

Understanding cost per transaction and improving profitability in ATM operation

Introduction

For an independent atm deployer (IAD), cost per transaction is the basis for the business model. This document attempts to put forward the facts, help understand the cost drivers and opportunity for improving profitability.

Understanding cost per transaction

The revenue earned per transaction is fixed for IAD, and Hence, the levers for profitability are

- a) to work on improving transactions and
- b) to keep the costs per transaction low.

Understanding the various factors that contribute to the cost of transaction in depth and choosing right solution would bring great opportunity for improving profitability

Basically cost per transaction can be arrived by dividing the “total cost” by “number of transaction” in a given day or month. The number of transaction is clear from the transaction logs. What about the cost?

Arriving at the cost per transaction

Let’s consider various costs involved in running ATM center.

Capex ATM Site Cost (A): Considering that CAPEX for ATM site infrastructure is financed by a bank over usage period, there can be converted t to monthly EMI cost.

Operation Expenses (B): Cash loading expenses, Care taker expenses, Connectivity charges and Power costs, network & switching costs..

Now. A+B= Total monthly expenses for running site. Dividing this by number of transactions should give cost per transaction.

Identifying the high cost contributors and finding ways to bring down is key to improve profitability. Let’s look at the “Power cost” and its impact.

Power cost for site		Normal ATMs		Vortex ATM
		ATMs	A/c	
A	Power consumption watts	200	1500	70
B	Hours of opns month (24x30)	720	720	720
C	Total watt hour/ month (axb)	144000	1080000	50400
D	Total number of units (KWH) (c/1000)	144	1080	50.4
E	Average utility cost per unit	7	7	7
F	Electricity cost / month (d x e) Rs	1008	7560	352.8
		8568		352.8
		Monthly electricity expenses RS		

At the current power tariff in most states,

- For Normal ATMs power cost per month is around Rs 8568/-
- For Vortex ATMs power cost per month is Rs 352.80
- Power tariff can go up every year, making it even more higher for normal ATMs.

How does it impact the Cost per transaction and the profitability

For ATM only

Txn per day	50	75	100	150
For one month	1500	2250	3000	4500
Power charges	1008	1008	1008	1008
Cost per Txn in Rs	0.67	0.45	0.34	0.22

For ATM + A/c (typical requirement for normal ATMs)

Hits per day	50	75	100	150
For one month	1500	2250	3000	4500
Power charges	8568	8568	8568	8568
Cost per TXN Rs	5.71	3.81	2.86	1.90

- Normal ATMs consumes higher power, generate higher heat. Besides are designed to work upto 40 deg only.
- ATM site requires airconditioners. If a/c is not provided or a/c is not working due to power cut, ATM's do not work, resulting in loss of business opportunity.
- The "Power charges" alone can vary from Rs 3 to 6 per Transaction, depending on number of transactions.
- Most states power tariff's are bound to increase at regular intervals, that can further increase the cost escalation.
- **Consider Rs 15 is the maximum revenue earned by IAD per transaction, about > 30% can go for power cost alone. This can challenge the business viability itself.**

Is there a better solution?

An ATM, that can consume less power, work without airconditioner, can substantially bring down the cost per transaction.

Vortex ATMs are designed for this.

For Ecoteller ATM

Hits per day	50	75	100	150
For one month	1500	2250	3000	4500
Power charges	352.8	352.8	352.8	352.8
Cost per TXN in Rs	0.24	0.16	0.12	0.08



- With Vortex ATMs, the power cost per transaction is just 25 Paise and go down further upto just 10 paise as transaction volume increases.
- As against Rs 5.71 for normal ATMs
- Vortex ATMs can bring substantial profitability to the ATM operations and continue to protect against tariff escalations!
- Further, with better ATM availability, Vortex ATM can help to serve more customers as well.

Summary - Vortex ATMs help

- ✓ **To provide world class ATM service at unmatched low cost per transaction.**
- ✓ **ATM viability even at low transaction sites and Help Reach out!**
- ✓ **Protect the business viability from power tariff increase.**
- ✓ **Vortex has right product and infrastructure in the country, to support and grow the IAD ATM business.**

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