

In-store ATMs making cash convenient for customers

Overseas one does not have to go very far to find an ATM, writes Dominique Herman

TWO years ago, with a laptop, a desk and a Golden Retriever puppy, Marc Sternberg started an ATM business in his parents' basement.

Today, Spark ATM Systems' convenience ATMs (automated teller machines) dot the urban and rural landscape of South Africa. Sternberg is about to move his growing team into bigger premises and they're on a bit of a hiring binge.

After qualifying as a chartered accountant from the University of Cape Town, Sternberg did his articles at Arthur Andersen in Cape Town.

He travelled abroad and then went to work for a wholesale distribution company in Durban before moving to Australia where he lived for a couple of years and joined a group of South Africans who had a chain of Vodafone retail outlets.

The idea to import the ATMs came late one night. Sternberg, 31, was back in his hometown of Cape Town and at a bar with friends.

Conditioned from living in Australia and never having to hunt for an ATM, Sternberg asked where the bar's ATM was located. He was told that if he wanted cash, he had to leave the building and drive a kilometre to the nearest bank ATM.

"I thought to myself that this is a massive opportunity. Overseas you never have to hunt for an ATM, never mind drive to one. There's usually one in the store you're in or at least next door. There's definitely one within 100 metres," he said.

After finding an ATM supplier, the biggest manufacturer of ATMs in Korea, it was time to link up with a local bank which could offer him entry to inter-bank operator Saswitch.

Three pilot machines were flown into the country and, with Saswitch certification in place, installations in grocers, pubs, delis, liquor stores and superettes commenced.

The ATMs operate on a locally developed dual-network GPRS modem from Datalinx Technologies called the CellPAD that uses two cellular networks, so if there is an outage with one, the other automatically kicks in. As a result, an installation requires nothing more than an approximately 1m x 1m space and an electrical power point.

Much like cigarette and snack vending machines, the idea of ubiquitous cash dispensers is about "taking convenience to where people expect it", Sternberg said. "Everything today revolves around convenience."

The machine not only acts as a cash vendor, but as an in-store secure safe for the merchant. The ATM's safe is filled with the merchant's cash and the next day the amount withdrawn by customers is deposited directly into the merchant's bank account, fee-free.

"Merchants don't have to leave their premises with a brown paper bag to go deposit their cash at the bank. They also save the expensive cash deposit fees," said sales director Russel Berman.

The rental is affordable, the merchant participates in the Saswitch



BRIGHT SPARK: Marc Sternberg, MD at Spark ATM Systems, got the idea for convenience ATMs when he needed to draw money at a bar.

Picture: MICHAEL PINYANA

fee by getting a R1 rebate per withdrawal and the merchant's cash is "converted from a cost to a revenue-generator", he added.

Kevin Phelan, proprietor of popular sports pub The Firemans Arms in the city centre, said he was saving a couple of thousand rand a month in cash deposit charges.

He hired one of the machines four months ago for customer convenience after repeatedly sending customers to a nearby filling station when they would ask where the nearest ATM was located.

There were often parties of up to 10 people in his establishment and having an ATM in-house meant people no longer had to borrow money from their friends when they ran out. "Customers would be lost without it," he said.

Sternberg said major banks would only put an ATM in a location where 6 000 to 7 000 transactions a month were guaranteed, whereas their ATMs made financial sense with as few as 300 transactions a month. Busy sites do well over 1 500 transactions and busy

machines can be worth more than R10 000 a month to the merchant, he added.

At the De Helderbosch Kwikspar in Somerset West, there was an Absa ATM outside before Trevor Piercy hired a convenience ATM.

"It's definitely the way to go; it draws feet," he said. "Security-wise it's a lot better in the store than outside it. Customers feel more secure."

Despite all that, his machine had not yet started paying for itself in the three months it had been installed. He estimated that it would take another month until it did and he had no plans to get rid of it.

In Canada, Britain, Australia and the United States, more than half of the ATMs are convenience machines and there are more than five times the number of ATMs per capita than in South Africa.

"In-store ATMs have become an integral ingredient in successful businesses as they draw customers in with their offering of safe, convenient cash.

"Once inside, customers draw

cash and then spend a large chunk of it on the premises. This cash retention rate can be as high as 30% and studies show that ATM users spend up to 65% more than non-users," Sternberg said.

Mario de Biasio decided to hire a machine for his Mouille Point Steven Rom Liquors outlet because there was no ATM in the area, and in the hope that it would "bring more feet into the store". Just from the point of view of bypassing cash deposit fees, the machine had paid for itself, he said, and it had created "a bit of extra spend".

The owner of the Carlucci's deli

in Orangezicht, Ian Williams, said his initial desire when he hired one of the ATMs was to provide a service to the customer. The second incentive was that it "more than paid" for itself in terms of a reduction in cash payment deposit fees. "It's very beneficial. It's small, discreet, it doesn't bring extra administration and it's easy to manage."

Williams added that his customers were often asking for cash back on their debit card purchases, a function his systems were not configured to process. "Now I can point them to the ATM. This allows for that facility."

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