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Update from FSPA Headquarters

Hello FSPA Members:

This month's issue has the first half of a white paper produced by Fred Wheeler of Automated Transaction Delivery starting on Page 20. The second part will be in the April issue.

Registration is now open for the Atlanta Conference - you can register online, by fax, by email or by phone. Where can you go and meet with 50+ vendors in our industry in one place and in one day! John Vrabec asked me to remind you that you can fly in on Friday night - go to the showcase on Saturday, head home on Sunday and not miss any time in the office!

We have designed the agenda for the Atlanta Conference based on your requests for topics. Our educational sessions & roundtables include:

- Mark Smith: "Innovation in a 30-year-old Market - where do we go from here?"
- Stephen Joseph: "The Retail Branch of the Future"
- Jonathan Pine: "Repair vs. Replacement of Security Equipment"

- Dan Cremins "Using Video for More than Just Security & Surveillance"
- Marvin Bowers : "Creating Sticky Business with FIs"
- "Social Media & Internet Marketing" roundtable - lead by BJ Hanson
- "Diversify or Specialize Debate" roundtable - lead by Corey Hendrix & Mark Thatcher Jr.
- "Transaction Delivery" roundtable- lead by Fred Wheeler
- "Next Generation in Family Business" roundtable - lead by BJ Hanson
- "Security Technology" roundtable - lead by Grant Case
- "Succession Planning in Family Business" roundtable - lead by Jim Kahrs
- "How Can FSPA Members Work Together on Regional & National Contracts" roundtable - lead by Mark Thatcher Sr.

We have so many great subjects - and subject matter experts. Come get the information you need, new products and services to sell, and see your suppliers and peers - all in one place!

B. J. Hanson
Executive Director





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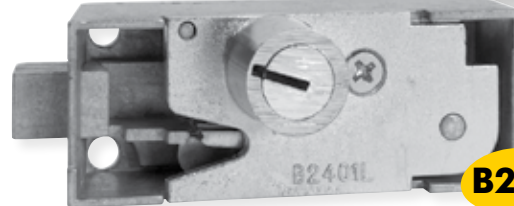




B2401 Group



B2401RH



B2401LH

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B2401-24-RH	B2401 Right Hand Lock with Brass Finish Keyed to #24 Prep Key	B2401-SS	B2401 Self Service Single Lock Key*
B2401-24-LH	B2401 Left Hand Lock with Brass Finish Keyed to #24 Prep Key	B2401-RKB	B2401 Renter/Customer Key Blank
B2401-34-RH	B2401 Right Hand Lock with Brass Finish Keyed to #34 Prep Key	B2401-PPK	Precut Prep Keys available
B2401-34-LH	B2401 Left Hand Lock with Brass Finish Keyed to #34 Prep Key	B2401-PMK	Prep Matchwork Kit comes with an assortment of prep levers and spacing keys
B2401-44-RH	B2401 Right Hand Lock with Brass Finish Keyed to #44 Prep Key	B2401-PL-001	#1 Prep Guard Lever
B2401-44-LH	B2401 Left Hand Lock with Brass Finish Keyed to #44 Prep Key	B2401-PL-002	#2 Prep Guard Lever
		B2401-PL-003	#3 Prep Guard Lever
		B2401-PL-004	#4 Prep Guard Lever

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B500 Group



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1/2 inch



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B501

B541 Double Fixed

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- B541-BR-P4 1/2" Fixed Renter-Fixed #P4 Guard Stack-Brass
- B541-NI-P101 1/2" Fixed Renter-Fixed #P101 Guard Stack-Nickel
- B541-BR-MA 1/2" Fixed Renter-Fixed Match Guard Stack-Brass

B541 Single Nose

- B541-BR-SGL 1/2" Fixed Renter Single Nose-Brass-Non U.L. Rated

B501 Double Changeable

- B501-BR-SY3 1/2" Changeable Renter & Guard-set to #SY3 Guard-Brass
- B501-BR-74 1/2" Changeable Renter & Guard-set to #74 Guard-Brass
- B501-BR-C88 1/2" Changeable Renter & Guard-set to #C88 Guard-Brass



3/8 inch



B542

B502

B542 Double Fixed

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- B542-BR-SY3 3/8" Fixed Renter-Fixed SY3 Guard Stack-Brass
- B542-BR-MA 3/8" Fixed Renter-Fixed Match Guard Stack-Brass

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Business, Tech and Personal Tidbits

A big change is taking place in advertising. Soon, online ads will eclipse traditional media such as TV, print, etc. Businesses large and small will have to adapt to reach their customers. U.S. advertisers spend \$86 billion on internet ads per year, versus \$71 billion for TV ads and \$33 billion for print newspapers and magazines combined. This trend will continue, with digital ad revenue up by 35% in just four years. Contrast that with TV ads, with hope for 5% growth during that time. Practically every other category will remain flat. Mobile phone and video ads are soaring as the online audience switches to smartphones.

The next frontier in digital ads: Live chats in which human salespeople swap instant messages with website users who respond to automated queries. A few giants will dominate the new ad world: Google and Facebook for sure. About two-thirds of all digital ad spending goes to those two: 18% for Facebook and 50% to Google. Reams of user data they collect allow them to tailor on-line pitches to different audiences, boosting response rates. Look for Amazon to make a strong play, too. The online retail giant live-streamed NFL football games this season to track how many viewers respond to ads for products sold on Amazon...a powerful new way to measure their impact.

What do smaller businesses need to know to navigate a new ad landscape that is expanding but increasingly controlled by a handful of huge tech firms? Mobile ads are growing fast. But they don't work well for certain products that require more than a simple click to display. Financial service ads, for instance, often involve online forms for users to fill out, which can be a pain on a smartphone.

The costs of going digital vary widely. Advertising on Facebook can be cheaper than on Google. The former might cost \$5 to \$30 per day for a small trial ad campaign to test the waters. Facebook's software automatically places ads where they'll get clicks. Hiring a pro can pay off. Third-party ad placers deal with Google, Facebook and the other ad platforms, often at a lower cost than a business going it alone can.

Banner ads on websites are giving way to native advertising... testimonials or descriptions of products the seller writes to mimic regular articles on news sites. It's also important to note the limitations of online ads. For some small firms, print ads in specialty

trade publications remain more effective than digital. The best advertising is: still word-of-mouth referrals by happy customers.

Opioid addiction is a public health crisis and a mounting threat to the economy. Employers who are already short of skilled workers are rejecting more applicants for failing drug tests and paying more to treat the addicts on their payrolls. 100 Americans die of opioid overdoses daily. At the current pace, overdoses could claim up to 650,000 lives over the next decade.

Up to 25% of job applicants fail drug tests, staffing agencies say. Two million working-age men who are unemployed and not looking for work take legal opioid painkillers on a daily basis. Employers facing rising drug abuse in the workforce are on their own. The industries that addiction hits hardest: Construction, food service, entertainment, hospitality and transportation.

Employers are the latest to destigmatize pot amid legalization in many states as they stop testing new hires for it for certain jobs.

Chips designed for autonomous cars are about to get plenty of test drives. Carmakers won't wait long to put them on the road. Chip maker Qualcomm recently unveiled a wireless chip that lets cars talk to each other and avoid crashes. Using short-distance and near-instant radio communication between vehicles, it is the company's first chip made specifically for the self-driving cars of the future. Qualcomm is already working with Ford and Audi to test the chip's capabilities.

Fully self-driving cars are still away off. But partial automation will grow, thanks to increasingly powerful onboard computers that can assist a human driver. For instance: Warning that traffic will come to a sudden stop. Or taking the wheel and navigating through a traffic jam at slow speed, giving the driver a brief respite.

Watching televised sports is about to become much more fan-friendly. You'll get to be the director. Within five years, you'll pick camera angles and replay options, choose favorite play-by-play announcers, customize statistics and much more, thanks to new technology that will spice up the games you watch. Among technologies coming into play: Intel's "360 replay,"

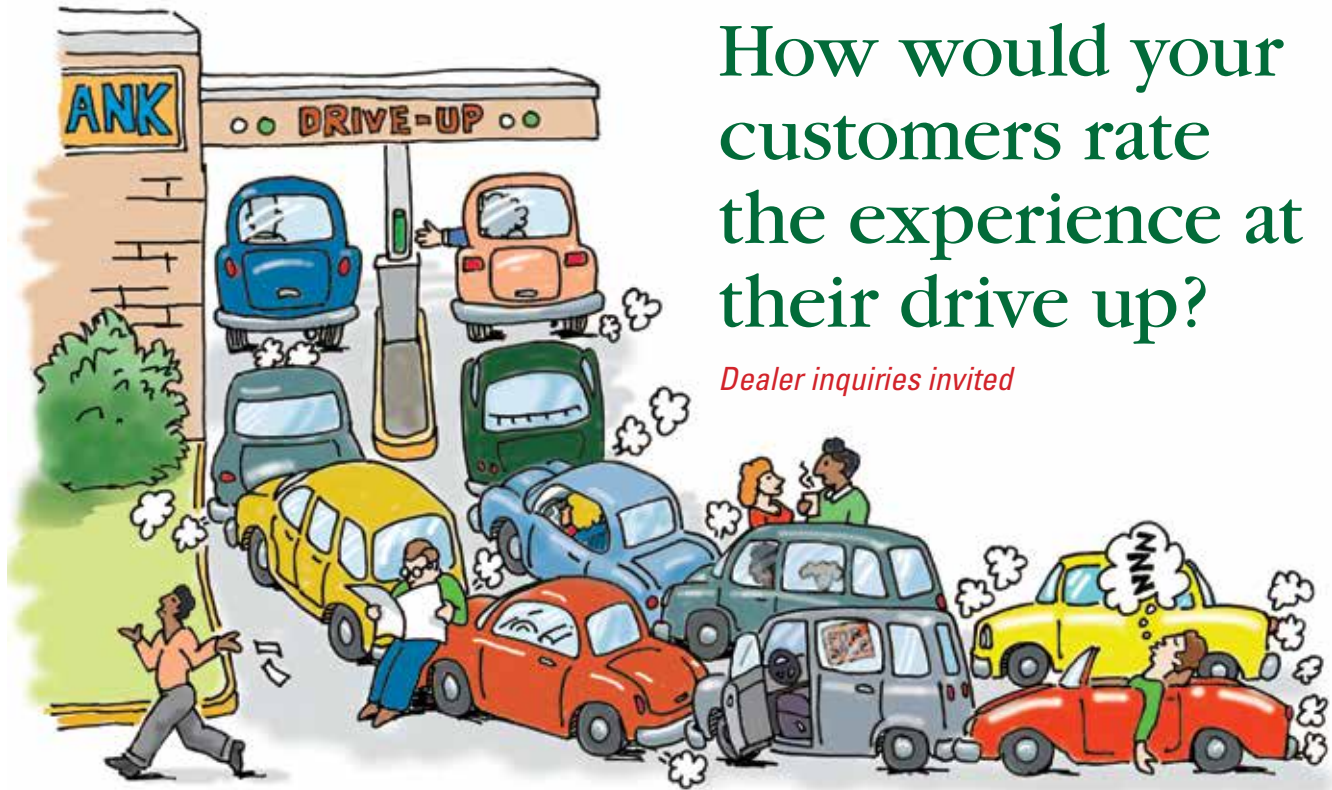
(Continued on Page 19)

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See Fred's white paper starting on Page 20

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FSPA Mission Statement

The mission of FSPA is to provide members of FSPA and their staffs with educational opportunities, exchange of information through conventions and seminars, continual communication between dealers and manufacturers, and to inform the members of social, economic and legislative issues. This will better equip members to serve their customers and to promote the proficiency of the security industry in an independent and professional manner.

This publication is intended to provide accurate and authoritative information on the subject matter covered and is distributed with the understanding that any author, publisher and distributor are not rendering legal, accounting or other professional services and assumes no liability in connection with its use.

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Business, Tech and Personal Tidbits *(Continued from Page 12)*

showing fans a slow-motion, 3-D view using dozens of high-end cameras throughout the stadium. Second Spectrum's software that uses artificial intelligence and computer vision to churn out data and analysis. And NextVR's virtual-reality platform for sports, providing a front-row view. I'll bet the extra info is sure to please fantasy sports aficionados.

Despite fresh efforts to fend off the scourge of illegal telemarketing calls...robocalling will continue to flood landlines and cell phones with automated messages. The FCC figures that over 2 billion robocalls ring U.S. phones each day, a costly and annoying time sink. Robocalls make up 40% of all calls to landlines. Separating illegal calls from legit ones is tricky. Coming moves to block spammers will be closely watched by Congress and the courts. They want to make sure that new regulations from the FCC won't interfere with legal telemarketing done by businesses. The big issue, in my opinion anyway, is they don't want it to interfere with political campaigns and fund raising robocalls.

Something new on the home-buying front: Now when you are applying for a mortgage or seeking to refinance, you can add an equity partner, who can contribute up to half of the required 20% down payment. Companies such as Unison are offering this opportunity in exchange for 35% of any future home appreciation whenever the homeowner decides to sell. Marrying up a buyer with an equity partner can be useful in many ways. It can help folks without enough of a down payment to avoid mortgage insurance, folks who want to conserve other assets, and those in competitive housing markets. It's also a boon for buyers seeking jumbo loans, which require higher down payments.

Mortgage closing paperwork could soon be a thing of the past. Many folks now apply for mortgages online. But virtually all loans require physical documents to be signed and notarized in person when it comes time to close on the mortgage. At least one company, Va.-based Notarize, has developed a new online platform that allows the entire closing process to be done digitally. The buyer signs all forms in an electronic format and a notary witnesses the process remotely via webcam. Expect most closings to be done online by 2020.

Some surveys indicate that home buyers who have tried a digital closing found the process to be preferable to paper documentation.

Five states so far have authorized remote notarizations and more are likely to follow suit. And some major mortgage lenders have teamed up with Notarize to offer mortgage applicants the option to close on loans electronically.

Carmakers are in a heated race to be first in autonomous car production and software. BMW, Ford, General Motors, Volkswagen and Volvo all vow to have self-driving systems ready by 2021. Others, such as Tesla, say they'll get there sooner. The first self-driving car you'll likely see? A taxi, from ride-hailing firms such as Lyft. Expect a few thousand on U.S. roads in a few years, relegated to digitally mapped areas deemed safe.

Consumers won't be able to buy until 2025 or later. And a fully autonomous car that drives itself nearly everywhere in all conditions will cost a bundle. Autonomous cars need to be packed with technology: laser-scanning sensors, radar, cameras, tiny computers, artificial intelligence software, cell connections... to constantly map the surroundings in 3-D and make split-second driving decisions.

Expect the initial high costs of computerized cars to spark new business models. Subscription car plans will let users pick new models anytime. On-demand services will charge by the mile. And personalized ads will be sold based on driving data.

The trucking industry will be quick to benefit, too. Fuel-saving platooning, where a lead truck is closely trailed by unmanned ones, will be enabled by safety tech.

Coming in a few years: A painless new method to deliver the flu vaccine to folks who have a fear of needles. A patch the size of a Band-Aid injects the vaccine through microscopic needles that the patient can't even feel. The tiny needles dissolve as part of the process. The embedded vaccine is dried, which means it doesn't require refrigeration and can be mailed to patients' homes.

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Business Transformation for Financial Institutions

by Fred Wheeler, Automated Transaction Delivery



Financial Institution Transformation

It is Not a Magic Box ...It is a Business Strategy

The Financial Industry is in a period of major change. Consumers continue to migrate away from the traditional Branch and Teller model while a growing number of business attempt to adapt to this new era. “Branch Transformation” has been the buzz word in the industry for quite some time with manufacturers offering their versions of a magic box as a solution. In many cases, these boxes have turned out to be failed technology experiments at the Financial Institution’s expense.

If the goal is to improve consumer service while lowering costs, would it not be sensible to discover what consumers want, then implement a strategy using the research to better serve them? These tools will vary greatly dependent on the strategy developed by each institution. The first step to developing a solution to any challenge is to define the questions first.

The team at Automated Transaction Delivery has completed a series of studies to better understand the consumer service challenge.

- What method of service do consumers prefer?**
- What methods are available to deliver the service consumers prefer?**
- What technology is available to enable consumer service delivery?**



The result of this study will differ for each Financial Institution’s strategy and their long-term objectives. A few examples are: *What devices will be used for delivery, the outstanding foundation technology and all possible future delivery technology.*



What Method of Service do Consumers Prefer?

Financial Institutions and the corporations that provide them with products have been historically slow adopters of new technology. The best method to determine consumer preference is to research other industries who have been much quicker to adapting to the latest consumer service trends and developing the technology to serve them. We at Automated Transaction Delivery completed a study looking at many other consumer service industries and the businesses who developed leading strategies solving the consumer service challenge. These industries include travel, retail, fast food, and convenience.

In each of these, the business strategy was the same; Let the technology deliver the transactions while people focus on consumer service. These industries continue to develop the tools to enable self-service first where the result is improving efficient consumer service while continually lowering operational costs.

These industries continue to develop the technology to enhance the ability for consumers to process their own transactions and enabling their staff to focus on consumer service.

Self Service First
Assistance Where Needed
Let Technology Deliver Transactions
While People Focus on Consumer Service

- *Southwest Airlines* is a leader in developing a Self Service First Strategy. Their latest assisted self-service kiosk that has improved efficiency to the point that TSA is challenged with the change in traffic volume.
- *Walmart* has developed a self-service kiosk and have doubled from 4 kiosks per attendant to 8.



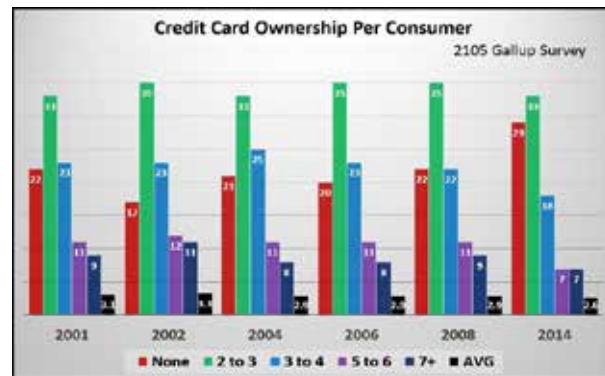
Consumer preference has also migrated to these devices and consumers will wait for this option rather than go to a traditional checkout clerk.

How Do Consumers Prefer to Pay for Goods and Services?

Understanding how consumers pay for goods and services is vital to developing a strategy to provide them with access to the methods to pay. The key to any consumer self-service deliverable is the payment card. Understanding their function and trends is important to any business strategy. They enable access to deliver consumer transactions and will likely retain their leading role in consumer preference in payments for the foreseeable future.

The method to understand card trends start with the 2 major sub categories: **Credit and Debit**.

The trend for credit cards indicates a decline with the 3rd leading group being consumers that have no credit cards (29%) at all and the number of credit cards per consumer follows this trend. In the period of this study the average consumer ownership of credit cards reduced from 3.1 to 2.6.



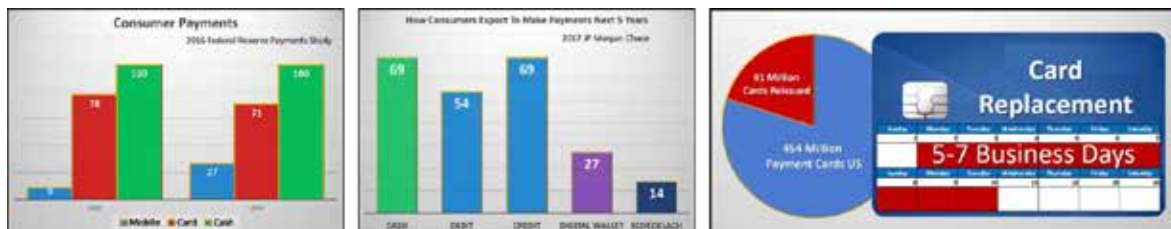
The decline in the number of credit cards that consumers own combined with debit cards are only second to cash in consumer preference and use. This data indicates the lag in mobile adoption and preference by consumers. The 2014 Federal Reserve Payment study results indicate that 71% of consumers use payment cards while only 27% reported mobile and continued in a 5-year forecast.

Card Fraud

Card fraud continues to be a challenge driven by major data breaches and skimming. The late adoption of EMV technology by the U.S. has made them the global leader in card skimming fraud. The misunderstanding about EMV chips and skimming is that if the magnetic stripe is present on a payment card they are susceptible to skimming.

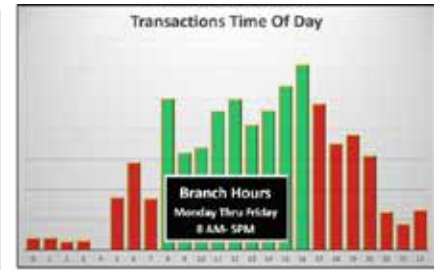
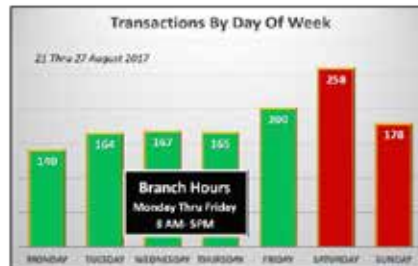
Card Replacement

The current card base in the U.S. is about 454 million and the prevalence of card fraud continue to drive the requirement to replace 1 in 5 annually or 91 million cards reissued a year. The standard 5-7-day reissue time is a major inconvenience for consumers. The efficient delivery of new and replacement cards should be considered in any business transformation strategy while a growing number of instant issue solutions are available to enable this capability that is vital to consumers.



Consumers Prefer *Self-Service First*

Self-Service and the introduction of Assisted Self-Service continue to be the most important channel for any Financial Institution. While branch traffic declines and mobile apps struggle to gain momentum, the ATM and its growing functionality continue to be the choice of most consumers.



Consumers continue to indicate that convenience is the leading factor in deciding where to obtain their financial services. The definition of convenience continuously changes based on the day of the week or time of day that consumers are looking to complete transactions. The recent trend shows they are migrating to later times in the day or in the week, whereas Saturdays now lead in the most transactions delivered.

Location, Location, Location

The location where consumers prefer service is also following the trend in migration of branch traffic. Traditionally placing an ATM at the existing branch to provide basic transactions when the facility is closed was the best approach. A current study follows that trend where consumers are preferring to use Self-Service in more convenient locations such as strip malls and retail stores.



What does Self-Service Really Cost?

In determining the true cost of Self-Service, we must look beyond the evident cost of the device and maintenance. What is the cost in deposits and accounts when consumer convenience is lost to a competitor? If these devices are another means of delivering transactions we should look at it from that perspective. If we look at Self-Service for convenience it is a far better value than a traditional branch (\$59K-\$3k Per month) and the results are the same from a transaction delivery (\$1.60- \$.50 per transaction) perspective.



What Methods of Service Do Consumers Prefer?

Current Data

Consumer service preference and trends can be determined by the rate that they use each channel. For this study, we segmented these channels into 3 groups, *Traditional Branch and Teller*, *Mobile and Assisted\Self Service*. The trends in each of these channels have been continuous for some time and are not likely to change. The traditional branch and teller channel continues to decline with a majority of this migration going to new mobile solutions. Self-Service support by new Assisted Self-Service solutions continue to lead with almost half of the transactions being delivered by this channel.



Branch and Teller

Current data indicates that this method continues its decline, in fact Bank of America has announced that it is using a 5-year period to determine if “Branch Banking” is at all viable. The continuing growth in labor costs and the decline in teller economies of scale\volume make this the most expensive way to deliver transactions. The current consumer preference migration will likely not change this decline.

Mobile

Even if the hysteria of “Cash is Dead” and “Mobile is the Future” may be true, eventually, mobile technology continues to be very slow in adoption and consumer preference. Many other countries globally are accepting this technology but in the US consumers continue to look toward other methods that they believe are more secure and easy to use.

Assisted\Self Service

This segment includes the ATM, Branch Transformation and Assisted Self-Service solutions. This method continues to lead consumer preference, replacing the decline in branch and teller and loosing little ground to mobile. Self Service is a well-established means that consumers are accustomed to and look for, in fact, the ability provide convenience fee free transaction continues to be a concern.

The Tools that Enable Your Business Strategy

The business strategy that each Financial Institution develops will determine the proper tools and investments to make. Each channel and the available tools have their benefits and weaknesses that we will look at individually using the latest data available. We will attempt to remove some of the misleading information that has become prevalent today.

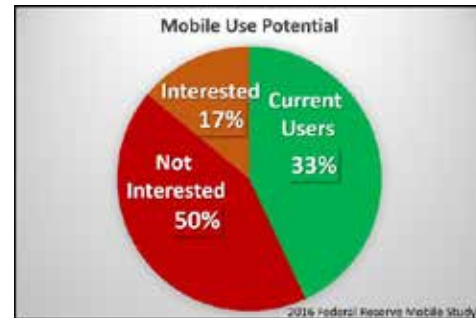
Summary

The result of this data indicates that there is now one channel to delivery of consumer service. The declining branch (as we know it currently) and the continuing preference in personal service indicate that a new “Branch” is necessary. Mobile has been slower than expected in consumer acceptance making it a weary solution to choose while self-service continues to lead in consumer preference. Developing a business strategy that aligns in investment and focus with these results is likely the best model to use.

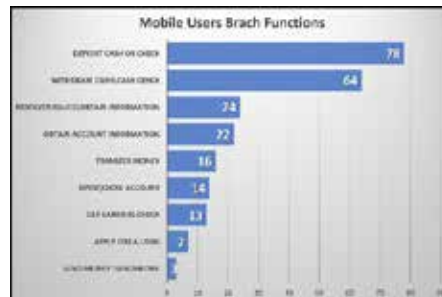
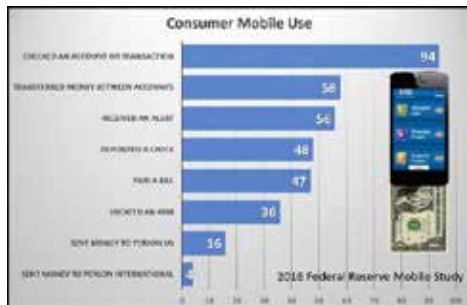
Mobile is the Future...*Not Exactly the Present*

Mobile Technology

Mobile continues to be the biggest “buzz” and some are recommending abandoning all the other channels to offer just mobile. The current data indicates this to be a mistake for today’s consumer. Currently only 33% of consumers use mobile for financial services which leaves 67% preferring other methods of consumer service. The major challenge with mobile is the fact that the prevalence in the use of cash remains strong and growing in volume.



What functionality do Mobile Users Use? The current Federal Reserve Mobile Study indicates that the 33% of consumers using they use it primarily for informational (Monitoring Accounts and receiving alerts) while transactions continue to lag led by account transfers. These current users continue to look to the Branch and Self-Service for most of their transactional needs.



The Facts About Mobile

Current Adoption
33% Of Consumers Use Mobile
75% Of Non Users Are Not Interested

Functional Use
90% Of Current Use Is Informational
94% Of Current Users Use Branch\Self Service For Transactions

Summary

Mobile technology is the future and must be part of any transformation strategy, but only if the objective is to serve current consumers. The overstatement “Death of Cash” is noted in current Federal Reserve circulation data. 50% of remaining consumers indicating no interest in the channel even if offered. Also, the continual security concerns of most consumers in this technology with growing numbers of data breaches and technology hacking lure interest away. These factors will only drive the advancement of other channels to deliver consumer service for the foreseeable future.





Branch Transformation *Enabling Consumer Service*

The Financial Institution Branch continues to play an important role in the delivery of consumer service even though some have declared it past its usefulness. Consumers continue to prefer personal service for advice, new accounts and wealth management. If the branch is to remain viable it must evolve by reducing costs and becoming more consumer service based rather than transactional cash management locations.

Integration *Enabling Technology*

Branch Device integration should be based on what is referred to as a “core integration.” These solutions should be core integrated to enable the ability to deliver as much of the teller transaction set as possible.

Service Enabling Devices

There are a growing number of transaction enabling devices that are being introduced by an increasing number of providers. These devices and their use have the goal of aiding or removing current requirements from branch staff allowing them to focus on consumer service. We will now look at each of these in general terms.

- **Teller Cash Recycler**

Teller cash recycling technology removes much of cash management requirements from consumer service personnel. They improve security, enhance counterfeit detection and speed transactions. They can be used for the branch vault for buys and sells.



- **Assisted Self-Service Kiosks**

Assisted Self-Service kiosks are intended to supplement branch personnel. They are designed to deliver the transactions to current clients. This requirement makes a “core integration” the preferred method of enabling these devices. The attended environment allows for the use of a reduced capacity device.



- **Digital Media Marketing**

Marketing to consumers as indicated by a BAI study is one of the top solutions that Financial Institutions are interested in. Digital media marketing has the capability to change your message at any time. The solution also enhances the appearance of a leading-edge consumer service provider.





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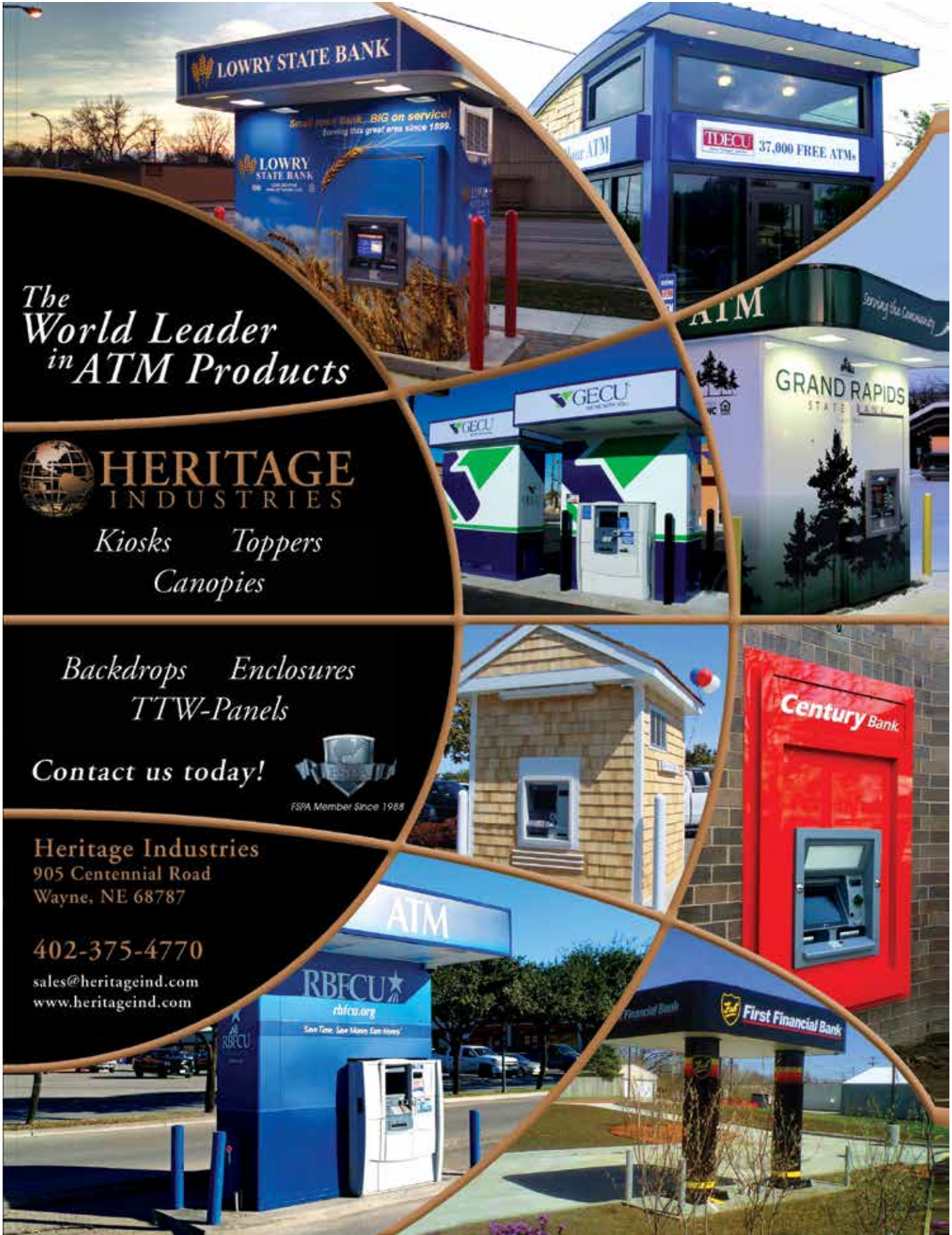
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Continued in the April issue....



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