



Simple ATM Strategy Can Provide Strong Revenue Stream for Hotel Operators



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Hotel property owners are always looking for ways to cut costs and increase revenue and profits. One of the easiest, but often overlooked, revenue sources for hotels is the two square feet devoted to the lobby ATM machine. With just a little thought, an ATM revenue strategy can be easily developed that turns that precious small space into some of the highest revenue per square foot areas of a property.

In many locations the ATM machine is placed in the loneliest corners of the property—by vending machines, at the end of hallways, or even in the business center. These locations make it difficult for customers to find the machines, do little to provide cash convenience, and make it difficult to add a strong revenue source to the bottom line.

On the other hand, a well thought out ATM strategy provides high convenience to customers and can provide great returns with very little cost.

The following are five tips on how to approach a strategic ATM revenue model for your property:

Location

The old real estate slogan, “location, location, location,” is the most important consideration for hotel owners to consider when implementing an ATM strategy. It’s all about convenience.

Cash is an impulsive purchase. People have grown to expect the convenience of cash whenever and wherever they are. The main objective of any property should be to place their ATM machines in the most convenient location satisfying that impulsive need to get cash. With most properties, that location is the hotel lobby.

Think about it. How many times has a customer checking into a hotel, realized they need cash, and immediately look around for an ATM machine? If the ATM is tucked away and out of site; a revenue opportunity is lost.

The best locations can be determined by the flow of people-traffic through your property and depends on the type of property. In a New York hotel for example, the best place is usually in the lobby close to the entrance where people need cash for gratuities, taxis and perhaps for onsite cash-dependent vendors. A Hawaiian resort may need an ATM closer to the doors near the beach or to a bar or nightclub—perhaps even outside.

Ultimately, ATMs need to be placed so people coming and going through the property will see the machine and get that impulse for cash.

ATM Service Model

Location may be the most important aspect of an ATM revenue strategy, but there is also a need to establish an ATM service model that best suits the property while maximizing revenue and expense.

There are a couple of key options for property owners and managers. The first option is the **owner/operator model** where the property owns the ATM, services the machine, maintains uptime and provides cash. In this model, the owner must use a processing service to handle all of the cash transactions.

The upside to the owner/operator model is that the hotel property earns all of the revenue generated from its ATM machines. The downside is they are also responsible for maintaining the ATM ensuring it stays up and operative. They also must have cash on hand to put in the machines to dispense to customers. Additionally, the owner must pay all expenses. It requires a lot more time and commitment to the operation of the ATM than a hotel property owner may have or is willing to devote.

The second model is a **turnkey solution** providing the convenience and service property owners need while minimizing the time they actually must devote to the ATM. This model is the most efficient for hotel owners and utilizes the services of an Independent Sales Organization (ISO) such as eGlobal. The ISO shares the revenue with the property owner.

A good ISO takes care of everything—provides and places the ATM, services and maintains the machines, manages the cash placement, processes all transactions, and manages ATM fees. The hotel management team doesn't have to worry about doing anything. They simply collect a check for their share of the ATM fees—a clean and effortless revenue stream. The number of monthly transactions determines the revenue model and how it is shared between the ISO and property owner. The higher the transactions, the more the hotel can make.

People Want to Get Cash

People want and expect to get cash and are accustomed to paying ATM fees for that convenience. Some operators make the false assumption that the convenience they need to provide is free cash. This is not the case. People are willing to pay for the convenience. They perceive it as valuable.

Also keep in mind most hotels no longer provide check cashing services. There are few alternatives other than an ATM machine to get cash. Customers aren't going to get into a taxi that drives them around looking for banks where they can hopefully get free cash withdrawal. They will instead willingly pay the ATM fee for the convenience of obtaining cash quickly.

Uptime

After everything is factored into an ATM strategy, don't forget uptime. Downtime means revenue stops. It must be up and ready to provide service at all times. Those things that will ensure ATMs are up and operational all the time need to be put into place.

Seasonality of the property can also play a factor in up and downtime. Depending on the property and its location, occupancy may be 100 percent during some parts of the year with less occupancy at other times. This can have an affect on ATM strategy too.

Cash Remains on the Property.

Hotel property owners need to continually remember that while a solid ATM strategy can provide a great revenue stream, an additional benefit is that a high amount of that dispensed cash is utilized right back into the property.

Summary

An ATM machine uses approximately two square feet of space—not very much. With a thought out strategy, the revenue generated can be quite significant for those two square feet with very little cost and expense. In many ways it can be as profitable, if not more so, than other services provided such as Internet, phone, and cable all requiring significant infrastructure expense and up keep.

Most importantly, when adding a new revenue stream with ATMs, a great service and convenience is provided for customers who appreciate the easy access to cash.

Jeff Matthews is President of eGlobal. eGlobal is one of the leading ISOs in North America and provides turnkey ATM services in many locations including some of the biggest names in hotel and hotel chains. The company also provides transaction-processing services. www.eGlobal.com