

The Current ATM Interchange & Independent ATM Operator Landscape

Is it time to rethink our business models?

The recent announcement and subsequent implementation of the new MasterCard/Cirrus ATM Network Support Fee rate change has shaken the ATM industry to its foundation and once again ATM ISO's are reminded that in the branded payments space, theirs is a precarious existence that is always subject to the whims of the EFT Network gods, as was the case when VISA implemented the Plus Network tiered interchange system in 2005. It is often said that in the electronic payments world, issuers and acquires are two sides of the same coin, each with their own agendas but without one you cannot have the other. Then why is there so little dialog between the stakeholders on a subject as critical to the well being of the industry as interchange? On the POS side it is the merchants versus the networks. With ATM's it's the ISO's versus the networks. Why is there such an adversarial dynamic to an underlying business model that is so essential to the future of the payments industry? Could it have something to do with money? Hmm... (Read more)

How do ATM interchange rule changes affect the ATM operator's bottom line and where is all this going? The ATMIA and its ISO Committee are grappling with these issues and have collectively reached out to their network partners, seeking to minimize the financial impact of this and future changes in network interchange rules. ATMIA in partnership with Tremont Capital Group conducted a survey of 25 ISOs representing nearly 137,000 ATMs across the United States and the resulting data indicates that not only is the economic impact on ATM operators significant but in fact it points to deeper and more disturbing aspects of how interchange is calculated, how rules are made and how difficult it is to assess their economic fallout. We all know that these are turbulent economic times and everyone should know that change is not always for the better. However, when an entire industry segment like the independent ATM operator market can be turned on its ear because of an economic decision that is made in a virtual vacuum by a network partner, it should give all of us in the payments industry pause and make us realize that we will have no greater opportunity to have this dialog than now.

Perhaps it is time to rethink our business models. The same industry segments that fought ATM surcharges with such conviction not so many years ago, now embrace them as they endeavor to find new ways to keep a bigger piece of the pie though increased interchange fees and tiered system rules that reward the big players at the expense of the smaller ones, in an industry that was created on the basis of rules that applied to all association members equally. On the other hand we have the ATM ISO community that in many cases built their business models around keeping interchange revenue obscured in their merchant agreements and competed with each other on the basis of guaranteed 'back-end' merchant rebates. How many of us still remember the days when no one dared utter the "i" word for fear that merchants would want a piece of it? In this complex age in which we live, there are no hard and fast rules, no good guys or bad guys, no winners or losers, there are only two sides to the coin and one cannot exist without the other. It is time to find a common path that will allow issuers and acquirers, big players and small ones to prosper together on a level playing field. Let the dialog begin!

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