



TECH GENERATIONS PREFER
SURCHARGE-FREE ATMS

In 2017, Nielsen reported that Millennials comprise almost 26 percent of the American population with Generation Z coming in a close second with 22 percent. Spending preferences of these two groups, also known as the tech generations, have forced financial institutions to revamp traditional services.

The Millennial push for convenient self-service options gave rise to online and mobile banking, among other things. As Generation Z comes of age, banks and credit unions can expect more change with the push toward customer-centric smart branches. One aspect both Millennials and Gen Z agree on, however, is the preference for surcharge-free ATMs.

ATM fees have been gradually increasing as the cost of maintaining and upgrading fleets for functionality and compliance rise. When surveyed, 45% of the 2017 ATM Marketplace survey respondents said that surcharge-free ATMs were essential, and 34 percent said they were very important. Offering surcharge-free transactions is critical for smaller banks and credit unions trying to compete with large, national brands that operate their own vast networks of ATMs both at branch sites as well as off-premise locations in high-traffic hubs like shopping centers and entertainment districts.



Surcharge-Free via ATM Outsourcing

The tech generations, comprising almost 50 percent of the population, depend on self-service channels in a variety of easy-to-access locations. A study by Phoenix Synergistics found that 46 percent of Millennials reported changing financial institutions for access to surcharge-free terminals. Among other benefits such as reduced operating costs and fewer compliance challenges, ATM outsourcing allows financial institutions to meet card holder demands by offering more convenient, surcharge-free ATMs.

According to the whitepaper *ATM Outsourcing for Community Banks and Credit Unions*, in-house ATM management requires a great deal of time and effort. Outsourcing consolidates management with a single, focused ATM provider, allowing financial institutions to offer better service and more ATMs to account holder.

Surcharge-Free through an ATM Network

Another way for banks and credit unions to get on board with consumer demand for surcharge-free transactions is to join an ATM network like Allpoint or MoneyPass. These networks link financial institutions to a vast network of ATMs, allowing card holders of each member institution wider access to their accounts. Some networks are regional, and some are national, which is a very attractive benefit for account holders who travel often.

Since, ATMs serve as substitutes for human tellers to many account holders, providing the surcharge-free, digital engagement demanded by Millennials and Generation Z helps financial institutions retain a sizable portion of their customer base – even when they live some distance from the nearest branch. Participating in a surcharge-free network also helps smaller banks and credit unions to close the gap with larger institutions and attract new deposit accounts.

Keeping Up with Consumer Demand

Millennials use cash more than any other demographic, according to the Federal Reserve's Diary of Consumer Payment Choice. ATMs play a central role in both Millennial and Generation Z banking practices and today's consumers are increasingly interested in surcharge-free transactions. Keeping up-to-date on banking preferences of the Tech Generations and offering more fee-free ATMs is a key factor to maintaining a relevant brand and meeting the growing demands of consumers.

For more information on the benefits of offering surcharge-free ATMs or outsourcing, contact Star Financial today.



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