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Tips, Tactics and Strategies for POS & ATM Sales Success

PAYMENTS

Another Alternative Payment Card System Debuts

Another company has emerged in the push to give retailers and consumers a lower-cost payment card option to a credit card. National Payment Card LLC, a Boca Raton, Fla., company says retailers can accept driver's licenses, loyalty or affinity cards as the payment identifier.

Recently, Pinnacle Corp., an Arlington, Texas, maker of financial management software for convenience stores, says it will add National Payment Card's automated clearinghouse-

based payment system to its products. POS maker VeriFone also has certified National Payment Card's interface to work with some of its devices.

The upstart payment method is new, and so far, ISOs have not been an important sales channel for the company. But, says Peter Guidi, National Payment Card's director of sales, the company is not averse to working with ISOs if a profitable busi-

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PREPAID

Number Of Prepaid Cards Doubled Last Year

The number of network-branded prepaid cards more than doubled to 45.7 million in 2005 from 21 million in 2004, and the value on those cards grew 56%, to \$14.1 billion from just more than \$9 billion, according to a recent report by Mercator Advisory Group.

Mercator analyst Tim Sloane, who wrote the firm's third annual report on the market for "open-loop" prepaid cards, those with such major network brands as Visa, MasterCard, American Express and Discover, says he sees big potential for growth ahead for prepaid cards, particularly in network-branded gift cards. The market opportunity there, he says, is \$29 billion, and actual sales will reach \$7.5 billion by 2009, a big jump from \$1.3 billion last year.

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INSIDE

Issuers Report Results

Major credit card issuers have reported their third-quarter results. Details of those results generally show growth on the card side.

See story on page 8.

Fastlane, TNS Team Up

Fastlane, a driver's license-based payment system, has signed a deal with TNS for nationwide dial-up connections for merchants.

See story on page 11.

Kiosk Creates Instant Loyalty Cards

Pay By Touch launched this week a flat-panel kiosk for retailers that enables customers to enroll in loyalty and rewards programs and receive a card before leaving the store. Customers type in their phone number in the Rapid Enroll Kiosk and a demographic software program will automatically fill in more complete information for that customer, says Jeff Grider, vice president, personalized marketing. Enrollment takes about 15 seconds with the help of a retail clerk, he says. Customers can manually enter their address and other contact information as well. Once enrolled, the customer receives a loyalty card that can be used instantly, says Grider. The customer's application will be sent electronically to Pay By Touch that day and it will return the enrollment to the merchant within 24 hours, says Grider. **ISO**

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PAYMENTS

▶ PAYMENTS cont'd from page 1

ness plan is figured out.

National Payment Card's scheme is one of several seeking to capitalize on merchant angst about the cost of accepting credit and debit cards. Fastlane, a Colorado-based company, also offers a driver's license-based payment service. It already is working with at least one ISO, and is looking for more.

And, Pay By Touch has biometric sensors in hundreds of retail locations across the nation already, and had a booth at the recent Western States Acquirers Association conference, touting its services to ISOs and acquirers.

National Payment Card and Fastlane use the ACH network to move transactions, while retailers using the Pay By Touch biometric payment network can elect to allow consumers to use credit, debit or ACH transactions.

The automated clearinghouse system is a processing and delivery network that distributes and settles electronic credits and debits between financial institutions.

LOWERS COSTS

In all three cases, the consumer selects a bank account to tie to their driver's license, or, in the case of National Payment Card, to a merchant's loyalty card. Pay By Touch retailers can choose to let consumers use credit or debit card accounts, but many retailers using the biometric payment system limit customers to the lower-cost ACH option.

An ACH transaction may cost a merchant between 2.5 cents and 25 cents, compared with an average of 72.4 cents in interchange for credit and 58 cents for signature debit on a \$40 transaction.

National Payment Card will charge between 15 cents and 17 cents per trans-

action, Guidi says.

Consumers enroll via a Web site, and can use a driver's license or loyalty card as an identification credential. Besides swiping the card, the consumer enters a four-digit user ID number to initiate the transaction, Guidi says.

MERCHANT APPEAL

Retailers like the ACH network, says Drew Mize, Pinnacle's vice president of retail solutions, because it's not owned by the banks, and subject to their rate controls.

"The market needs a legitimate market-driven form of competition," Mize says.

Mize says his company intends to market the program so consumers can use a loyalty card as their identifier to the payment system.

Mize says retailers can tie a cents-off discount to use of the loyalty card to spur consumer use and still save on transaction costs.

Industry analyst Ed Bachelder at Boston-based Dove Consulting says these alternative payment schemes have some merit.

"If I were a merchant, I'd probably love it," Bachelder says. "It sounds cheap."

But, he cautions that it's not perfect.

While consumers and merchants can be reassured a driver's license is a reasonably secure identification card, Bachelder says a strategic element of making such a program work is finding a bank willing to take the risk.

An ACH transaction needs an originator bank, a financial institution that initiates entries into the ACH system, he says. The ACH systems is often used at the

"The market needs a legitimate market-driven form of competition."

*Drew Mize,
Vice President of
Retail Solutions,
Pinnacle Corp.*

point of sale to turn checks into electronic payments.

The ACH is a batch network and thus the network does not return a real-time authorization, the way credit and debit networks do.

The risk lies with dealing with accounts with insufficient funds.

"Nobody can give you a real-time balance on an account," Bachelder says.

"Certainly, the ACH system is not set up for that."

Guidi says the answer is to control risk.

Each transaction over its system is subject to three questions:

- Is the consumer enrolled?
- If yes, the next question is has the consumer bounced a check in the previous batch of ACH transactions National Payment Card submitted to the ACH system?
- If not, then the transaction is subjected to "velocity" rules, such as how many transactions have been made with the card in the current day's business and what was the value of those transactions?

Guidi says a merchant could set a rule that limits cardholders to one \$50 transaction per day.

The risk, however, is that the ACH system doesn't actually check a person's checking account balance at that moment. The transaction is checked against the balance at the end of the previous business day.

Guidi says his National Payment Card offers either a guaranteed or self-guarantee option for merchants. In both models National Payment Card collects its transaction fee. They differ in that in one case National Payment Card will guarantee the transaction in exchange for keeping all of the insufficient fund charges. Or, the retailer can keep a share of those charges to cover potential losses. **ISO**

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*Ed Bachelder,
Director of
Research,
Dove Consulting*