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All banking eyes on image-reading ATMs

Houston Business Journal - by Greg Barr

The legion of start-up community banks in the Houston area all chant the same business mantra: They can provide more personal service than that bigger competitor down the street.

Now an 18-month-old bank in Katy is taking on larger rivals at another level by investing heavily in leading-edge ATM technology aimed specifically at small business clients.

Westbound Bank, which opened in January 2007 and has assets of \$120 million, is the first Houston-based bank to install leading-edge ATMs developed by Austin-based Wincor Nixdorf USA, a subsidiary of German-based Wincor Nixdorf AG.

A new generation of image-reading ATMs eliminate the need to stuff a check into a deposit envelope by scanning checks inserted into the machine one at a time. The Wincor Nixdorf unit, however, can process a stack of up to 50 checks inserted in bulk. The machine provides an on-the-spot transaction record with an image of each check, and the deposit is immediately credited to the customer's account.

With image-reading ATMs, a bank as small as Westbound or a behemoth like Bank of America Corp. — operator of the country's largest bank ATM network — can extend the daily deadline for deposits into early evening.

"Early on as a (bank) organization we talked about staying on the cutting edge of technology and saw it as being important in the future," says Robert Kramer, Westbound president. "The problem was finding the right piece of equipment."

Westbound has invested about \$160,000 in three of the new ATMs installed in June at the bank's three locations — its Katy headquarters, a loan production office in Northwest Houston and a Bellaire branch.

Kramer says that younger generations want faster and more efficient banking service, and the new ATMs fit the bill.

"It's quite an investment for a small bank but we know our customers will like it," says Kramer. "Customers who make deposits two or three times a week can do it off hours at their convenience and get the same result as walking in and using a teller."

Westbound Bank is not alone in choosing the Wincor Nixdorf ATMs. Chase Bank is in the process of installing a slew of Wincor Nixdorf machines nationwide by 2010.

The national banking subsidiary of JPMorgan Chase & Co. has 410 ATMs in the greater Houston area, with 177 units upgraded to the multicheck Wincor Nixdorf technology. The bank also is installing some image-reading ATMs manufactured by primary supplier, NCR Corp., but these handle only one check at a time.

George Acevedo, a Chase senior vice president and Houston South market manager, says in addition to providing extra customer convenience by making funds available more quickly, the new technology will help the bank save money while reducing the chances of check fraud.

“With the old machines that had deposit envelopes, a customer would say that he deposited three checks but one got lost, so it would take time to straighten that out. Or sometimes the machine was out of envelopes, so they were frustrated and couldn’t make a deposit,” says Acevedo. “People want to be able to come into the branch but get good service from an ATM, whatever is most convenient.”

As Chase expands in Texas — the bank intends to have 11 new branches opened in the Houston region by the end of 2008 — Acevedo says continuing installation of image-reading ATMs will depend on the mix of local customers.

Gargantuan players such as Bank of America are in the midst of their own upgrades using ATMs made by Diebolt Inc. and NCR.

Britney Sheehan, a spokeswoman for Charlotte, N.C.-based Bank of America, says about 1,000 of the bank’s 1,874 ATMs in Texas are in the process of being converted to image-reading units that process one check at a time, including 261 in the Houston area. The conversion will be completed by the end of 2009.

Bank of America has the nation’s largest bank-owned ATM network and is in the process of switching 13,500 deposit-taking ATMs to the new technology.

Pushing the envelope

Envelope-stuffing ATMs are considered industry relics, destined for the same fate as clunky audio cassettes that were replaced by sleek, damage-resistant compact discs.

Older ATMs that use deposit envelopes often create more headaches than solutions for banks, and are actually less cost-effective than if a customer walks into a branch. Envelope-free ATMs cut the cost of a single check transaction to about 40 cents or 50 cents, compared to about \$1.30 using a teller or \$1.70 with the old ATMs. And the use of the new technology is pushing up ATM deposits by as much as 50 percent.

Bob Meara, senior analyst with Boston research firm Celent LLC, says Wincor Nixdorf has an advantage over competitors with the multiple-check imaging ATMs. He says that puts Westbound, Chase and others field-testing the new units at the front of the line.