

Five Ways to Boost the Profitability of an ATM Portfolio

Re-evaluating surcharge rates, reducing communication costs and upgrading equipment are just a few ways that can help boost profits of an ATM portfolio.

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As the ATM industry matures, Independent ATM Deployers (IADs) find themselves faced with diminishing returns from their portfolios. Whether the cause is from network interchange reductions, stiff competition or ups and downs in the economy, deployers are finding that they must redefine their business model or face extinction. In today's business climate, if IADs are only flexible to change they will not survive. Instead, they also must be fluid and rapidly adjust to a changing environment.

Below are five ways that IADs can make adjustments to the way they manage their ATM portfolios which will cause an increase in revenue, a reduction in costs and will boost profitability. The following information was provided by ATMequipment.com, North America's leading supplier of retail ATM machines, parts, supplies and repairs.

No. 1: Re-evaluate surcharge rates

ATM deployers often take a "set-it-and-forget-it" position when it comes to determining the surcharge rates they have in place for their machines.

"Many deployers are still charging \$1.75 or \$2.00 surcharge rates for many of their locations — the same rate deployers charged 10 years ago" said Alicia Ridley, president of ATMequipment.com.

Deployers should perform a complete re-evaluation of their surcharge rates assessed on their ATMs across their portfolio at least annually.

When re-evaluating surcharge rates, deployers should first define their portfolio into distinctive market segments, such as hospitality, convenience or retail. Deployers should conduct some internal market analysis to determine what the prevailing rates are across the country for



To ensure the profitability of an ATM portfolio, deployers must regularly make adjustments to their business model.

these market segments, what the market can bear and what current year operating cost increases will be.

Many deployers price their ATMs at lower rates than many bank-deployed ATMs. In September 2007, Bank of America, which has more than 10,000 ATMs in its portfolio, began to charge non-customers \$3.00 per ATM withdrawal. Today, however, there still are many ATMs deployed in various market segments priced at much less than \$3.00.

No. 2: Enable “Balance Inquiry at Start” on every ATM

ATMs easily can be programmed to ask customers if they would like to check their balance at the beginning of a transaction. Although the ATM doesn't charge the customer, the IAD can derive significant interchange revenue from these transactions.

Once “Balance Inquiry at Start” is enabled, deployers can expect between 20 to 30 percent of their transactions to be balance inquiries, whereas before such transactions might have been 10 percent or less.

The cost to enable Balance Inquiry at Start is minimal and the incremental revenue can make quite a difference. The only inconvenience for ATM deployers is manually changing the setting and possibly upgrading software.

Many banks across the country have enabled Balance Inquiry at Start on their ATMs. If banks have done it, why shouldn't the independent deployers?

No. 3: Reduce communication costs

Every dollar a deployer can save by reducing communication costs is an extra dollar added to the bottom line. The options for saving costs on connectivity have never been better.

Ridley said, “Wireless is rapidly becoming the new standard for ATM connectivity. Wireless is very reliable, secure and mobile, and the cost savings over a traditional landline are considerable.”

If a location has Internet access, consider piggybacking off the Internet service that may already be installed.

By re-evaluating connectivity options and making changes, a deployer can reduce monthly connectivity costs by nearly 50 percent.

“Right now, the biggest opportunity for an ATM deployer to reduce costs lies in



Wireless communication is quickly becoming the new standard for connectivity for all ATM locations.

connectivity. A portfolio of 100 ATMs that switches from traditional landlines to wireless connectivity can save more than \$20,000 annually,” Ridley said.

No. 4: Re-evaluate the location of the ATM

The ATM is a highly impulsive transaction, and many consumers will stop to use an ATM on their way out of a store or business establishment. Despite that pattern, merchants, and sometimes deployers, often insist on placing their ATM in the back of the store, making the machine out of sight from potential customers.

Deployers think that a machine in the back of the store is more secure, but in reality that’s not true. Having the ATM fully exposed can actually provide more security, and unquestionably more revenue from transactions.

“There is no better place to position an ATM in a convenience or retail environment than right next to the front door,” Ridley said.

Placing the ATM in a highly visible and impulse-friendly location traditionally will increase transactions by 25 to 30 percent.

No. 5: Upgrade equipment

Thanks to the dependability of existing ATMs, many deployers continue to use machines that are seven or more years old. Although on the surface that may seem thrifty, in fact deployers may see a greater return by investing in more modern equipment.

Ridley said, “What deployers often don’t

Transaction counts traditionally jump 20 percent immediately following upgrading a location with a new and modern ATM.

realize is that the cost of new equipment has come down considerably over the years. In fact, the average cost of monthly depreciation of an ATM over five years is nearly \$30 a month. Transaction counts traditionally jump 20 percent immediately following upgrading a location with a new and modern ATM.”

As older ATMs are being managed by deployers, the costs of maintenance will continue to increase. Deployers should weigh out the costs of new ATMs (as stated earlier, approximately \$30 per month) compared to increased maintenance costs — and the upside of increased revenue from transactions. The reality is the increased transactions that result from a newer and more modern ATM will more than make up for the cost of the new ATM.

Older machines also aren’t capable of conducting additional service transactions, including lotto, money transfers, bill pay and more. By not upgrading equipment, deployers may be missing out on these types of revenue generating transactions in the future.

These five ways to boost the profitability of an ATM portfolio are not difficult to implement. Instead, they are very simple solutions that should be best practices followed by each IAD. When implemented, these methods can make the difference

between whether an ATM portfolio is simply marginally profitable or highly profitable.

About the sponsor: ATMequipment.com (www.ATMequipment.com), a Grant Victor company, is North America's leading wholesale supplier of retail ATM machines, parts and supplies. The company has an extensive repair service center and repairs most brands of ATM components. The company also provides wireless connectivity solutions for ATMs throughout the United States and is revolutionizing the way ATMs communicate, providing for fast and secure connectivity, cost savings, greater reliability and mobility.