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The Potential Of ATMs Distributing Visa Prepaid Cards

Last week, Visa teamed up with Better ATM Services to debut a gift card that is dispensed out of ATMs. Three credit unions in Arizona are participating in this new pilot program.

Although advertised as a gift card, the ATMs are really distributing a Visa prepaid credit card. It is similar to other prepaid cards, but varies a bit in its physical form. [Bank Technology News says](#) the new cards “more closely resemble transit cards than credit cards.”

The main draw for consumers is the card’s convenience. It allows a shopper to easily acquire a prepaid card, which is safer than carrying cash and more secure for making purchases. And for the credit unions, they will be able to keep the money until it is spent. That means the credit unions can continue earning interest from the money that is on the prepaid card, but has not been spent yet.

The Boston Consulting Group forecasts [over \\$840 billion in prepaid card transactions](#) by 2017. ATM distributed cards could increase this number even more and also help expand the consumer and public sector markets, both of which were smaller than the corporate market according to BCG’s prediction.

For the consumer market, ATM kiosk companies like Cardtronics could have an entirely new market of users thanks to the card printing invention. The public sector is also ripe with opportunity. By contracting with the government, Visa and participating ATMs could improve and simplify the way that aid and welfare are distributed.

While many opportunities exist, it remains to be seen how Visa, Better ATM Services, and the credit unions will create a profitable business plan with the new prepaid cards. It may be possible to profit just from the earned interest, but that will depend largely on the number of prepaid card users and how quickly they spend money from the card.

It will be vital to see how many ATM kiosks decide to adopt this service once Better ATM and Visa decide to scale up the program. This will most likely make or break the technology, either opening doors to a large market, or severely hindering it with its inaccessibility.

The current pilot program offers no-fee \$25 prepaid cards that are printed at the ATM. No fee is the cards major advantage at this stage. Better ATM Services owns the patented technology for printing the prepaid cards at ATM locations, and it is only being tested in Arizona.

The market for prepaid cards is clearly expanding rapidly, but it is difficult to judge whether ATM distributed prepaid cards will become popular. The service's biggest problem is the fact that people usually go to the ATM to get cash, rather than deposit cash. Consumer adoption may require a shift in banking habits, or added incentives for using the ATM distributed prepaid cards.

Despite the challenges the prospect of ATMs distributing credit cards opens up a host of new opportunities, and it will be interesting to see how the technology will be fully implemented.

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