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— page 40

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...rked for me was to keep
...nders on, to focus on one thing all day:
...making this company successful."

— Phil Rock, ATM Network

ALL OR NOTHING

Phil Rock's relentless pursuit of sales builds ATM Network

Ten years ago, Phil Rock went to work for his kid brother. At the time, the Portland-based Card Capture Services was a fledgling credit card-processing concern trying to find its legs. Rock's brother Jeff Jetton (who took the name of the pair's stepfather) was the boss; Rock's job was to help with promotion. "I made it extremely clear to him that I didn't want to be in sales," says Rock. "My background is in art and design."

Rock was trying to promote a contraption called GoFax — a fax machine you could use with a credit card — at various locations. The trouble was that GoFax wasn't taking off, and Rock's brother began exploring the business of selling ATMs (automatic teller machines), not affiliated with any bank. At the time, the machines cost \$12,500 and dispensed money in little plastic tubes.

Rock was a reluctant salesman and underwhelmed with his brother's idea for diversifying the business. "I said, 'Are you crazy? No one's going to buy one of these machines,'" recalls Rock. While making the rounds trying to talk up the uninspiring GoFax machines, Rock happened to stop in a Seattle convenience store to buy a can of pop and a bag of chips.

He started talking to the owner, who said that he wanted a cash machine for his store, but lamented that the bank

was going to charge him \$1,500 a month for the pleasure. Rock went to his car to retrieve a brochure about the cash machine that his brother wanted to sell. "He looked at me and said, 'I'll buy it,'" says Rock.

The deal seemed effortless to Rock. His commission from the single sale equaled what was then a month's salary. Rock immediately decided that he'd found a new calling. "I said, Jeff, I am now an ATM salesman," says Rock.

Rock was reborn as an ATM evangelist. In his first month, he sold 25 machines through cold calls. He began to log 100,000 miles a year on his car throughout the Northwest. "My problem is I'm 150 percent or nothing," says Rock.

As Card Capture Services grew, Rock was growing restless, leaving the firm to light out on his own. Jetton sold Card Capture Services and its 8,500 ATMs to E*Trade Financial Service Inc. in 2000 in an all-stock deal then worth just shy of \$100 million. Today, Jetton is CEO of the Portland-based Auction Pay, which provides credit card-processing services for benefit and nonprofit events.

"Basically from the first day that he sold an ATM machine, he was always our top rep — every single month — and we had some pretty experienced guys on the sales team," says Jetton of his brother. "I think he's been working extremely hard ever since. He likes to work. He's come a long way in a short amount of time."

BY BURL GILYARD

photographs by Mike Burian

COVER STORY

Rock left his brother's firm in 1996 and landed in Minnesota. He was renting a house in Deephaven and literally began at the bottom: doing business out of his basement. His business plan, to the extent that he had one, was rudimentary: sell as many ATMs as possible. "I went out and sold eight machines the first month," says Rock, who promptly invested the proceeds from those sales into marketing materials to promote the company.

He set up a toll-free number and arranged for the installation and servicing of the machines by himself. He didn't need a splashy corporate office: "No one had ever asked to come to the office," says Rock, 38, now the CEO of ATM Network Inc. "I was thinking of the company as me, myself, and I at the time. I was financing it all out of my own pocket. I didn't have these lavish goals for myself. I kept that basement office until we had 500 machines in place. My philosophy was, take it one step at a time."

ager and chief operating officer. Freeman's background in marketing includes stints at several ad agencies. (He's also Hovland's son-in-law.)

"Phil has unbelievable business instincts and he knows the ATM business like nobody else in the business," says Freeman. "Even though he's aggressive and a risk taker, he's also deliberate in what he does. We wouldn't invest money in the company until we were sure it was sustainable. In our industry one of the things that we've done is really stayed true to our core competencies. You don't want to lose focus on what you really do well."

The explosion of independent, non-bank ATM companies (dubbed independent sales organizations, or ISOs, in the trade) began in 1996 with the proliferation of ATM surcharges, which made the business more lucrative.

Nevertheless, the competition has been intense. Rock set up shop in the backyard of the Woodbury-based Access Cash, a large industry player. Access Cash was

"My problem is I'm 150 percent or nothing."

— PHIL ROCK, ATM NETWORK —

By chance, Rock met local attorney Jim Hovland, whom Rock calls "a guardian angel from day one. If I wouldn't have met Jim, I would have made a lot of mistakes." Hovland says that at the outset, he merely provided "typical legal work" for Rock, offering some advice on contracts. Today, Hovland is a member of ATM Network's board of directors.

Hovland says that Rock has the characteristics of other successful entrepreneurs he's known. "The lawyer is more a tool in the toolbox, they're not going to make your success. They can help you set up a structure in which to operate," says Hovland, a partner with the Minneapolis firm Krause & Rollins. "You have to have a single-mindedness of purpose. They're almost myopic in their outlook. They're focused on making their business a success. They don't have an avocation. Their business is their avocation."

As ATM Network grew, Rock needed someone to handle day-to-day operations, while he focused on growing the company. Russ Freeman signed in July 1999 as vice president of marketing. Six months later he became general man-

aged in stages by eFunds Corp. for \$63.9 million in 2001.

"I knew I was coming right into the lion's den: They were the second largest ATM company in the industry at the time. I knew I had my work cut out for me," says Rock. "I always knew there was room for me in the market. There was never a moment in my mind where I felt like I had to give up. From day one, I felt like I was making headway."

Today, ATM Network has approximately 2,200 machines in every state except Hawaii. Freeman estimates that in 2003, there will be \$350 million dispensed from ATM Network's machines. Rock says that the company is adding 60 to 100 new machines a month.

Freeman reckons that the firm today ranks as the 10th largest ISO in the country, but acknowledges that industry surveys rely heavily on self-reporting from the players themselves. The largest companies today in the industry are eFunds (15,700 ATMs), E*Trade (15,000), and Cardtronics Inc. (11,000).

COVER STORY

Today, the typical ATM machine retails for \$3,400 to \$6,000. Retailers can either buy or lease machines. In some cases, if there's enough traffic in a location, ATM Network can do a "placement" of a machine, where the retailer has nothing to do with the machine. ATM Network has three sources of revenue: its percentage of the transaction revenue (which accounts for more than half of the firm's revenue), sales revenue and service revenue. Rock says that the day will come when ATMs are more than machines that spit out cash, but serve as full-service kiosks.

Over the years, consumers have often griped about paying ATM fees. But Rock believes that in general, consumers have come to accept them as the price of convenience. "Cash is king" is one of Rock's pet phrases. "There's a psychological thing with cash. We know the two biggest things on a consumer's mind today are time and convenience," says Rock, who notes that retailers like ATMs because they can reduce the risk of taking bad checks and that customers with cash tend to spend more.

ATM Network's customers seem happy. John Bergland serves as executive director of the Arlington, Texas-based Bowling Proprietors Association of America. The BPAA endorses ATM Network to its 3,200 members across the nation. "They offer our members stability in that they'll be around. They offer what we believe is the best pricing for a member purchasing or leasing an ATM, and we believe they offer the best customer service. And we've not been disappointed on any of those three," says Bergland.

"It's as good an arrangement as we have with any type of vendor. It's just incredible. We have zero problems with this company." Bergland is the former executive director of the Minnesota Licensed Beverage Association, which also endorses ATM Network.

Lynk Systems of Atlanta handles transaction processing for about 150 ISOs. Ken Paull, Lynk's executive vice president, praises the work of Rock and his team at ATM Network. "ATM Network has grown to become one of our largest customers. We consider them one of the strongest ISOs in the Midwest. We're only successful if they're successful, and they've been very successful."

Paull says that ATM Network is a versatile, nimble player in the independent ATM market. "They're very aggressive by nature in the marketplace. I think they have a unique ability to sell and service a small mom-and-pop organization all the way up to a large chain operation. That's pretty unique," says Paull. "They also operate with very high integrity. There's a lot of companies that are here today, gone tomorrow. They have been a very consistent and ethical force in their market."

Rock lives by credos and mantras — such as "one installation at a time, one sale at a time" — that have served as guideposts in business. "I still think that way, even today: What did we do today? At the end of the day, I make a call into the office and say 'How did we do today?' ATM Network has never seen a stagnant month."

A

lthough it doesn't seem like it's been that long since the company started in Rock's basement, today ATM Network is a fast-growing company. In 2002, the company's sales were about \$10 million. Freeman is projecting sales of \$12.5 million for 2003.

The company has been growing 20 percent to 25 percent annually. The company has no debt, largely because Rock has been adamant from the beginning about making the company pay for itself. Today, the company has 20 employees. Rock says that ATM Network is profitable, but declines to disclose its margins.

Rock owns 87 percent of the company. The remainder is held by the Krause & Rollins law firm and key employees. Rock says that the company has entertained the idea of outside financing at various times, but has always ultimately rejected the idea. "I guess I'm a simple thinker," says Rock. "I like to keep it simple. We like the way the company is running and we feel very comfortable about the way it's growing."

Rock seems driven to succeed at whatever he does. His brother recalls that as a kid, Rock excelled in an entirely different arena. "He was a professional skateboarder and amateur surfer," says Jetton. "He was one of the top skateboarders in the world back in the early '80s." Even as he nears 40, Rock is still at it: "I feel like I'm skateboarding better than ever."

Rock brings the same tenacity to business. "What makes ATM Network so successful is that we're extremely competitive," says Rock. "We've put together a business model that goes after the masses: making a little of a lot, instead of making a lot of a little."

Industry consolidation is rampant in the ATM industry, which theoretically makes an aggressive player like ATM Network a natural takeover target for the bigger fish swimming in the ATM pond. Rock professes, "At this point we don't have an exact exit strategy. We're a small company that plays with the big players, and we feel whatever the big players can do, we can do just as well."

For now, he's chasing new business, one machine at a time: "We're keeping our nose to the grindstone."

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[Lessons I learned]

Phil Rock

CEO and founder, ATM Network Inc.

"When I looked into selling ATM machines, **I wanted to know everything about it:** the littlest of details to the biggest of details. **The more you can know about every aspect of your business, the better off you'll be.**"

"No matter what's going on in my personal life, **I keep my nose to the grindstone and keep focused on my goals.** And sometimes they take longer than I planned or expected."

"**Persistence pays off.** By staying true to your ideas or your goals, eventually you will see success."

"**Stay true to your word.** If you say something that's not true, you're only kidding yourself."

"**Being able to change with the times** is another thing I've learned. Just because something is great right now doesn't mean it's great in six months or a year from now."

"**Don't get stuck in a 'my way or the highway' mentality.** Constantly revisit what's working and what's not working."

"If you get too light in your loafers, **competition can usually creep up on you.**"

"**Know your competitor.** Understand who your competitors are out in the marketplace. Try to get a feel for how they're penetrating the marketplace. If they're more successful than you, why are they more successful than you?"

"Little steps turn into big steps. **Have achievable goals.**"

"I would say to myself '**the early bird gets the worm**' and 'the last guy home comes home with the contract.' It's kind of like the last fisherman to come in usually catches the fish."

"If other guys went home at five o'clock, **I would stay out there until eight or nine o'clock.**"

"What worked for me was to keep my blinders on, to **focus on one thing all day: making this company successful.** It works for me. What works for me might not work for others."

"A lot of people, **the mistake they make is that they set these big, grand goals.** And if they don't achieve them right away, they lose momentum or they lose interest in the company."

"I truly believe if you believe in what you are doing — you 100 percent believe that there is a market for what you're doing — and if it's just not working out, then there's something fundamentally wrong with the way you're running the company. **You need to revisit the way you're running the company.**"

"**Sometimes it's good to go back to the drawing board.** It's OK to revisit how you're marketing or how you're selling or how you're operating."

"A lot of entrepreneurs will give up right before they're about to see success. When the going gets tough, the tough get going. **You have to stay true to your goals.**"