

A photograph of a man and a woman in business attire sitting in a modern office lounge. The man, in a light blue shirt and dark tie, is gesturing with his hands while speaking. The woman is partially visible on the left, listening. There is a coffee cup and a glass on a table in front of them. The background features indoor plants and a contemporary office setting.

ATM as a Service

Outsourcing the technology platform

How to use Return-on-Value (ROV) analysis to build a better Return on Investment (ROI)

ROI vs ROV: How best to demonstrate the intrinsic value of ATM as a Service

ATM outsourcing has become popular with financial institutions (FI) looking to unlock more value in their operations. Any outsourcing decision requires a clear demonstration of return on investment (ROI). The question is how best to ensure that all factors are identified and properly weighted to accurately show the value ATM as a Service can deliver.

ROI is a straightforward, financially grounded concept commonly used when making major strategic procurement decisions. When considering ATM as a Service, ROI can help compare costs between in-house and outsourced models, but this strict numbers-based approach can be limited and does not capture the full value outsourcing can bring.

Identifying a one size fits all ROI calculation is difficult. FIs come in all shapes and sizes – they all have different needs, challenges and approaches based on their local markets. Moreover, the real return on investment in ATM outsourcing often does not become fully apparent until after its implementation. As well as tangible gains, it also produces a number of hidden benefits which can't easily be accounted for in a typical ROI analysis. A different, more value-driven, approach is needed.

Return on Value (ROV) is one such approach. ROV provides a more complete view of the Value Built In (VBI) that an organization gains as a result of continuous improvement.

VBI captures more than just financial return. It encompasses improvements in technology, customer services and staffing resources. ATM outsourcing investment decisions based on ROI captures the question of "what" but misses the question of "why" which is where the true benefits of an outsourcing solution are often found.

In this whitepaper, we'll show how outsourcing the management of the ATM delivered increased efficiencies for a large mid-western FI after implementation. We'll also provide a tool you can use to build your own qualitative ROV analysis as part of your vendor evaluation process.

ATM as a Service - a case study

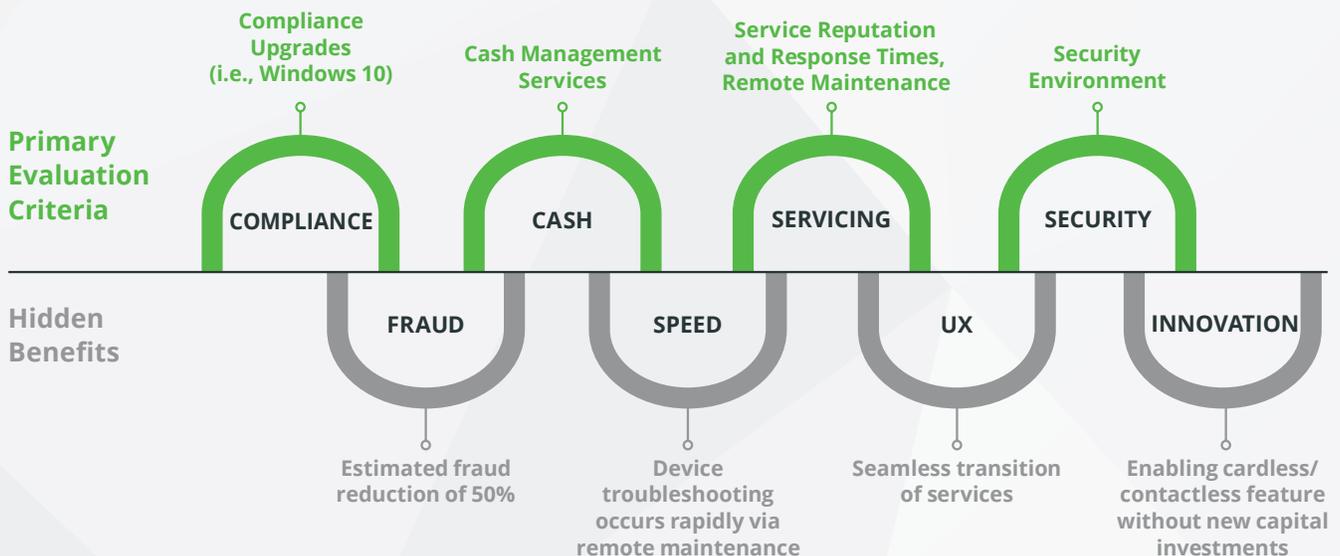
NCR provides services to FIs of all sizes, helping them make the transition to a more efficient, agile and digitally-driven future. One example comes from a large regional bank with more than \$20 billion in assets.

The bank was considering ATM outsourcing for the first time and wanted a solution comprehensive enough to free up the back-end resources it needed to manage its ATM fleet.

This would represent a major shift in management strategy. From a home grown, internally staffed solution, it moved to one in which NCR would manage the entire ATM solution on its behalf. It was looking for a solution comprehensive enough to free up all of the back-end resources required to manage the ATM, so it could focus on other priorities.

While the selection process pinpointed specific requirements, the post-implementation experience revealed many of the hidden benefits of a comprehensive ATM outsourcing strategy.

Figure 1: ATM as a Service: Criteria and Hidden Benefits



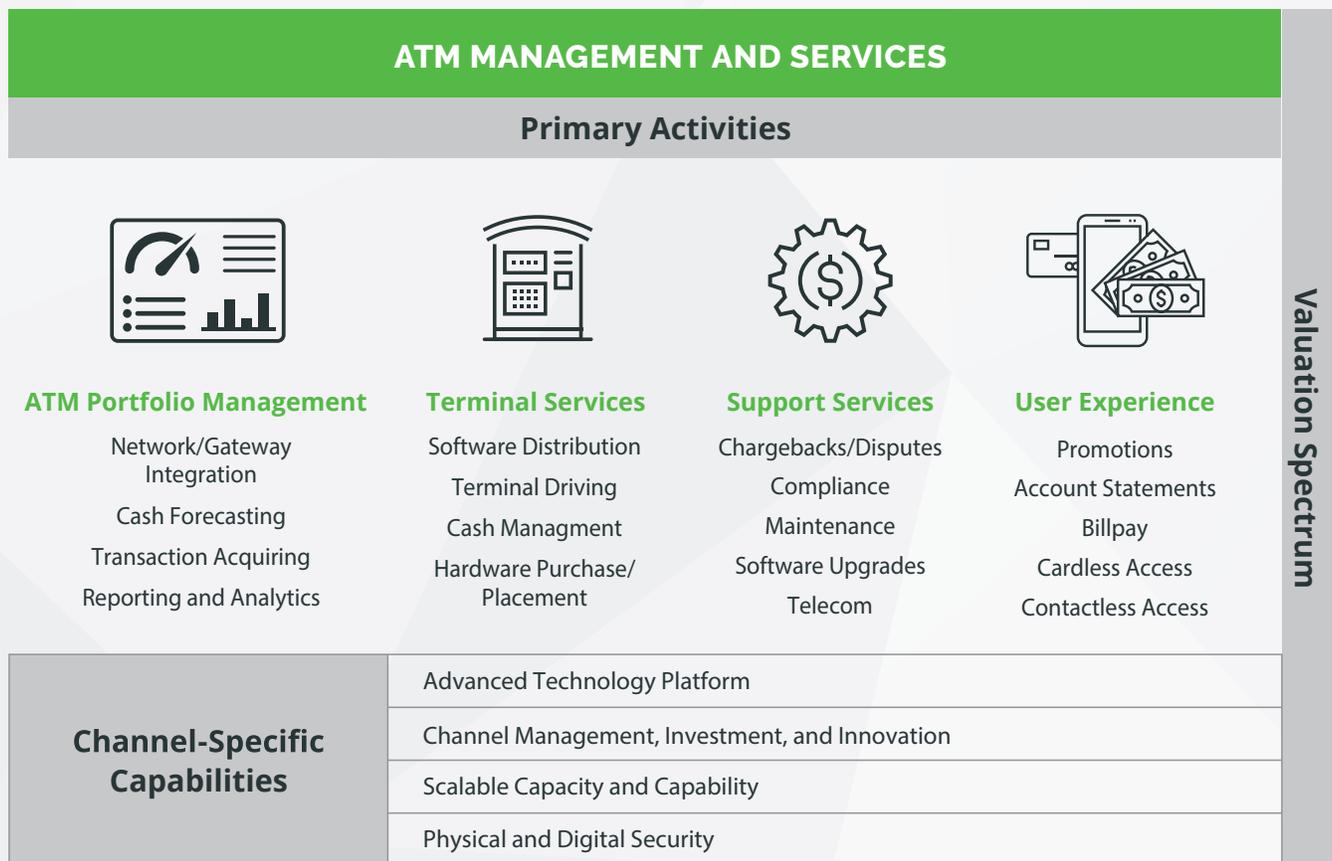
ATM as a Service - a case study

One of the most important benefits of outsourcing was the FI's ability to reallocate resources in both front-line and management staff. By fully outsourcing the management of its ATM fleet, the bank estimates it delivered savings of three to four full-time employees in branch operations.

Furthermore, executives estimate they have reclaimed 90% of the time they previously spent on managing this touchpoint. These benefits represent a significant cost saving that is not easily quantified in a typical ROI analysis which tends to focus on costs relating to primary activities, as depicted in Figure 2. However, it is the channel-specific capabilities where the deeper value of a vendor relationship becomes apparent.

While many people focus on Return on Investment (ROI), we focus on Return on Value (ROV) which helps uncover the hidden benefits of the solution.

Figure 2: ATM as a Service: Valuation Spectrum



The beneficial impact is specific to each organization and that's where you'll find our ROV tool to be helpful. It is designed to complement and work along with your ROI analysis to allow a higher degree of rigor in your vendor analysis. In this way, your final decision can be based on its full value, not simply one aspect of the solution.

Return on Value Analysis Tool

Using our ROV Analysis Tool, an organization can evaluate solutions on a more meaningful level by incorporating benefits such as how much time was saved, innovation delivered, and competitive and technical advantages gained.

Unlike a typical ROI, an ROV analysis incorporates the use of value statements, such as “Eliminates our capital expenditures in this channel”. The tool can be modified with statements that are most meaningful to your organization. Let’s take a look at the main constructs of the tool:

- **Operational Benefits** including staffing reduction, capital expenditures, and channel overhead.
- **Risk Management Benefits** including fraud losses, chargebacks, and security.
- **Competitive Benefits** including speed to market, customer experience, and innovation.

Figure 3: ATM as a Service: Sample ROV Analysis

| | | Weight | Rating | Best Possible Score | Actual Score | % of Best Score |
|---------------------------------|--|--------|--------|---------------------|--------------|-----------------|
| OPERATIONAL BENEFITS | | | | | | |
| 1.0 | Improves ability to control channel overheads | 5 | 75 | 500 | 375 | |
| 1.1 | Gives a more predictable channel budget | 5 | 75 | 500 | 375 | |
| 1.2 | Reduces front-line staffing allocation to channel management | 4 | 100 | 400 | 400 | |
| 1.3 | Reduces management allocation to channel management | 4 | 100 | 400 | 400 | |
| 1.4 | Increases operational efficiencies | 5 | 100 | 500 | 500 | |
| 1.5 | Eliminates capital expenditures on this channel | 4 | 100 | 400 | 400 | |
| | | | | 2700 | 2450 | 91% |
| RISK MANAGEMENT BENEFITS | | | | | | |
| 2.0 | Lowers fraud losses | 5 | 75 | 500 | 375 | |
| 2.1 | Improves physical security | 3 | 75 | 300 | 225 | |
| 2.2 | Improves digital security | 4 | 75 | 400 | 300 | |
| 2.3 | Reduces time to recognize and mitigate fraud event | 5 | 90 | 500 | 450 | |
| 2.4 | Eliminates risk of non-compliance with changing channel mandates | 3 | 25 | 300 | 75 | |
| | | | | 2000 | 1425 | 71% |
| COMPETITIVE BENEFITS | | | | | | |
| 3.0 | Compete more effectively through this channel | 4 | 85 | 400 | 340 | |
| 3.1 | Supports getting to market faster with new features | 3 | 50 | 300 | 150 | |
| 3.2 | Gives access to advanced technologies | 3 | 85 | 300 | 255 | |
| 3.3 | Improves ability to scale this channel more efficiently | 3 | 90 | 300 | 270 | |
| 3.4 | Provides account holders with an improved experience | 4 | 50 | 400 | 200 | |
| | | | | 1700 | 1215 | 71% |

How to use the tool

We've built the tool with a list of value statements most commonly mentioned by financial institutions assessing a potential ATM outsourcing solution. You may customize these statements to adhere more closely to your individual organization's value goals.

Importance of value statement to organization

Weight – How important is this to your organization?

This is your ranking of how important that value statement is to your organization on a scale of 1-5, where 1 is least important and 5 is most important.

Solution meets Value Goal

Rating – How well does the solution meet this value goal?

This is your rating of how well the solution meets your value goal on a scale of 1-100 where 1 is not at all to 100 where it completely meets that goal.

Weight x 100 = Best Possible Score

Best Possible Score – The highest possible score for this value goal.

This is a calculated score that defines the highest possible score for that value goal derived from multiplying the Weight by 100.

Weight x Rating = Actual Score

Actual Score – The score assigned to this value goal for that solution.

This is a calculated score that defines the actual score based on your ratings and is derived from multiplying the Weight by the Rating.

Actual score ÷ Best Possible Score = % of Best Score

% of Best Score – How close does the Actual Score get to the Best Possible Score in this entire category of value goals?

This is a calculated percentage of how closely the solution adheres to your Best Possible Score on an overall category basis. It is derived by dividing the Actual Score by the Best Possible Score.

This tool is designed to augment your traditional ROI analysis and add a higher degree of rigor to your vendor analysis. Using it to work through your value statements should also deepen your organization's focus on defining the specific drivers of an ATM outsourcing solution that have the most value for you.

In conclusion

Each FI is unique with different financial, operational, and strategic goals and expectations. There is no simple answer as to whether or not services should be outsourced to a third-party, but hundreds of institutions make that decision each year. The challenge for each of them is how they can ensure they make the right decision.

In our recent online poll, 50% of participants indicated they are considering an outsourcing solution for their ATMs. ATM portfolio managers and retail banking executives must individually evaluate the merits of in-house versus outsourcing options to select the best solution for their institution.

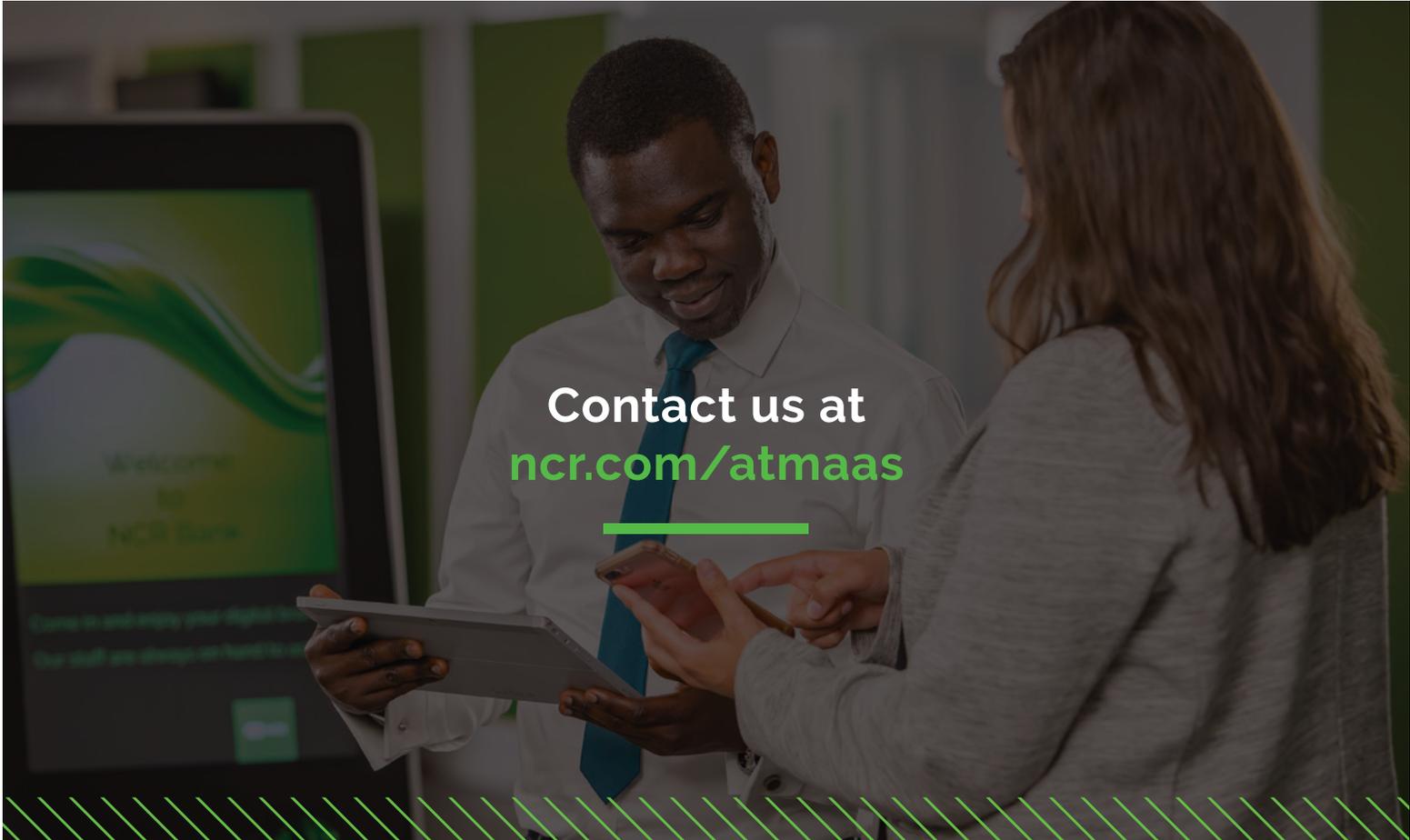
We believe there are baseline measurements that go into any ROI calculation, particularly for expenses that are completely eliminated. However, focusing only on the narrow issue of cost reduction results in an incomplete financial cost and benefit analysis.

We believe that using an ROV analysis in conjunction with ROI provides critical benefits including:

- Improving staff's focus on defining and considering the value the organization wants to receive from its vendor solution, regardless of how this channel is managed today.
- Enabling beneficial statements to be quantified on an objective basis across all vendors.
- Uncovering the hidden benefits of an ATM outsourced solution before its implementation.
- Instilling confidence in your organization's ability to make the right vendor selection.

The stakes for self-service have never been higher. While digital payments accelerate, access to cash will always be a critical competitive differentiator. However, capturing the beneficial value of a vendor solution also includes understanding how it will address the critical technical, operational, and competitive goals of your organization. Incorporating an ROV analysis into your vendor selection process gives you the objective, goals-based information you need to choose a partner who will be working with you to drive value for years to come.

To learn more about NCR's ROV Tool and modeling your own analysis, reach out to your local Sales Representative for more information.



Contact us at
ncr.com/atmaas

Why NCR?

NCR Corporation (NYSE: NCR) is a leader in transforming, connecting and running technology platforms for self-directed banking, stores and restaurants. NCR is headquartered in Atlanta, Ga., with 38,000 employees globally. NCR is a trademark of NCR Corporation in the United States and other countries.

NCR continually improves products as new technologies and components become available. NCR, therefore, reserves the right to change specifications without prior notice.

All features, functions and operations described herein may not be marketed by NCR in all parts of the world. Consult your NCR representative or NCR office for the latest information.

All brand and product names appearing in this document are trademarks, registered trademarks or service marks of their respective holders.

© 2023 NCR Corporation Patents Pending 040822_IntegratedMktg_BANK_ATMaasCampaign2022 ncr.com

