BANKING TERMINAL MARKETING PRACTICES

PRESENTED TO

IBM

SYSTEM COMMUNICATIONS DIVISION

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INPUT

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ORDER OF PRESENTATION

- INTRODUCTION
- DATA ANALYSIS - ATM
- RESPONDENT PROFILES - ATM
- DATA ANALYSIS - TBT
- RESPONDENT PROFILES - TBT

INTRODUCTION

PURPOSE

- DETERMINE THE MARKETING PRACTICES OF SELECTED VENDORS OF:
  - AUTOMATIC TELLER MACHINES (ATM)
  - TELLER BANKING TERMINALS (TBT)
- DETERMINE THE DIFFERENCES IN MARKETING APPROACHES TOWARDS:
  - SERVICERS
  - END USERS

SCOPE

- SPECIFIC MARKETING PRACTICES STUDIED
  - GENERAL DISCOUNTING
  - SPECIAL DISCOUNTS
  - CONTRACT TERMS AND CONDITIONS
  - SERVICER SPECIFIC CONSIDERATIONS

METHODOLOGY

- TELEPHONE INTERVIEWS WERE PRIMARY DATA GATHERING METHOD
  - ON-SITE INTERVIEWS WHEN NECESSARY
- HOME OFFICE PRODUCT MANAGERS WERE CALLED INITIALLY
  - REGIONAL OR LOCAL SALES REPRESENTATIVES WERE CALLED AS BACKUP

COMPANIES TO BE INTERVIEWED

- BUNKER-RAMO
- BURROUGHS
- DATASAAB
- DIEBOLD
- DOCUTEL
- HONEYWELL/INCOTERM
- NCR
- SCI SYSTEMS
- TRW

TYPICAL RESPONDENT RESPONSIBILITIES AND LOCATION

TITLE	LOCATION
MARKETING SERVICES ADMINISTRATOR	H.O.
ACCOUNT MANAGER	B.O.
DISTRICT MANAGER	D.O.
PRODUCT MARKETING MANAGER	H.O.

DATA ANALYSIS - ATM

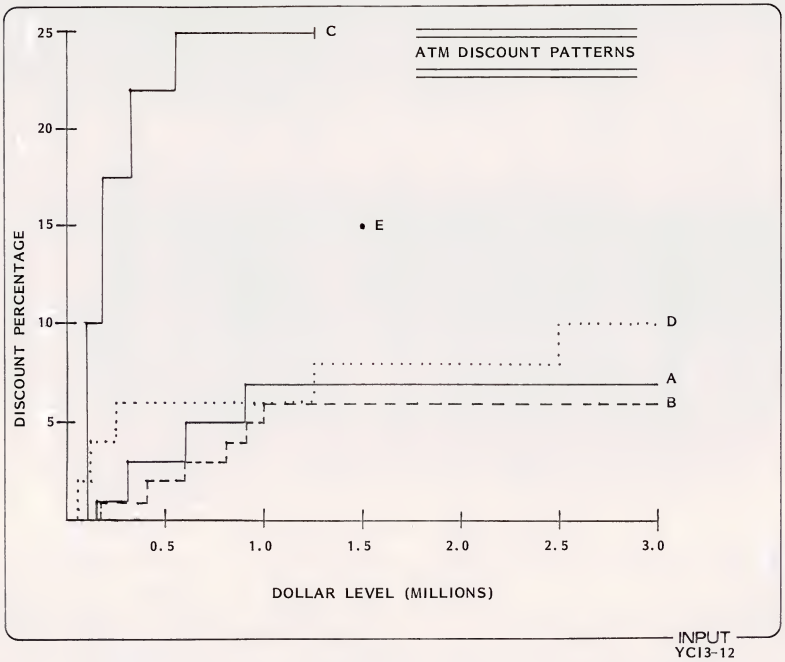
AUTOMATIC TELLER MACHINES (ATM)

DISCOUNT TYPE	SERVICER	END USER
VOLUME	100%	100%
FUNCTIONAL	40%	20%
CONDITIONAL	20%	20%
RETROACTIVE	60%	60%
PROMPT PAYMENT	0%	0%
OTHER	20%	20%

- SIXTY PERCENT (60%) OF RESPONDENTS OFFER DOLLAR VOLUME DISCOUNTS

ATM

- DISCOUNTS ARE PROVIDED
  - TO GET THE CONTRACT
  - TO SELL EQUIPMENT
  - TO PLAN PRODUCTION
- DISCOUNTS DO NOT DIFFER BETWEEN SERVICERS AND END USERS
- TRADE-INS FOR MODEL UPGRADES ALLOWED BY 60% OF RESPONDENTS
  - DOLLAR AMOUNT IS A FUNCTION OF EQUIPMENT CONDITION AND MODEL MARKETABILITY
- MODEL TYPES CAN ALWAYS BE MIXED FOR DISCOUNTING PURPOSES
- SOFTWARE IS DISCOUNTED WHEN PRICED SEPARATELY
  - EIGHTY PERCENT (80%) OF THE RESPONDENTS BUNDLE THE SOFTWARE; THEREFORE, IT IS IMPLICITLY DISCOUNTED


ATM DISCOUNT PATTERNS
DISCOUNT PERCENTAGE
25
20
15
10
5
C
E
D
A
B
0.5
1.0
1.5
2.0
2.5
3.0
DOLLAR LEVEL (MILLIONS)
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RESPONDENT PROFILES - ATM

RESPONDENT A - ATM

- DISCOUNT SCHEDULE

DOLLAR LEVEL	DISCOUNT PERCENTAGE
$ 1-150,000	0%
$150,001-300,000	1%
$300,001-600,000	3%
$600,001-900,000	5%
$900,001 AND OVER	7%

- NO DISCOUNTS ON ACCESSORIES
  - CANISTERS
  - CASSETTES
- EVERYTHING IS BUNDLED INCLUDING SOFTWARE AND INSTALLATION

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RESPONDENT A - ATM - (cont.)

- CONTRACT EXTENSIONS PERMITTED FOR ACTS OF GOD, ACTS OF WAR, ETC.
- RETROACTIVE DISCOUNTS ARE APPLIED
  - CANCELLATION PENALTY 1% OF DOLLAR VALUE OF EQUIPMENT NOT PURCHASED
- CONTRACT BEGINS UPON ACCEPTANCE; ENDS 12 MONTHS AFTER FIRST INSTALLATION
- INSTALLATION BEGINS PER CONTRACT; ENDS 12 MONTHS AFTER FIRST INSTALLATION
- VENDOR PAYS FREIGHT AND INSTALLATION
- HARDWARE AND SOFTWARE SOLD TO SERVICER ARE PAID FOR BY SERVICER
  - SERVICER MUST TAKE TITLE
  - SOMETIMES SERVICER GETS LOANER OR DEMO UNIT

RESPONDENT B - ATM

- DISCOUNT SCHEDULE

DOLLAR LEVEL	DISCOUNT PERCENTAGE
$ 1-150,000	0%
$ 150,001-399,999	1%
$ 400,000-599,999	2%
$ 600,000-799,999	3%
$ 800,000-899,999	4%
$ 900,000-999,999	5%
$1,000,000 AND OVER	6%

- TRADE-INS ALLOWED
- SOFTWARE BUNDLED INTO PRICE

RESPONDENT B - ATM - (cont.)

- CONTRACT BEGINS UPON ACCEPTANCE: ENDS 12 MONTHS AFTER FIRST UNIT INSTALLED
- INSTALLATION BEGINS A MAXIMUM OF SIX MONTHS AFTER ORDER ACCEPTANCE; ENDS 12 MONTHS AFTER FIRST UNIT INSTALLED
  - PRICE IS PROTECTED FOR 18 MONTHS ARO
- EXTENSIONS PERMITTED BUT DISCOUNTS MAY BE REDUCED OR LOST
- SITE PLANNING AND INITIAL TRAINING PROVIDED
- END USER PAYS FOR HARDWARE AND SOFTWARE ON SERVICER SALES
  - FREIGHT IS PAID BY END USER OR SERVICER
  - INSTALLATION IS PAID BY END USER
- SERVICER ONLY GETS DISCOUNT IF HE TAKES TITLE
  - MAY GET A DEMO UNIT IF NEEDED

RESPONDENT C - ATM

- DISCOUNT SCHEDULE

DOLLAR LEVEL	DISCOUNT PERCENTAGE
$ 1- 100,999	0%
$ 101,000- 175,999	10%
$ 176,000- 325,999	17%
$ 326,000- 550,999	22%
$ 551,000-1,250,999	25%
$1,251,000 AND OVER	NEGOTIATED

- SOFTWARE BUNDLED INTO PRICE
- CONTRACT EXTENSIONS NOT PERMITTED

RESPONDENT C - ATM - (cont.)

- CONTRACT AND INSTALLATION END 12 MONTHS AFTER SIGNING
  - PRICE IS PROTECTED FOR CONTRACT LIFE
- SITE PLANNING IS FREE, TRAINING IS NOT
- END USER OR SERVICER PAYS FREIGHT AND INSTALLATION
- TITLE TAKER PAYS FOR HARDWARE AND SOFTWARE

RESPONDENT D - ATM

- DISCOUNT SCHEDULE

UNIT LEVEL	DISCOUNT PERCENTAGE
2- 4	2%
5- 9	4%
10-49	6%
50-99	8%
100 AND OVER	10%

- TRADE-INS ARE SOMETIMES GIVEN
- SOFTWARE IS NOT INCLUDED
  - SOFTWARE DISCOUNT DEPENDS UPON THE APPLICATION

RESPONDENT D - ATM - (cont.)

- IMPORTANT T&Cs VARIABLE AND SPECIFIED IN CONTRACT
  - TERM: 24 MONTHS MAXIMUM
  - INSTALLATION PERIOD
  - EXTENSIONS PERMITTED AS SPECIFIED
  - HARDWARE AND SOFTWARE PAYEE
  - SERVICER CAN GET DISCOUNT WHEN NOT TAKING TITLE
  - SERVICER MAY GET OTHER DISCOUNTS DEPENDING UPON NEGOTIATED CONTRACT
- RETROACTIVE DISCOUNTS APPLIED
- SITE PLANNING NOT AVAILABLE
- USER PAYS FOR TRAINING
- FREIGHT PAID BY END USER OR SERVICER

RESPONDENT D - ATM - (cont.)

- INSTALLATION PAID BY END USER
- SERVICER SOMETIMES FUNCTIONS AS A SALES AGENT
  - SERVICER RECEIVES ADDITIONAL PAYMENTS

RESPONDENT E - ATM

- DISCOUNT SCHEDULE

UNIT LEVEL	DISCOUNT PERCENTAGE
50 UNITS	~15%
SIGNIFICANTLY OVER 50 UNITS	NEGOTIATED

- NO DISCOUNTS ON
  - MEMORY UNITS
  - ACCESSORIES (CARTRIDGES FOR CASH DISPENSERS, ETC.)
- TRADE-INS ARE GIVEN
  - MODELS MUST BE UPGRADABLE TO CURRENT PRODUCT LINE
- SOFTWARE BUNDLED

RESPONDENT E - ATM - (cont.)

- PRICE PROTECTION
  - THIRTY DAYS ON QUOTES
  - TWELVE MONTHS ON CONTRACT ACCEPTANCE
- CONTRACT EXTENSIONS CAN BE NEGOTIATED
  - GENERALLY, DELIVERIES ARE ACCELERATED
- CONTRACT BEGINS AT SIGNING AND ENDS 12 MONTHS AFTER FIRST INSTALLATION
  - INSTALLATION BEGINS WITHIN SIX MONTHS OF SIGNING AND ENDS 12 MONTHS LATER
- SITE PLANNING WITH DETAILED INSTALLATION SPECIFICATIONS
- END USERS PAY FREIGHT AND INSTALLATION COSTS
  - SOMETIMES THE SERVICER ABSORBS THEM

RESPONDENT E - ATM - (cont.)

- SERVICER PAYS FOR HARDWARE AND SOFTWARE IF HE IS A RESELLER
  - SERVICER IS SOMETIMES A SALES AGENT UNDER A SALES AGREEMENT (BEST EFFORTS)
  - SERVICER GETS COMMISSION ON SALES
  - SERVICER ALWAYS GETS VOLUME DISCOUNT
  - SERVICER GETS DEMO UNIT

DATA ANALYSIS - TBT

TELLER BANK TERMINALS (TBT)

- ALL RESPONDENTS GIVE DISCOUNTS
- ALL RESPONDENTS TREAT DATA SERVICERS THE SAME AS BANK SERVICERS

DISCOUNT TYPES	SERVICER	END USER
VOLUME	100%	100%
FUNCTIONAL	0%	0%
CONDITIONAL	25%	25%
RETROACTIVE	25%	25%
PROMPT PAYMENT	0%	0%
OTHER	25%	0%

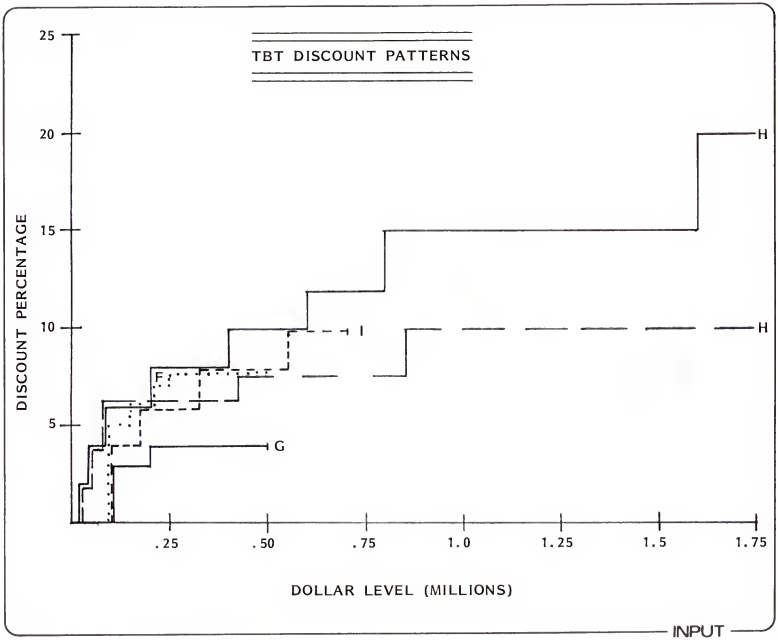
- SEVENTY-FIVE PERCENT (75%) OF THE RESPONDENTS OFFER DOLLAR VOLUME DISCOUNTS

TELLER BANK TERMINALS (TBT) - (cont.)

- A STANDARD DISCOUNT IS AVAILABLE TO ALL WHO CAN QUALIFY
- SERVICER AND END USER DISCOUNTS ARE ALWAYS THE SAME
- CONTRACT T&Cs ARE ALWAYS THE SAME
- ONE RESPONDENT DOES NOT ALLOW TBT MODELS TO BE MIXED FOR DISCOUNT PURPOSES
- MAINTENANCE IS NEVER DISCOUNTED
- SOFTWARE IS DISCOUNTED WHEN BUNDLED
  - ONE RESPONDING VENDOR PRICES APPLICATIONS SOFTWARE SEPARATELY AND DISCOUNTS THE PRICE
- PRICE PROTECTION IS FOR CONTRACT DURATION
- OTHER THAN POSSIBLE LOSS OF DISCOUNT, NO CANCELLATION PENALTIES EXIST

TELLER BANK TERMINALS (TBT) - (cont.)

- INSTALLATION COSTS ARE PAID BY THE END USER
  - FREIGHT IS NOT PAID BY THE VENDOR
- THE SERVICER IS A DEFINITE SALES AGENT FOR ONE VENDOR AND RECEIVES A COMMISSION
  - THE SITUATION IS VARIABLE WITH ONE OTHER VENDOR



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RESPONDENT PROFILES - TBT

RESPONDENT F - TBT

- DISCOUNT SCHEDULE

DOLLAR LEVEL	DISCOUNT PERCENTAGE
$ 1-100,000	0%
$100,001-150,000	5%
$150,001-200,000	6%
$200,001-250,000	7%
$250,001-500,000	8%
$500,001 AND OVER	NEGOTIATED

- TRADE-INS ACCEPTED DEPENDING UPON CONDITION AND MARKETABILITY
- MODEL TYPES CAN BE MIXED FOR DISCOUNTING
- SOFTWARE NOT DISCOUNTED

RESPONDENT F - TBT - (cont.)

- CONTRACT BEGINS UPON ACCEPTANCE AND ENDS 12 MONTHS AFTER INITIAL DELIVERY
- INSTALLATION BEGINS NO LATER THAN SIX MONTHS AFTER CONTRACT ACCEPTANCE AND ENDS 12 MONTHS LATER
  - PRICE IS PROTECTED FOR THE MAXIMUM 18-MONTH PERIOD
- CONTRACT EXTENSIONS PERMITTED BUT DISCOUNTS COULD BE LOST OR RETROACTIVELY APPLIED
- SITE PLANNING AND TRAINING ARE INCLUDED
- END USER PAYS FOR HARDWARE AND SOFTWARE ON SERVICER SALES
- SERVICER OFFERS PACKAGED SERVICE INTO WHICH TBT'S ARE BUNDLED
  - SERVICER IS A SALES AGENT

RESPONDENT F - TBT - (cont.)

- SERVICER RECEIVES A 3% COMMISSION ON UNDISCOUNTED PRICE
  - IF SERVICER IS INSTRUMENTAL IN SALE
  - IF SALE IS OVER $100,000
- IF SERVICER DOES NOT TAKE TITLE, NO VOLUME DISCOUNTS APPLY
- SERVICER GETS DEMO TERMINAL IF NEEDED

RESPONDENT G - TBT

- DISCOUNT SCHEDULE

DOLLAR LEVEL	DISCOUNT PERCENTAGE
$ 0-100,000	0%
$100,001-200,000	3%
$200,001-500,000	4%
$500,001 AND OVER	NEGOTIATED

- OTHER DISCOUNTS VARY WITH COMPETITIVE SITUATION
- UNITS CAN BE MIXED
- SOFTWARE NOT EXPLICITLY DISCOUNTED
- CONTRACT SIGNING INITIALIZES DEAL; CONTRACT ENDS 12 MONTHS AFTER FIRST INSTALLATION
  - INSTALLATION STARTS NO LATER THAN SIX MONTHS AFTER SIGNING AND ENDS 12 MONTHS LATER

RESPONDENT G - TBT - (cont.)

- PRICE IS PROTECTED FOR CONTRACT LIFE

- SITE PLANNING AND TRAINING ARE INCLUDED
- CONTRACT EXTENSIONS ARE NOT ALLOWED
  - DISCOUNTS COULD BE LOST IF CANCELLATIONS OCCUR
- SERVICER PAYS FOR HARDWARE AND SOFTWARE IF SOLD TO SERVICER
  - VENDOR TRIES TO AVOID THIS SITUATION
- SERVICER IS NOT A SALES AGENT
  - IF SERVICER ARRANGES A "BIG" SALE, SERVICER WILL BE COMPENSATED
  - IF SERVICER DOES NOT TAKE TITLE, NO VOLUME DISCOUNTS APPLY

RESPONDENT H - TBT

- DISCOUNT SCHEDULE

UNIT LEVEL	DISCOUNT PERCENTAGE
2- 4	2%
5- 9	4%
10- 24	6%
25- 49	8%
50- 74	10%
75- 99	12%
100-199	15%
200 AND OVER	20%
2- 4	2%
5- 9	4%
10- 49	6%
50- 99	8%
100 AND OVER	10%

- LEASE DISCOUNT IS HALF PURCHASE DISCOUNT

RESPONDENT H - TBT - (cont.)

- TRADE-INS ACCEPTED, DEPENDING UPON MODELS, CONDITION AND COMPETITIVE SITUATION
- MODEL TYPES CAN BE MIXED
- SOFTWARE DISCOUNT DEPENDS UPON APPLICATION
- CONTRACT T&Cs ARE NEGOTIABLE
  - TERM
  - PRICE PROTECTION FOR NEGOTIATED TERM
  - INSTALLATION
  - EXTENSIONS
- RETROACTIVE DISCOUNTS ARE APPLIED
- TRAINING IS INCLUDED

RESPONDENT H - TBT

- WHETHER END USER OR SERVICER PAYS FOR HARDWARE AND SOFTWARE DEPENDS UPON
  - CONTRACT
  - COMPETITIVE SITUATION
  - PURCHASE/LEASE TERMS
- SERVICER IS SOMETIMES A SALES AGENT
  - SOMETIMES RECEIVES ADDITIONAL COMPENSATION
  - SOMETIMES WILL GET VOLUME DISCOUNT WITHOUT TITLE

RESPONDENT I - TBT

- DISCOUNT SCHEDULE

DOLLAR LEVEL	DISCOUNT PERCENTAGE
$ 1-100,000	0%
$100,001-175,000	4%
$175,001-325,000	6%
$325,001-550,000	8%
$550,001-700,000	10%
$700,001 AND OVER	NEGOTIATED

- MODEL TYPES MAY NOT BE MIXED FOR DISCOUNTS
- SOFTWARE IS NOT DISCOUNTED

RESPONDENT I - TBT - (cont.)

- CONTRACT BEGINS AT SIGNING AND ENDS 12 MONTHS LATER
  - INSTALLATION STARTS SHORTLY AFTER SIGNING AND ENDS 12 MONTHS AFTER SIGNING
  - PRICE PROTECTION IS FOR 12 MONTHS FROM SIGNING
- NO EXTENSIONS ARE ALLOWED
- NO RETROACTIVE DISCOUNTS OR CANCELLATION PENALTIES
- SITE PLANNING INCLUDED, TRAINING IS EXTRA COST
- TITLE TAKER PAYS FOR HARDWARE, SOFTWARE
- SERVICER IS NEVER A SALES AGENT

RESPONDENT D - ATM

- SOFTWARE DISCOUNT SCHEDULE

COPIES	SITES	DISCOUNT PERCENTAGE
20+	1	44%
20+	2	42%
20+	3	40%
20+	7+	32%
4	1	20%
4	4	14%

QUESTIONNAIRE

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