



Cashing In. Marc Sternberg is making sure South Africans have access to cash no matter where they are.

SNAPSHOT

SHOW ME THE MONEY

EVEN IN WELL TRADED ENVIRONMENTS THERE IS OPPORTUNITY FOR INNOVATION. BY DONOVAN JACKSON

Spark ATM Systems had its genesis in a late-night need to draw cash. This led to an independent network of some 1 000 cash machines just a couple of years later. That's despite the fact that operating ATMs in such an apparently mature market seems like a crazy idea.

Company founder and managing director Marc Sternberg, who had returned to South Africa from several years working in Sydney, explains that

when he needed some money at a hotel, he assumed that there would be a cash machine readily available. "In Australia, there are ATMs everywhere. In bars, hotels, grocery stores – but I was laughed at when I asked, 'Well, where is it'."

As he walked down the street to the nearest petrol station, he realised that opportunity was staring him in the face. "The penny dropped. Why should there not be an ATM in every place where there are 500 or more people?"

As far as the traditional operators of

ATM networks – the banks – are concerned, the reason for that is pretty simple. It's a cost thing; an ATM has to pay for its presence and they are very expensive devices. Or are they?

NEW BUSINESS MODEL

Sternberg explains: "The model used by the banks is expensive. They have leased line or satellite connectivity and the hardware itself costs a bundle. Then there is the cost of cash replenishment. When you have Fidelity or Coin running around, you need very high volumes to make that site pay for itself."

His answer was to source far lower cost equipment and connectivity, which turned out to be readily available. But the real master stroke came in the cash replenishment model.

"Instead of a dedicated service, our



sites operate in 'cash rich' environments. Pool halls, butcheries, pharmacies and pubs – anywhere there is a till which is taking a lot of cash. We partner with the proprietor, who earns a fee from each withdrawal.

Now, instead of depositing his cash at the bank, which itself attracts a handsome fee, the proprietor puts his takings into the ATM and receives an electronic payment back into his bank account. When customers draw it out, they earn even more."

The reception from banks has not been adverse, either, Sternberg says. "We play in a very different space, serving predominantly the lower value transactions of a couple of hundred Rand and niche areas where banks can't justify an ATM of their own," he explains, adding that his Spark ATMs cost approximately one tenth to purchase and operate compared to those of the banks.

FINANCING THE COMPANY

Like many entrepreneurs who have complete faith in their business ideas, Sternberg explains that he and partner, Russell Berman, funded and grew the business from their personal savings, reinvestment of profits and a rental-purchase structure for equipment finance. "Giving away equity means giving away control. We want to stay nimble and able to respond

to the market needs very quickly," he says.

Although he's a CA, Sternberg has experience in the retail sector. Hence, the company is built on principles such as customer service and rapid response. "ATMs are all we do. The ATM is an asset for our retailers

who host them, so we make sure that the machine is up and running, not only to serve the customer drawing cash, but also to serve the store owner where it is located."

EXPANDING THE NETWORK

The opportunity for growth is considerable, Sternberg believes, while risk is minimal. "We've had very little vandalism and no incidences of ATM bombings, as our machines are located in high foot-traffic areas, very often under the nose of a store owner or operator. The machines add value to the businesses where they are located and to people who need cash."

Spark's research indicates that in South Africa, there are presently some 200 to 250 ATMs per million people, while in Canada, Australia and Mexico, that number is closer to 1 000 machines per million. "We think there is headroom for that many machines in this country. And we intend to make sure that most of them will be Spark ATMs." □

SPARK ATM SYSTEMS

PLAYER

Marc Sternberg

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CONTACT

086 111 4751
www.sparkatm.co.za