

Measuring ROI for ATM upgrades

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One of the most difficult aspects of managing an ATM fleet is determining if and when to upgrade or replace a machine. And if the answers are "yes," and "now," that's still not the end of it.

In fact, those answers just give rise to more questions: "Should we go with fancy new equipment or opt for a more modest refurb approach?" "Should we replace like for like or add user-friendly features such as deposit acceptance?" "How much of an upgrade does this location justify?" "Would an upgrade attract more traffic?"

And most importantly: "What's the ROI?"

ATM Marketplace recently asked Marvin Bowers, vice president of global sales at [ACG](#), what important factors an FI or IAD should consider when it comes time to freshen up an ATM fleet.

Q: When we talk about "upgrades" what all are we referring to?

A: Wow. This is, for sure, a broad subject. For some financial institutions, it might be as simple as making sure they are in current PCI and Microsoft compliance. For many, though, it means a complete update or refresh of their ATM fleet.

Believe it or not, there are still banks and credit unions that have not updated for ADA or Windows 7 compliance and are running and servicing obsolete equipment. Durable equipment, but nonetheless, severely outdated.

Q: What factors would be involved in an upgrade calculation?

A: Well, there are many, but I think there are three pretty big questions an institution should ask when deciding if or how to upgrade its fleet:

1. Do we need to integrate our machines more closely with our mobile apps?

Banks are looking for ways to differentiate themselves in any way they can. Bank of America, Chase, Wells Fargo, and others are all redesigning screen displays and software to have the same look and feel as their respective apps.

They are also beginning to give customers the ability to prestage transactions on mobile devices so that they can simply tap the phone at the ATM, eliminating the normal process of typing at the ATM. Much like the stamen of a flower, the ATM is quickly becoming a component of a much larger ecosystem.

2. Are we currently compliant with PCI, Microsoft, and other industry standards and are we protected from skimming, jackpotting, and other types of criminal activity?

Frankly, if the answer to this question is no, just make the investment and fix the issues. Adding hardware or software to ATMs can be expensive, but the downside of having your customers' data breached or your brand disparaged in the media because of noncompliance is just too great a risk.

3. Is our equipment itself obsolete?

So many institutions still have older equipment running that it really is a bit scary. Many smaller institutions simply cannot afford to keep up with the large banks and have no interest in matching their branding across multiple platforms.

They simply need working, compliant touch points for their customers or members to use. For these situations, like-new, refurbished equipment with all the compliance issues solved and a few features such as deposit automation can be a real win for the institution and the end user.

Q: Is it really possible to calculate ROI with a credible degree of accuracy?

A: This is a bit subjective and depends on the institution. However, there are ways to do it. For example, if your main goal is to use the ATM for marketing, much like the big banks do, then testing the market is imperative.

In the end, the calculation is pretty simple: Subtract the cost of the upgrades from the revenue generated directly from the marketing campaigns allowed at the ATM due to said upgrade.

For many smaller institutions, however, this will be a moving if not impossible, target to hit. It might be enough to simply make sure the fleet is compliant and the branding, lighting and maintenance of the equipment is on par with the amount of customer interaction at the sites.

Q: What would be considered a good rate of return?

A: If you think about how almost any ATM or addition to an ATM is an expense item to most FIs, it seems that if the customer experience can be updated and compliance can be achieved, there is some inherent return in simply taking care of the end user.

Also, it is important to squeeze as much value as possible out of the project — maybe annual preventive maintenance can be done during the upgrade or new software can be added at the same time to increase brand recognition and customer satisfaction.

Q: Is there a good rule of thumb for deciding whether to repair or replace?

A: This depends a lot on the current condition of the installed base, but replacing or refreshing ATMs much like some of the world's really big IADs makes a lot of sense.

Think about it: Companies that make their living from having working ATMs in strategic locations choose to refurbish their fleet several times before reverting to buy new ones.

It is a great lesson in cost savings, branding and strategy — one that more financial institutions should definitely consider.

Q: Is it something I could or should calculate for all types of upgrades?

A: Absolutely. Having a great team and great provider around the table to discuss all the options is essential. A great supplier can help an FI navigate and plan the project.

Things like freight costs, installation, rigging, clean power and branding sometimes get left out of the conversation. Also, sometimes the OEM is so focused on selling new equipment that the possibility of refurbished is never presented.

Q: Is this an exercise I should do on a regular basis — say annually — or just when there's a problem with one or more machines?

A: Of course, it should be looked at regularly. At least annually and sometimes more often when multiple compliance issues are a factor.