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Better ATM Launches Amazon Gift Card Pilot for Holiday Season

ATM Owners and Prepaid Providers Clamor to Cash in on New Distribution, Revenue Opportunity

By Ingrid Ricks

Gift card shoppers in New York, California and other select markets won't have to worry about navigating the crowds and checkout lines at retailers this holiday season.

If a \$25 Amazon gift card meets their needs, they can purchase it directly from an ATM – and get rewarded with a \$25 gift card from Restaurant.com in the process.

Call it a coming out party for Better ATM Services. After four years of research and development, the Mesa, Arizona based company – which developed the technology and infrastructure to enable the distribution of gift cards via ATMs – recently announced a nationwide ATM pilot for the Amazon gift cards. And Better ATM Services CEO Todd Nuttall says it's just the beginning.

"We have been servicing single restaurants with closed loop gift cards and the Amazon card was the perfect next step to get us into a national brand," said Nuttall. "It's a closed loop card but enables cardholders to purchase items from hundreds of retailers, and prepaid open loop cards aren't far behind.

"We have several exciting things in the works," he added. "We now have our technology so that it works with just about every card issuer and we are fielding a lot of calls. The demand is much higher than we can supply right now."

The Opportunity

There's a reason the ATM industry is buzzing about the gift card technology Better ATM provides.

After years of soaring growth, the ATM market is now saturated, making placement of new ATMs difficult. And with everyone from big box retailers to post offices offering cash back services with debit card purchases, consumers are frequenting ATMs less and less – reducing the revenue generated from existing ATMs.

As ATM owners and service providers view it, Better ATM is breathing new life into what had become a slow dying industry.

"The market is saturated, but with Better ATM and the ability to deliver gift cards, it gives you the extra edge," said Carl Stein, CEO of Automated Cash Management Systems, who will be placing the Amazon gift cards in mall and resort ATMs this holiday season. "Any merchant you talk with right now, if you try to place an ATM, they already have a stack of 50 others who have been in to talk with them. But now we have the ability to stick in a gift card and in my eyes, it is rekindling the ATM industry. It throws us back to 1997 when there was no such thing as an ATM. I think it will take a little while for the idea to catch on, but once the understanding is there, I think it will rebuild the industry."

The Better ATM Approach

Nuttall refers to his company as the Blackhawk Network or InComm of the ATM world. Just like Blackhawk and InComm serve as the bridge for prepaid providers interested in featuring their gift cards and other prepaid products in big box retailers, Better ATM Services enables prepaid card providers to deliver their products via ATMs. Better ATM owns patents on the technology that enables ATMs to deliver prepaid cards, and offers a complete turnkey solution that facilitates the secure delivery of the cards, the processing and money flow of the transaction, and the activation of the cards upon purchase. The

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company has also spent significant time working with ATM manufacturers to ensure that the new ATMs being developed can easily facilitate the delivery of gift cards so retrofitting isn't required.

When it comes to the opportunity his company provides ATM owners, Nuttall says it is much greater than offering them a new revenue stream via prepaid cards. By serving up gift cards instead of money, Nuttall says he is able to flip the economics of a traditional ATM transaction and turn a cost center into a profit center.

"Right now, ATM owners sell \$20 bills. They have to rent the cash and pay interest on the cash that comes out and then make their money on the ATM fees," explained Nuttall. "But the minute you switch it to a card product, the model is reversed. The card inventory costs nothing – you don't have to rent it. You just sell what you can and if you can't, you return the rest. And when someone buys a card, the money comes out of the consumer's bank account and sits in the ISO or card issuers' bank account earning interest."

Another key component of the Better ATM product offering is the incentives that are tied to each gift card. Recognizing the trend toward consumer incentives, Better ATM has a staff member devoted to finding value added promotions that can be tied to the prepaid cards. To work with the existing dispensers in ATMs, the gift cards issued by Better ATM are designed in the shape of a dollar bill or other international currency recognized by ATM machines and detach into three separate cards. The top card is usually the gift card, the middle card serves as an advertisement or instruction piece, and the bottom portion is the promotion – which in the case of the Amazon Gift Card is a \$25 gift card that can be redeemed at a participating restaurant in Restaurant.com

"Like the Amazon card, it is an online gift card," said Nuttall. "To use it, you simple log onto the site, put in your zip code and a list of participating restaurants pop up in your area. You select the restaurant you want, print out the gift certificate and you are ready to go. It is one of those cards that require you to purchase two entrees. But it is truly a \$25 value, which means that when you purchase the Amazon gift card through an ATM to give to someone for Christmas and then keep the restaurant.com gift card, you have broken even.

"You will see prepaid products feature more and more promotions. It's the nature of beast going into the new economy," he added.

Capitalizing on ATM Distribution

While prepaid cards offer a new revenue stream for ATM owners, they aren't the silver bullet solution for every ATM owner. For starters, ATMs can facilitate only two to four cassette dispensers – meaning there are limits to the number of gift cards that can be distributed through a machine. And to be effective, gift cards need to be placed in high traffic locations that are frequented by on-the-go consumers. And even with the ideal location, Nuttall says there are education and trust hurdles to overcome.

"People can see that it offers them a great value and they may want to buy it, but the ATM has now become like a Coke machine and people have been ripped off before from Coke machines," said Nuttall. "This is where the trust factor comes into play. If it is tied to something people trust already – like their credit union – it will be an easy leap. If it's just sitting off somewhere, it will be negatively impacted unless the staff is making an effort to make them comfortable with it."

Despite the inherent challenges, Nuttall says the time for ATM distribution of all sorts of prepaid products has arrived. Along with the interest from gift card providers, he says he has been approached by numerous non-traditional prepaid providers, such as concert promoters who want to sell general admission tickets through ATMs, or metro stations that want to use ATMs to dispense fare-related tickets.

"The ATM is the perfect underutilized self service financial institution and we want to leverage that to the greatest extent," said Nuttall. "There are numerous vertical markets that are not prepaid cards but are looking for self service distribution with security tied to authenticated transactions, and that is where the ATM is the winner."

Many of the initiatives Nuttall is working on will come to fruition in 2009. In the meantime, his focus is on the 2008 holiday shopping season and the Amazon gift card initiative. And Amazon's gift card provider couldn't be happier to be at the forefront.

"Our goal is to provide our customers with an easy and convenient way to buy, and this takes that concept to a whole new level," said Marcell King, Senior Manager of Corporate Gift Card Programs for ACI Gift Card Inc., the exclusive gift card issuer for Amazon.com. "ATMs are available 24 hours a day, all over the world. They already provide an easy way to get cash and purchase stamps, and gift cards seem like a natural extension. We are excited to be a part of this."

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