPROVED	AUTH	AWDA
5/29/2008 1:55:24 AM	5588	4467780000000520	\$40.00	\$0.00	APPROVED	AUTH	AWDD
5/29/2008 1:23:17 AM	5587	4631580000003185	\$40.00	\$2.00	APPROVED	AUTH	AWDD
5/29/2008 12:33:28 AM	5586	4681040000006263	\$20.00	\$0.00	APPROVED	AUTH	AWDD
5/28/2008 11:59:51 PM	5585	4168320000009795	\$20.00	\$0.00	APPROVED	AUTH	AWDD
5/28/2008 9:37:48 PM	5584	4681040000000505	\$40.00	\$0.00	APPROVED	AUTH	AWDA

cash outlay and high monthly service costs. To be blunt, ATMs were normally outside the reach of credit unions under \$50 million,” says Robin Romano, chief operating officer, Marisol Federal Credit Union (MFCU). “Josh offered us a product and a system that proved that assumption wrong.”

Romano explains that she worked closely with Ettesvold on the procedures for ordering the machine, installing the machine, filling the machine, processing transactions, posting transactions and balancing. “By the end of the first year, the process was so efficient, we began to teach other credit unions our size and smaller how to do it,” says Romano, adding that, to date, MFCU has mentored approximately seven credit unions in the Phoenix area.

Operating three branch locations, Romano explains that two locations have through-the-wall ATMs, both of which attract non-member use. “Overall, our credit union has 20 machines in various locations. Our core field of membership is Maricopa County employees. Over eight years ago, we

partnered with the county to place ATM machines in locations such as courts, hospitals and food venues to help employees and customers of the county,” says Romano. “It has been a successful partnership,” she says, adding that two machines were strategically placed in areas where there wasn’t another ATM for two and five miles, respectively.

Taking a closer look at investment and returns, Romano explains that the first machine was an NCR [a leading manufacturer] at a cost of \$9,000. This initial investment was depreciated over a period of five years. Each month, a cost/benefit breakdown on every machine is conducted. Ultimately, a net profit or loss is determined by figuring the surcharge income earned less depreciation costs, cash-delivery costs, maintenance/service costs, the cost of the funds and communication charges.

“We have been posting an overall profit on our machines for over six years; prior to that, we broke even on the machines,” says Romano. “The difference in the first two years



was the locations of the machines. Better location equals more transactions, which equals more profit.”

Rolling out the system is a significant consideration. Ettesvold explains that his Express Teller Services solution can be implemented within a two-week timetable. “We have the ability to order the equipment, process transactions, coordinate the communications setup and install the ATM, complete with signage, within this time period,” he says, adding, “If we’re working with existing ATM equipment, we can have the processing set up within 24 to 48 hours. We handle everything from start to finish.”

For many credit unions, ATMs represent the opportunity to attract new members, an initiative based on the premise of increasing branch locations. This approach was undertaken by the Denver-based Legal Credit Community of Colorado. With just one branch location, CEO Sherry Espinoza says that it was during a trade show that she came across Express Teller Solutions’ booth.

“After researching other purchase options in the past and considering experiences I [had] had at another credit union I worked at, Express Teller had the best program available for what we needed,” says Espinoza. “Since I already had research time under my belt, the review was minimal. Once my board approved the purchase, we were up and running in less than 30 days,” she continues. “Literally, the installer brought the machine and we were processing instantly. The only lag time was from customization to delivery.”

Located on the eleventh floor of an office building, visibility was an issue for Legal Credit Community of Colorado. Since the implementation of the ATM, that situation has changed. “Our sole purpose for this machine was for non-member marketing. We decided that our best option was to locate this ATM inside our office to draw them (potential new members) into our lobby. Our own members still use it free of charge but typically only when the teller is busy,” Espinoza continues. “We are gaining new members and expect the [growth] trend to continue. The surcharge income that we receive pays for the expense of the machine. Therefore, [it’s] free marketing.”

As a result of implementing the ATM, Espinoza says that member statistics are on the rise, leading to the consideration for the first branch location. “This was a marketing venture for us, so any new account obtained would contribute to ROI. But since the expense was so minimal and the surcharge income covers it, I would say it is 110-percent return on investment,” she continues. “We are looking forward to purchasing another machine when we open our first branch.”

### Compliance and Ability

Industry-wide compliance is critical to a successful rollout. Ettesvold explains that Triton ATM platforms are based on an industrial grade PC and run the Intel Pentium IV processor and Microsoft Windows XP Pro Operating System. When outfitted with Prism, Triton’s open platform software, he explains, the machine is fully eXtensions for Financial Service (XFS)-compliant, thereby assuring seamless integration into a credit union’s current network.

Additional options include monitoring software that can be operated from a PC or laptop, thereby providing the ability to supervise the status of each ATM. The system can send status or error messages from terminals to multiple destinations via email, alphanumeric pager, mobile phone or text messaging.

“It can be programmed to notify one person when the printer is out of paper and another when the terminal is low on cash,” notes Ettesvold. “The software’s terminal status history feature allows you to view terminal downtime and status message reports.”

In the final analysis, Ettesvold says succinctly, “Current technology allows us to take the ATM a step further.”

Even Einstein had to shuffle around variables before arriving at the Theory of Relativity. To this end, there is no harm in taking a look at your theory to determine whether the facts still apply.

*W. B. King has more than 10 years’ experience writing for business and technology publications. Email him at [wbradking@hotmail.com](mailto:wbradking@hotmail.com)*