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Vendor predicts boom in cash machines

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SparkATM MD Marc Sternberg

There will be a dramatic increase in the number of independently operated automated teller machines (ATMs) in SA in the next five years.

That's the prediction of Marc Sternberg, MD of ATM supplier SparkATM Systems, who says the country has comparatively few cash machines compared to similarly sized markets elsewhere in the world.

Sternberg founded SparkATM about five years ago after returning to the country after a few years in Australia. "You see ATMs everywhere in Australia and it amazed me how few there were in SA," he says.

SA has about 20 000 ATMs in operation, most of which are owned and managed by the big four banks. Sternberg reckons that number could double in the next five years, mainly as a result of a big push by independent providers.

In SA, only about 15% of ATMs are owned and operated by independent suppliers. In the US the figure is 60%; in Canada, 65%. "I think there's massive room for growth," says Sternberg. "I have seen no sign that we are anywhere close to saturation."

He says banks typically only deploy ATMs where they know they'll enjoy high traffic volumes of over 5 000 transactions a month. "We play in the entry-level space, anywhere from 300 to 5 000 transactions a month. It's a market the banks are not too excited about serving."

SparkATM, which uses Capitec's banking licence, is one of three independent ATM suppliers of scale in SA. It has about 1 100 Korean-made cash machines in the field, located mainly in retail outlets, but also in places such as bars, hotels and restaurants.

The retail focus is deliberate. Retailers replenish the cash in the ATMs, obviating the need for SparkATM to be involved in the risky and costly cash-in-transit business. It also reduces costs for retailers, especially cash handling and cash deposit fees. Retailers also earn a rebate for each withdrawal and having ATMs in-store encourages shoppers to pay with cash rather than card. Banks typically take a cut of the transaction for card-based purchases, Sternberg says.

Through Capitec, SparkATM has access to the Saswitch network and systems run by card companies such as Visa and MasterCard. SparkATM is responsible for all ATM deployments for Capitec outside the bank's branches.

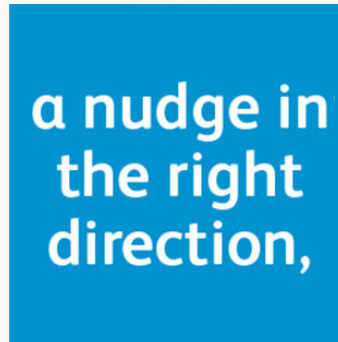
As an independent supplier, SparkATM relies heavily on the Saswitch network, the inter-bank ATM switch. Though the fees are higher (typically R5 to R7 more) than when consumers use their own bank's machines, Sternberg says the fee is "palatable", especially when convenience and safety are factored in.

He says there is intense pressure on the banks to bring down Saswitch fees and introduce a more transparent pricing model. — *Duncan McLeod, TechCentral*

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