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Blu Approved the power of prepaid



By LAURA DURHAM

Add more to your store



Trevor Wilkins

Boasting a wide offering of prepaid services is key to becoming a destination store.

Empower your customers with cash and prepaid services

Reaching the unbanked and underserved

"Access to financial services is as important to economic development as portable water, telecommunications or electricity," says Marc Sternberg, MD of Spark ATM Solutions, "yet most rural South Africans live many kilometres away from their nearest ATM." For many people in rural areas, drawing cash involves a long journey that can cost them R50 or more. In addition, topping up their cell phone with airtime or buying prepaid electricity for their meter at home becomes difficult when the local spaza shop – which also faces logistical issues – runs out.

Developing the hawker market through technology

"Airtime and prepaid electricity have small margins – but they're a platform for big business," says Sheldon Frank, head of independent channel at Blue Label Distribution. So much so that traders buy airtime in bulk from wholesalers to then resell from their spaza store or hawker's table.

Wholesalers service both the retail and wholesale markets to a lesser or greater degree. They have for some time now serviced their retail market with virtual airtime through either vending machines, bulk printers, terminals or integrated point of sale (POS) in order to benefit from cost efficiencies and increases in turnover. "In the past wholesalers have had no choice but

Customers are no longer happy with a simple grocery store experience. They expect the convenience of an in-store ATM, to be able to swipe their bank cards as payment and to top up their airtime, electricity and other prepaid services. By empowering your customers with these services, you will not only be encouraging greater spend in-store but ultimately, giving them the opportunity to pass on the service to their own customers.

to sell physical vouchers to their wholesale customers because these customers buy in bulk in order to resell them from their retail outlets," says Frank.

The option of using a bulk printer requires consistent monitoring as airtime has to be printed in-store and although better than hard cards, it is still open to theft and pilferage if all cashiers are able to sell them. It can also create a bottleneck and additional overhead if a dedicated point is used.

There are also so many different service providers and denominations available and therefore hawkers are often limited to a small offering based on their cash on hand.

Christina Kokome has had a hawker's table on The Avenue in Norwood, Johannesburg for the last four years. Originally from the North West, Kokome buys around R500 stock each week (sweets, biscuits, chips) and makes around R150 per day from the passers-by and school children on their way to and from school.

She also has a phone line and charges 90c for a two minute call. "If I could sell airtime, more customers would come to me (as opposed to her competition) and I'd make a lot more money," she says. But at the moment she cannot afford to buy airtime vouchers due to her stock budget constraints.

So enters Blue Label Distribution's mobiMerchant, which utilises the hawker's own cell phone as a POS device whereby wholesalers can load credit at Blue Label on behalf of their customers, instead of selling them physical stock. They can then register their customer so that he can start selling any and all prepaid vouchers, including prepaid electricity from their own handsets or small terminals, whichever suits them best.

Hawkers can simply purchase a voucher with the cash (e.g. R200) and their mobiMerchant account is credited accordingly. They can then sell airtime to their customers for whichever service provider and denomination they require – up to the credit limit. The hawker's customer is then sent an SMS voucher and their phone will be recharged in the same way as if they had physically bought airtime from a kiosk themselves.

"We're empowering wholesalers to create an electronic distribution channel which enables hawkers and other small retailers to sell prepaid airtime and other services



Access to financial services is as important to economic development as portable water, telecommunications or electricity.

without wholesalers having to physically administer and distribute stock whilst still appreciating their usual margins," says Frank.

It is a win-win situation but Frank says that while the responses from wholesalers have been generally positive, they are still hesitant to go completely virtual. "One obstacle has been trying to convince retailers that even though going virtual is slightly more expensive than physical airtime, the efficiencies and the additional products and services that can be sold off a single voucher will make it more profitable," he says.

"It's a minimal hassle way of selling airtime in bulk and the mobiMerchant creates an easy and convenient environment for hawkers to resell the airtime to

their own customers on the street corner," says Frank.

Cash is still king

Cash withdrawal values across South Africa showed a marked increase in April 2011, as compared against both the previous month and the same period last year as measured by the Spark Cash Index. The average cash withdrawal for April was R423, a significant increase over January, February and March of this year, as well as compared to April last year (408). "This 4,78% increase on previous month and 3,56% increase on previous year, despite recent hefty fuel price increases and a weak economy, is very positive and confirms an increase in consumer spending and positive consumer outlook," comments Mark Sternberg, MD of Spark ATM Systems.

And this positive consumer outlook is good news for retailers because it means your customers will hopefully have more to spend in-store. However, if you don't provide the cash vehicle – the in-store ATM – then you are doing damage to this sales opportunity.

ATM advantages

"A reliable, convenient and cost-effective ATM offers a retailer a competitive advantage. With cash in hand, customers are likely to spend more in-store," says Rob Rogan, commercial director at ATM Solutions.

Once customers are inside store – even if it was originally just to draw money – they will generally spend more money in the store. "An in-store ATM is therefore a great way to stimulate much-needed sales with studies showing that they can increase sales by on average 10%, and by as much as 25%," says Russel Berman, sales director at Spark ATM Systems.

Furthermore, an in-store ATM offers the retailer an opportunity to earn additional income from transaction rebates. Sternberg explains: "Because the merchant-filled ATM model means that the ATM is filled with cash from the merchants' tills which is reimbursed daily with no charges, the retailer can save a small fortune on cash deposit fees."

Customers are also more likely to spend cash, rather than use their credit cards in the store so the retailer also saves a fair amount in credit card commissions. "In addition to these advantages, the retailer also earns rebates on cash withdrawals, providing a further source of income," he adds. They can also use the ATM screen and receipts to advertise or promote special offers or products.

"These additional ways for a retailer to save costs and increase sales and profit can certainly not be ignored in the current tough trading conditions that many retailers are experiencing," says Sternberg.

Managing ATM risk

The disadvantages for the retailer with in-store ATMs come when one starts looking at the cash-in-transit (CIT)-filled ATM model. "Having an in-store CIT ATM machine means that the retailer loses the considerable savings in cash deposit fees that they enjoy by having a merchant-filled machine. Also, the extra costs incurred to pay for the CIT company mean that retailers get much lower rebates, often only starting from 2 000 transactions and above," explains Sternberg. For merchant-filled ATMs, retailers get a rebate from the very first withdrawal so there is more revenue for them.

There are also many potential security problems with hosting CIT-filled ATMs, says



If you have an outside ATM, make sure you conduct regular inspections on the ATM and surrounding area and point all CCTV cameras to the ATM and store the footage for at least three months.



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Sternberg, with the retailer and customers at risk of attack while the machine is being filled. Also, CIT machines hold more cash (as they are filled less frequently) than merchant-filled ones and so are usually the ones targeted in ATM-related crime. The merchant cannot remove the cassette after trading hours, thereby eliminating the risk of theft or vandalism of the machines. "No-one would dream to leave their till full of cash overnight so why do the same with your in-store ATM?" he asks.

In-store versus outside ATM

There is a number of ATM products and installation types depending on the application. "A free standing ATM is typically used for an inside installation and a through-the-wall installation would typically be for an outside installation with the safe still on the inside of the store," says Rogan. There is however no exact formula, as each site is assessed on its own merits and requirements.

ATM users prefer to withdraw money in the secure, well-lit environment of their friendly store with staff, other customers, store security guards and CCTV cameras present. "For the business, the risk of vandalism and theft or attempted theft from a street-facing or outside ATM is much greater. "An in-store one can be watched at all times while the business is open, and during closing hours, the retailer empties the cash cassette of the ATM and leaves the safe door open clearly demonstrating to potential thieves that the ATM is empty," says Sternberg. An outside ATM is also never emptied, and is usually a CIT-filled one, and with that, comes all the security risks associated with CIT-filled ATMs. The cost of installation of an outside ATM is also much more.

Lastly, by locating your ATM in-store, you make it easier for your customers to spend some of their withdrawn money in your store. This benefit is not present with outside-facing ATMs.



Airtime is a lucrative opportunity for traders like Christine Kokome but not having enough of a stock budget to buy all the different providers and denominations poses a serious barrier to enter this market.

The following situations can be potential ATM security risks, explains Rogan:

- An ATM in a dark area with not a lot of traffic during the day or night
- When other ATMs in the area are not working, this can be a possible sign of ATM sabotage
- Strangers offering help to ATM users. Only trained staff should assist cardholders

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ATM users prefer to withdraw money in the secure, well-lit environment of their friendly store with staff, other customers, store security guards and CCTV cameras present.

- Crowds of people in front of an ATM, not standing in a single line
- Suspicious people watching or loitering around an ATM
- Retail employees giving out critical ATM information e.g. cash collection times

Ways to prevent potential security risks

- Conduct regular inspections on the ATM and surrounding area
- Point all CCTV cameras to the ATM and store the footage for at least three months
- Connect the shop alarm to the ATM alarm
- Give specific instructions to the armed response companies to inspect the premises at all entry points, especially the roof area
- The merchant should uncash the ATM every day after hours (6pm to 6am) between the 22nd of the month and the 5th of the next month. The safe doors of the ATM should be left open to indicate that there is no cash in the ATM
- Close your roller shutter doors and P100 doors daily after-hours or according to your schedule
- Make sure the ATM is well lit at night – especially if outside facing.

Cashing options

"Cashing options are dependent on individual needs such as cash volumes, wanting to save on bank fees, locality. Once again, this is according to each individual requirement," explains Rogan. But generally, the break-even number of monthly withdrawals for a merchant-filled ATM is much lower than that of a CIT-filled one. The banks and

other CIT-filled ATM suppliers generally do not look at a store or site which will do under 5 000 withdrawals per month, eliminating all but the largest retailers.

"With a self-loading ATM, a retailer can match the supply and demand for cash and, as detailed earlier, if it is properly managed, can be very advantageous to the business in terms of sales, cost savings and increased profits," says Sternberg. Being able to control when the ATM is filled and with how much means the retailer never has to face an 'out of cash' sign in front of their machine, whereby they push customers out of their store and on to the next available ATM and store. For example, in the recent truck drivers' strike, many of the CIT-filled ATMs ran out of cash (as they rely on drivers to deliver cash to the site) but the merchant-filled ATMs and the retailers who host them did a roaring trade!

To swipe or not to swipe

"The benefits of having a card machine are great to both retailer and customer," says Ondina Kühn, senior brand manager at Sure-Swipe. For the retailer, it generates more business in-store as many customers will leave their basket at the till when they realise that swiping their card is not an option. The inconvenience of having to go draw money (especially if there is no ATM) and coming back means that more often than not, they will simply go elsewhere – for good.

Offering this service also indirectly generates more income for the retailer as customers are not limited by daily limits when using a debit / credit card like they are when drawing cash.

Safety and security is also a big reason to invest in a card machine. "Most armed robberies of stores take place because the criminals know that there are large amounts of cash on the premises," says Kühn. Customers are also more reluctant to carry cash at all due to hijacking and theft. Even if a card is stolen and used, it can be cancelled with the bank immediately or the money reimbursed due to incorrect signature or reported stolen. "It is also costly to deposit large sums of cash, as opposed to direct transfers via card machines into the business account," she adds.

Portable versus fixed machine

"In terms of cost, a portable machine is slightly more expensive as they tend to be dropped and damaged. The technology is also smarter," explains Kühn. But a portable machine is cheaper with connectivity costs, because a sim card is used instead of a modem or phone line. Security wise, a portable offers more security for the



Airtime, especially hard cards, is subject to the most theft and pilferage in-store particularly if sold by cashiers. On the other hand, a dedicated kiosk can also create additional overhead and a bottleneck.

customer as the machine is presented to them, so they are 100% aware of the transaction amount. There are always fraudsters at play – these can be the store owner or an employee working in the store. "A fixed machine has a slightly lower cost, again this is also more on the rental of the machine, as it is not moved around, it is at less risk of being damaged but connectivity is more as this machine requires a modem or phone line," says Kühn. For customers, it is risky as the card is taken out of their sight and a fraudster could take an imprint of the card or swipe the card twice without the customer knowing.

There is always the risk of fraud but so long as store owners and staff are trained to be vigilant, the threat will be kept under control. Area connectivity problems might also affect the machine as weak signal will cause delays (retailers can purchase a booster if this is the case).

Becoming a destination store – by introducing prepaid services, card facilities and an in-store ATM – is key to attract new customers and encourage the spend of their cash in your store. **WB**