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Prepaid meets ATMs and cards at Las Vegas show

by [Tracy Kitten, editor](#) * 12 October 2006

* [Click here](#) to view a slide show from the ATM, Debit & Prepaid Forum.

Las Vegas is an enticing venue for a conference, but location is not the only reason SourceMedia's annual ATM and debit show pulled twice the number of attendees it did in 2005. This year, a prepaid track grabbed the show, with the traditional ATM and debit tracks complementing the backdrop.

"Registrations for this conference are 50 percent higher than last year," Tony Hayes, the vice president and financial services practice leader for [Dove Consulting](#), a division of Hitachi Consulting, told a packed conference room during the forum's opening address. "This attendance shows the growth we're seeing in the prepaid industry."

The forum attracted 412 attendees, up from 236 in '05. And though some exhibitors said the exhibit floor seemed slim, SourceMedia's totals reflect growth, from 69 last year to 113 in '06.

A new way to look at an old problem

The majority of prepaid-track presentations left only standing room, including Jennifer Tescher's presentation, "Acquiring Unbanked Consumers with Prepaid."

Tescher, who directs The Center for Financial Services Innovation, a non-profit organization that facilitates industry efforts to serve and reach underbanked consumers, confirmed that the underbanked market is exploding in the United States.

It's not a new market, just one that financial institutions didn't until recently care to reach, she said. That, of course, is changing.

Prepaid offers opportunity for FIs, Tescher said, but there are some hurdles.

CFSI last month launched its [Innovators Roundtable](#). The roundtable has been charged with identifying and exploring ways to work, especially from an FI perspective, in the unbanked and underbanked market.

"Prepaid is a new market, and consumer education is a big challenge, especially with a segment that's not accustomed to using plastic," Tescher said.



(Photograph by Tracy Kitten) The ATM, Debit & Prepaid Forum opened in Las Vegas Oct. 4.

On its own, plastic offers some challenges, especially in the debit space, and representatives from Visa USA, MasterCard Worldwide and Discover Financial Services LLC discussed at length some of the obstacles card issuers will face in the future. In the prepaid-card space, the challenges are compounded; but research that focuses on underserved consumers is helping to narrow the business-case gap.

Feature functionality — loading with more than just payroll — is an important offering, Tescher said. But understanding various segments that exist with the underbanked/unbanked market is even more critical.

Of the United States' 298 million people, about 28 million are unbanked and about 45 million are underbanked, Tescher said. Within those groups, diversity exists. The types of prepaid products that make sense for consumers in some parts of the country won't make sense for others. But one striking resemblance across all segments, Tescher said, is the ability to access cash anytime at any ATM.

"They want to be able to get cash at any ATM or teller," she said. "They don't want to be limited to certain ATMs."

The idea of not being limited in ATM choices stirs collaboration between FIs and independent sales organizations. On the ATM track, leaders in ATM-branding touted opportunities this new business model offers.

ATM branding

"I think the state of the ATM is going to be one of contradictions over the next five years," said Jim Hanisch, executive vice president of Co-Op Financial Services, formerly the Co-Op Network. And that sentiment was echoed throughout the conference.

"There is something to shared networks and deposits for surcharge-free transactions," Hanisch said.

Since implementing the shared-network concept in 1981, Co-Op's surcharge-free ATM network has grown from 32 machines to 25,000 machines.

It's a concept, albeit slightly modified, that ISOs like Houston-based Cardtronics LP are literally taking to the bank.

Keith Myers, Cardtronics' executive vice president, and a panel of bankers shared insights about branding deals that have helped both ISOs and FIs expand. Even Wachovia Bank, which until recently stayed on the branding-deal sidelines, is getting into the action.

Shelly Chandler, formerly of PNC Bank and now the vice president and ATM service excellence director for Wachovia's General Banking Group, said Wachovia is piloting 15 ATMs branded through Cardtronics. The bank has a similar pilot with another provider for another 20 ATMs in chain stores.

"We're looking at branding for ATMs in new markets. We have found value for on-us transactions, but also for the branding and customer awareness," Chandler said. "What's interesting about this, too, is that it opens up doors for more outsourcing deals for ISOs and financial institutions to work together. It's a first step."

The key to branding, all panelists said, is finding the right niche. For Wachovia, the niche is new markets. For others, like Philadelphia-based Sovereign Bancorp Inc., the goal is expansion.

Laurie Cochran, Sovereign's senior vice president, said the \$90 billion thrift added 1,000 ATMs, doubling its network, in 12 weeks through a deal with Cardtronics in CVS stores. Sovereign sealed the [deal with Cardtronics](#) in May and started placing machines in July.

"We thought CVS was a good fit for us," Cochran said. "They're dominant in the Northeast, and we like the way they do business. We have a corporate relationship with CVS, too, so we saw some opportunity for joint efforts there."

Huntington National Bank, a \$38 billion FI based in Columbus, Ohio, also has a branding deal with Cardtronics for 118 ATMs. For Huntington, said Lori Murray, the bank's senior vice president, the deal helped extend the bank's footprint in areas where it doesn't have a strong branch presence.

"We signed a deal with Cardtronics for the southern Ohio/Kentucky region, and it was a big help for us in that region," she said. "I think other FIs of our size should think about branding deals to help fill the gaps."

Under the branding model, the FIs make no money on the transactions. It's a deal that creates convenience for customers, the panelists said. For Cardtronics, branding offers opportunity for increased deployments. And with a network of more than 25,000 off-premises ATMs in the United States, Cardtronics is attractive to FIs interested in extending their networks.

However, not all FIs will buy into the branding model. In fact, Dove's Hayes says he sees division in the FI space where ATMs are concerned — with some opting to increase their off-premises presence through branding deals while others are bringing more in-house as they work to enhance personalization and CRM at the ATM.

FIs like Seattle's Washington Mutual and San Francisco's Wells Fargo & Company have opted for the latter, agreeing to keep their ATM networks close. (Read also, [An industry divided.](#))

Nandita Bakhshi, executive vice president and division executive of payments for WaMu, said her FI, with \$351 billion in assets, has decided to run its network as an extension of the branch.

"We've maintained a branch-centric network. It's a different approach from our competitors, who are doing a lot of branding," she said. "We outsource more on the debit side, for embossing the cards, etc."



(Photograph by Tracy Kitten) Dynamic Card Solutions showcased its CardWizard solution, which allows card issuers to issue debit and ATM cards on the spot in the branch.