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adjudicate claims, and accept credit, debit, or prepaid cards for payment at the time of service, or at a later date.

A key component of A-Claim's system is Visa's AuthorizeFirst payment process, which allows patients and providers to agree to pre-authorize a payment with a Visa card at the time of service, based on an estimated amount of the patient's responsibility. Once the claim has been processed and final patient responsibility determined, the patient's payment card is billed automatically through A-Claim only for the amount actually owed by the patient. A-Claim also allows the provider and patient to set up a payment plan at the time of service, establishing an automated collection of patient payments on a prearranged schedule.

This latest agreement is typical of the trend in health-care payments. While payment processors in the past focused on automating insurance bills and payments, much of the attention has been switched to patient payments. This new emphasis is the result of rising health-care costs and the fact that many employers and insurance companies have raised the cost of copays and deductibles, making the patient's portion of the expense more significant.

"Patient-funded payments are the fastest-growing portion of medical payments today," McLaughlin says.

And for payments companies looking to move paper payments to an electronic form, health care is a must. Health care costs constitute 17% of the U.S. economy, according to MasterCard.

For health-care providers, automating the patient portion of the payment is vital. Often they have to send two to three statements before they get paid, which is costly. And sometimes they are unable to collect payment at all. Getting a real-time determination, or at least a solid estimate, of payment due, with an authorization for later payment, saves the provider from repeated billing and assures a guaranteed payment.

Automating the process over an electronic network should cut health-care providers' administrative costs by between 20% and 30%, according to Joseph E. Wolfson, chief executive and founder of Williamsville, N.Y.-based Health Transaction Network.

For patients, there is the benefit of knowing exactly how much they owe and making sure they are not paying a portion that should be covered by insurance. And they don't have to receive so many bills in the mail.

## **'Real-Time Exchange'**

But while there is a strong desire to move to real-time adjudication of patient payments, moving health-care payments to a more retail-like environment is not easy. "Most insurers do not have real-time claims processing even if the doctor or hospital does. Insurers are laden with legacy systems, making it difficult to process claims in anything other than a batch model," says Gillen.

Still, progress has been made in the last year. Two types of automation are getting a lot of attention these days. The first are systems that calculate in a real-time manner how much the insurance company will pay and what remainder the patient is responsible for. The second type, where real-time information is not available, relies on estimation models where patients are told approximately how much they will owe, letting them make arrangements for an automatic payment for a maximum amount once the final amount due is known.

It is rare where both health-care providers and insurers are capable of handling real-time payments. But there has been progress in getting the systems of those companies integrated so that at least a small number of payments can be completed in a real-time manner.

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"There are some providers and payers who can do real-time so we're working to facilitate real-time exchange where we can," says Visa's Pourfallah.

Mary Dees Griffith, chief executive of PHT, says her firm works with 1,500 health-care payers that can accept electronic messages from health-care providers at the time of service, even if only to verify eligibility.

"We can build and integrate a system regardless of the capability of the

services may even be billed by an outside provider. Adding additional procedures makes it nearly impossible to determine the cost and insurance payments before the patient leaves the office, Reynolds explains.

"About 80% of the time, the payment cannot be done in real time, but a determination can be made within 48 hours. We call this right-time adjudication," he says.

What Metavante is doing is working with health-care providers so that

later, often without all the information known about how much the insurance company will pay," Reynolds says.

Metavante is working through financial institutions to sell this service. "There are more than 750,000 health-care provider locations in the U.S. and it is difficult for us to reach all those locations on our own," he says. Metavante works with banks to have either their treasury-management teams or merchant card operations sell the service to their medical clients.

SunTrust Bank is the first financial institution Metavante is working with as it provides lockbox services to more than 800 different health-care providers, Reynolds says.

## Adoption of Real-Time and Right-Time Capability

(% of payer locations)



Note: These are payer locations that have adopted revenue cycle management solutions that have either right-time or latent real-time adjudication capability. Real-time adjudication may not be available, however, if the payer's real-time claims processing is not in place or the provider has not yet implemented workflows required to support real-time adjudication.

Source: Celent

payer, but it must be able to at least respond to a request as to whether the patient is covered. Once we have that message, we can at least continue to estimate," Griffith says.

### 'Right-Time Adjudication'

But it is not always a lack of systems integration that has held back real-time adjudication of patient-funded health-care payments. Even in a health-care office that has an integrated system, certain procedures are too complex for real-time payment settlement, according to Metavante's Reynolds.

He notes that with simple procedures, such as a basic checkup, a flu shot, or curing a sore throat, real-time determination of what the patient owes can be accomplished. But he adds that often in the course of the checkup, a doctor may order additional tests or procedures. These

real-time settlement can be completed in those situations where it is possible. But most of the time, Metavante uses links that it has in place with 1,200 health-care payers and more than 200 providers to determine the patient's cost within 48 hours.

In these situations, providers can either take payment card authorization information prior to the settlement and clear the transaction once the actual cost is known or bill the patient. In the latter case, the bill is preferable to the current patient billing situation because the patient receives the bill promptly and the bill shows how much the insurance company is actually paying and how much the patient actually owes.

"By getting the bill to the patient 48 hours later, the health-care provider has a better chance of collecting than if the bill is sent out weeks

### 'Special Integration'

Other firms have also made strides in this area. In February, Health Transaction Network handled its first transaction on an electronic payment network. HTN was founded by Wolfson, who also founded the former Metro-teller ATM network. Wolfson used the ATM network as a model for his health-claims processing network.

What sets HTN apart from other medical-payments companies is it is using smart cards and biometric technology for patient identification. Wolfson says this technology is important to prevent fraud. Often with Medicaid and other insurance programs, people have been known to give their cards to friends or relatives who are uninsured, he says, adding that biometric identification prevents this from happening.

To get the smart cards in patients' hands, HTN is working with health-care providers and hospitals to get their patients registered. In one hospital, for example, patients have their picture and fingerprints taken at the hospital in a process that takes about three minutes.

Currently, HTN has five hospitals and between 20 and 30 medical clinics signed up. It has signed a large chain of dental providers as well as a home health-care product sales organization.

More than 1,000 patients have been issued cards. Fifth Third Bank is processing the payments.

While HTN currently is focusing on the Western New York state market, its goal is to become national. Wolfson says he is talking to other health-care providers in New York, including those in New York City, as well as some in Pennsylvania and Ohio.

Another payment provider working toward real-time patient payments is San Francisco-based Wired Benefits. This firm develops custom-built systems for health-care service providers that rely on prepayment cards for payments.

Recognizing the fact that so many payers and health-care providers work on different systems, Wired Benefits does the customization work to integrate the systems. While Wired Benefits has one health-care payment product that is "out of the box," most systems are built to specification by the provider, says chief executive Charles Marshall.

"Even companies who think they have systems that can talk to payers require some degree of special integration," Marshall says.

Another alliance working in this area was announced this spring by TSYS Acquiring Solutions and Minneapolis-based mPay Gateway. Using mPay Gateway's point-of-sale system, which works off its proprietary Web-based software, providers will be able to calculate the patient's portion of payment and begin the payment process immediately.

### **Work To Be Done**

In addition to reducing administrative costs for health-care providers, automation of this nature is expected to help spur the growth of tax-deferred payment programs, such as Health Savings Accounts (HSAs) and Flexible Spending Accounts. With these programs, funds are put into an account, either by the individual or employer. Patients can pay for their portions of

health-care costs with a check or debit card tied to these accounts.

Despite the benefits they bring to patients and small businesses, the number of HSAs opened has not reached expectations. Although Celent estimates there were 6 million individual HSAs with \$6.75 billion in funding at the start of this year, the annual growth of about 40% to 60% was below many earlier projections.

Some believe the disappointing growth is tied to complexity factors that automated processing systems can reduce or eliminate. "HSAs have been a failure because they are cumbersome for patients to use," says Wolfson. "Patients have to save receipts and keep track of a lot of records."

But MasterCard's McLaughlin believes that growth in HSAs will pick up, though it is taking longer to get employers on board than many had thought. At the same time, making it easier for customers to know what they owe at the time of treatment will help HSAs, he argues. "Greater clarity will help consumers take advantage of the tax-deferred programs," he says.

In addition to its integration systems, Wired Benefits has developed a prepaid card platform that it offers small-business employees to fund health programs through a health reimbursement arrangement (HRA).

As an example, Wired Benefits' The PharmaHRA card uses Wired Benefits' platform to allow pharmacy benefit managers to set up branded point-of-sale HRAs specifically for pharmaceutical and over-the-counter medication for their employer clients. The platform enables the incorporation of formularies, tracks usage trends, and includes incentives and benefits.

Other card programs from Wired Benefits are targeted specifically for other health-care expenses including dental, preventive care, diabetes, and vision, Marshall says. The cards are branded through MasterCard.

Despite all these advances, the industry is still a long way from

where it wants to be. How long it will take to move toward a state where a significant number of patient payments can be handled in real-time is still anyone's guess.

"Five years ago, we said this was five years off and we're still a ways from where we want to be. There is still a lot of work that needs to be done," says Griffith. **DT**

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# **A FIELD GUIDE TO ALTERNATIVE PAYMENTS**

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**By Jim Daly with additional reporting by  
John Stewart and Linda Punch**



## Digital Transactions takes you on a tour through the natural habitat of alternative payment systems, where new ways to pay without a major credit or debit card are on the prowl. But what exactly is an “alternative” payment system, anyway?

**T**urn back the clock a decade and try to remember how you paid for things on the Internet. Invariably, if your dial-up connection could handle it, you charged the purchase to a major-brand credit card. And that was it. PayPal had just come onto the scene, concerned at first with passing around payments between individuals. Amazon.com had made a name for itself selling books online and was branching out into selling music, videos, software, and toys.

Today, PayPal and Amazon are giants in the land of e-commerce payments, where other familiar names such as Google stalk in search of revenues and bank-controlled entities such as NACHA are trying to claim some turf. In fact, online payments are the focus of furious entrepreneurial activity, including efforts to make payments easy from mobile phones. A few new systems, such as Revolution Money, have deep-pocketed backers, while many others are being proffered by small companies hopeful that their platform will become the next PayPal. All in all, some 21 alternative payment systems are profiled in the following pages. While we have tried to capture snapshots of all the major, as well as the most promising, players, this is by no means a comprehensive catalog, what with new companies seemingly emerging by the day.

The phrase “alternative payment system” has become common in banking and payment-processing circles, though no one has come up with a universally accepted definition of just what such a system is. “Alternative,” of course, refers

to using something other than a Visa, MasterCard, American Express or Discover credit card for an Internet payment. But consumers can use credit cards to fund their accounts with some of the so-called alternatives, notably PayPal. The border between traditional, credit card-based payments and the alternatives can be as obscure as that between Afghanistan and Pakistan.

Many of the newest systems, however, tap into demand-deposit accounts by various means or rely on cash and thus contrast sharply with the notion of the credit card as the default currency of the Internet. Here, *Digital Transactions* is highlighting online systems that have no credit card connection or those that enable consumers to fund by credit card or by additional means. We’re also profiling some specialty systems tailored mostly for mobile or contactless payments rather than the Internet.

Generally speaking, for our purposes here an alternative payment system is any network or consumer interface (for example, Google Checkout) that either displaces the Visa/MasterCard/AmEx/Discover network (seen as one traditional system for this purpose), enables payments in a way that stands apart from that network (even if it ultimately uses it), and/or stands between that network and the consumer in an important way.

Unless otherwise noted, the pricing line item in each profile refers to merchant costs. Sources for the profiles were company Web sites, information from earnings reports and other filings, media contacts, and *Digital Transactions News* reports.

## Acculynk

**Parent:** Acculynk Inc.

**Headquarters:** Atlanta

**Year Founded:** 2008

**Web Site:** <http://www.acculynk.com/>

**2008 Transactions:** Pilots just getting under way

**Pricing:** To be determined by EFT networks via pilots.



### Recent Developments

Acculynk has secured agreements with the Accel/Exchange, NYCE, and Pulse EFT networks to conduct pilots of its PaySecure online PIN debit technology, which relies on a so-called floating PIN pad displayed on the consumer's PC screen. Of these three networks, Accel/Exchange began its pilot in March, while Pulse plans to begin some time in the second quarter. NYCE has not yet announced any implementation plans. Chase Paymentech Solutions LLC in March agreed to act as an acquirer for PaySecure, which is based on technology developed by ATM Direct, a company the Acculynk principals bought in 2008 out of the bankruptcy of Pay By Touch.

## Amazon Payments

**Parent:** Amazon.com Inc.

**Headquarters:** Seattle

**Year Founded:** 2007 (Amazon Flexible Payments Service)

**Web Site:** <https://payments.amazon.com/sdui/sdui/business?sn=cba/o>

**2008 Transactions:** n.a.

**Pricing:** (Checkout by Amazon & Amazon Simple Pay, based on monthly \$ volume)

< \$3,000 . . . . . 2.9% + 30¢

\$3,000 - \$10,000 . . . . 2.5% + 30¢

\$10,000 - \$100,000 . . . 2.2% + 30¢

\$100,000 + . . . . . 1.9% + 30¢

All transactions < \$10 . 5.0% + 5¢

**Pricing (FPS):** Amazon Payments

transfers: 1.5% + 1¢; ACH debits:

2% + 5¢; balance transfers of < 5¢:

20% + minimum 0.25¢.



### Recent Developments

No alternative-payments provider other than possibly PayPal offers a longer list of payment services that Amazon, the No. 1 Internet retailer. The bread-and-butter products for online merchants that don't want to pay any more attention than needed to payments are the Amazon-hosted Amazon Simple Pay and its beefier cousin, Checkout by Amazon. There's the Amazon TextPayMe service that lets customers pay using cell phones. And there's also the new commercial version of Amazon Flexible Payment Service, which went live in February after an 18-month test. FPS allows merchants to make their own payment applications, and it has features, for example Quick Start, that allow developers to more quickly integrate the payments program into their Web sites. Like the beta version, the commercial FPS also features a micropayments capability that aggregates transactions but lets merchants track discrete payments.

One big question has been whether, as Amazon's success as an online retailer grows, rival e-commerce merchants will want to use its payments platform, no matter how good it is. But an analyst in April estimated that Amazon's platform handles one-third of all e-commerce. That would indicate many merchants have no problem rolling on Amazon's payments river.

## Bill Me Later

**Parent:** eBay Inc.

**Headquarters:** Timonium, Md.

**Year Founded:** 2000

**Web Site:** <http://corporate.billmelater.com/>

**2008 Transactions:** n.a.

**Pricing:** Company doesn't disclose

merchant pricing, but says it's 25%

to 40% less than the cost of credit

cards. Consumers pay a 19.99%

annual percentage rate on rolled-over balances.



### Recent Developments

Bill Me Later found an unexploited niche in online payments with its "transactional" credit model that underwrites buyers on the spot with each purchase rather than giving them a line of revolving credit. The application process is simple. Consumers select the BML option on the merchant's payment site and enter their name, address, birth date and the last four digits of their Social Security number when shopping at one of Bill Me Later's 1,000-plus merchants. CIT Bank funds the purchases but sells the receivables (total value as of Dec. 31: \$598 million) to Bill Me Later. Amazon.com was interested enough to take a minority interest in the company, but everything changed in November when PayPal parent eBay Inc. bought Bill Me Later for \$915 million, including \$817 million in cash. Goodbye, Amazon.

Now under the wing of PayPal but still with its own identity, Bill Me Later gives PayPal a stronger credit offering than the existing PayPal Pay Later service for customers who don't want to use a credit card online. The downside: eBay/PayPal's first direct exposure to consumer loan losses, and during the worst credit-quality environment in decades. Bill Me Later's annualized net chargeoffs in the fourth quarter as a percentage of receivables were 8.75%.

## ClickandBuy

**Parent:** ClickandBuy International Ltd.

**Headquarters:** London

**Year Founded:** 2000

**Web Site:** <http://clickandbuy.com/>

**2008 Transactions:** n.a.

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#### How It Works

Enables 14,000 merchants to sell goods internationally without opening local bank accounts. Some 12 million accountholders fund purchases through 46 payment methods in 120 countries, including international credit/debit card brands and prepaid electronic wallets.

## eBillme

**Parent:** MODASolutions Corp.

**Headquarters:** Ottawa, Ont.

**Year Founded:** 2005

**Web Site:** <http://www.ebillme.com/>

**2008 Transactions:** n.a.

**Pricing:** 1% of transaction.



#### Recent Developments

MODASolutions, which by late 2008 had raised \$27 million across three funding rounds, hopes its new emphasis on marketing will position eBillme merchants to leverage consumers' newfound reliance on available cash. This marketing push included a fourth-quarter online "Shopping Confessions" contest that generated 500 text stories and 80 videos on YouTube, arguably making eBillme the alt-payment system with the best sense of humor. "People had fun with it," says chief executive Marwan Forzley. And with a presence on Facebook and Twitter in addition to YouTube, eBillme clearly is attuned to younger consumers' social-networking proclivities.

Other recent initiatives include an online mall called ShopDebtFree.com, and price protection.

A customer, when paying at one of 200-plus eBillme merchants, is presented with an on-screen bill and directed to log into her bank's online banking site for authentication, and then approves the transaction. Payment comes to eBillme, which forwards and guarantees it to the merchant. Transactions are processed on MasterCard Inc.'s Remote Payment and Presentation Service (RPPS).

## eLayaway

**Parent:** eLayaway LLC

**Headquarters:** Tallahassee, Fla.

**Year Founded:** 2006

**Web Site:** <http://www.elayaway.com/>

**2008 Transactions:** n.a.

**Pricing:** \$49.95 or \$74.95 monthly, no transaction fees. Consumers pay 1.9% of the transaction.



#### How It Works

Consumer registers at eLayaway.com, then chooses that option when shopping at about 900 online retailers and traveler merchants. Buyer selects payment schedule of 3 to 13 months; eLayaway deducts payments automatically from buyer's registered bank account. After final payment, eLayaway makes one full payment to the merchant, which then ships goods to buyer. Company also enables the purchase of season tickets from the New Orleans Saints, Minnesota Vikings and Detroit Red Wings.

## Google Checkout

**Parent:** Google Inc.

**Headquarters:** Mountain View, Calif.

**Year Founded:** 2006

**Web Site:** <http://checkout.google.com/sell>

**2008 Transactions:** n.a.

**Pricing:** (based on monthly Google Checkout sales)

|                              |            |
|------------------------------|------------|
| < \$3,000 . . . . .          | 2.9% + 30¢ |
| \$3,000 - \$9,999.99 . . . . | 2.5% + 30¢ |
| \$10,000 - \$99,999.99 . . . | 2.2% + 30¢ |
| \$100,000 + . . . . .        | 1.9% + 30¢ |



#### Recent Developments

Google Checkout enables online merchants to take payments through a fast checkout process that starts when the customer clicks on the Google Checkout button when it's time to pay. Transactions are charged to Visa or MasterCard accounts stored in an e-wallet. Search-engine leader Google Inc. has always positioned Checkout as supporting its keyword-based Google AdWords service. Secretive Google has never revealed much about Checkout's volumes, typically saying that it has "thousands of merchants" and "millions" of consumer buyers.

One advantage it had until recently was lower pricing than PayPal (2.2% of the sale plus 20 cents), but this month a new pricing schedule takes effect that matches the prices of PayPal and Amazon's major online offerings and will raise Checkout's costs for all but the highest-volume merchants. Plus, private-sector merchants no longer will get \$10 in free processing for every \$1 they spent on AdWords. Announcement of the changes resulted in angry postings from merchants on Checkout's merchant site, and caused tech pundits to wonder if Google was preparing to abandon the online payments field. A Google executive, however, said on Checkout's blog that Google is committed to Checkout and new enhancements were being planned.

## HomeATM

**Parent:** HomeATM ePayment Solutions

**Headquarters:** Montreal

**Year Founded:** 2005

**Web Site:** <http://www.homeatm.net/>

**2008 Transactions:** n.a. Monthly dollar volume run rate as of March is approximately \$1 million

**Pricing:** n.a.

## HomeATM

### Recent Developments

HomeATM processes PIN debit transactions for online merchants by means of a PIN pad/card reader, which it markets, called the Safe-T-PIN. This device, which links to a PC via USB port, in March became the first such reader intended for online use to achieve certification under the Payment Card Industry PIN entry device (PED) standard 2.0. The biggest user so far of HomeATM's service, which went live in January 2008, is DebitWay Ltd., which processes for Canadian online pharmacies. The company is actively marketing to both e-commerce merchants and money-

transfer businesses. The installed base of Safe-T-PIN readers as of March was 40,000, up from 5,500 in less than a year. Transactions are processed through eFunds, a debit switch owned by Fidelity National Information Services Inc. HomeATM's service relies on technology it acquired in 2005 and 2006 from Kryptosima, which had developed a system allowing PIN entry via a peripheral device linked to a computer.

## Mazooma

**Parent:** Mazooma Inc.

**Headquarters:** Miami Beach, Fla.

**Year Founded:** 2007

**Web Site:** <http://www.mazooma.com/merchant/>

**2008 Transactions:** (Launched Feb. 2009)

**Pricing:** 1.0% + 15¢ for highest-volume retailers.

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Just like paying with cash. Online.

### How It Works

Customer chooses Mazooma option on merchant's checkout page, signs into her Mazooma account or enters basic information to open one, then selects her bank from a drop-down menu that currently lists 12 large or regional banks. Buyer then logs in as usual and approves the purchase. Mazooma debits account and wires funds to merchant, which issues receipt and fills order.

## Mocapay

**Parent:** Mocapay Inc.

**Headquarters:** Boulder, Colo.

**Year Founded:** 2006

**Web Site:** <https://www.mocapay.com/>

**2008 Transactions:** n.a.

**Pricing:** n.a.

**mocapay**

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## How It Works

Mocapay is a mobile-payment processor and e-wallet service that served about 200 merchants as of early this year. It works at the physical point of sale and online, operating via short-message-service (SMS) transmissions on most U.S. mobile carriers. Consumers use it by texting a PIN to Mocapay's short code. Mocapay returns a message with the user's account balance and a one-time-use transaction code. The consumer gives the code to the cashier to complete the transaction (or types it into a field on the merchant's checkout page). The company is differentiating itself by enabling users to register their gift and loyalty cards and then earn points when they make purchases on their mobile devices. ConocoPhillips' ShortStop convenience stores chain is Mocapay's first partner in this effort.

## Moneta

**Parent:** Moneta Corp.

**Headquarters:** Atlanta

**Year Founded:** 2006

**Web Site:** <https://www.monetacorp.com/>

**2008 Transactions:** n.a.

**Pricing:** 1%-1.2% plus 10¢ per transaction.



## Recent Developments

E-commerce portal CardinalCommerce Corp. in April added Moneta to the alternative systems into which 30,000 online merchants can connect, potentially giving the low-key Moneta a big lift. Conceived by electronic bill-pay processor CheckFree Corp. and later spun off, Moneta enables retail and bill payments through its bank partners' online-banking sites. Consumers enroll their bank-account data and then make payments by selecting the Moneta option on participating merchant sites. At this point, they are

redirected to Moneta's servers, where they enter a user name and password to authenticate themselves. If the customer has enrolled through his bank, this page will look like a page on his bank's site. After authentication, the customer returns to the merchant site. Transactions are routed over the ACH. Banks receive about 50 basis points of the transaction value. Moneta has a deal with the Universal Air Travel Plan through which Delta Air Lines is a merchant.

## MyECheck

**Parent:** MyECheck Inc.

**Headquarters:** El Dorado Hills, Calif.

**Year Founded:** 2005

**Web Site:** <http://www.myecheck.com/>

**2008 Transactions:** 2.1 million

**Pricing:** n.a.



## How It Works

Allows a consumer to pay by check online. Current platform went live in 2007 and uses remotely created checks submitted under Check 21 rules.

## Noca

**Parent:** Noca Inc.

**Headquarters:** Mountain View, Calif.

**Year Founded:** 2007

**Web Site:** <http://www.noca.com/>

**2008 Transactions:** n.a.

**Pricing:** n.a.



## How It Works

Customer selects "Bank Account" as payment method on merchant checkout page. The customer pays by authorizing

the merchant to pull funds from his account via the ACH. With the first transaction the consumer fills in the routing/transit and checking account numbers from a check. On subsequent transactions, the system automatically fills in the data. For digital goods, Noca authenticates users with text messages providing a PIN.

## Obopay

**Parent:** Obopay Inc.

**Headquarters:** Redwood City, Calif.

**Year Founded:** 2005

**Web Site:** <https://www.obopay.com/>

**2008 Transactions:** n.a.

**Pricing:** Sending money: 25¢; receiving money: \$0; funding Obopay account from credit or debit card account: 2.5%; 2.5% fee waived for adding money from bank account.



## Recent Developments

Enables consumers and businesses to buy, pay, and transfer money through any mobile phone using Obopay's mobile application, text message, mobile Web, or Obopay.com. Nokia, the No. 1 cell-phone maker, invested \$25 million in Obopay in March. Obopay claims to be the first payment service created exclusively for the mobile phone and the only one that works on any phone and any carrier. That won't change despite the Nokia investment, Obopay says. The company says a recent price increase from 10¢ to 25¢ for payments to another person generated little resistance. Recent initiatives include a deal with MasterCard Inc. in which Obopay provides a front-end interface for mobile person-to-person payments handled by MasterCard's MoneySend remittance system, and a system change to allow Obopay users to send money directly from their checking accounts to recipients' bank accounts.



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## Paymate

**Parent:** Paymate Pty. Ltd.

**Headquarters:** New South Wales, Australia

**Year Founded:** 2000

**Web Site:** <http://www.paymate.com/>

**2008 Transactions:** n.a.

**Merchant Pricing:** n.a.



### How It Works

On eBay, customers select Paymate at checkout and enter credit card data. When the information is submitted, the buyer gets a receipt and an e-mail confirmation of the transaction.

## PayPal

**Parent:** eBay Inc.

**Headquarters:** San Jose, Calif.

**Year Founded:** 1998

**Web Site:** <https://www.paypal.com/>

**2008 Transactions:** 888.6 million

**Pricing:** (Website Payments Standard, based on monthly volumes)

|                             |            |
|-----------------------------|------------|
| < \$3,000 . . . . .         | 2.9% + 30¢ |
| \$3,000.01 - \$10,000 . . . | 2.5% + 30¢ |
| \$10,000.01 - \$100,000 . . | 2.2% + 30¢ |
| \$100,000 + . . . . .       | 1.9% + 30¢ |



### Recent Developments

PayPal originated as a person-to-person payments service but grew up as the preferred payment method for eBay auction buyers and sellers ("PayPal at 10," September, 2008). Owned by eBay since 2002, PayPal now reigns over the online payments world with more than 70 million active users in dozens of countries and \$60 billion in volume last year. PayPal has proven highly adaptable to the fast-changing conditions of e-commerce. The

acquisition of VeriSign Inc.'s merchant gateway made PayPal a major processor off eBay, and now merchant volume accounts for half of its business. Meanwhile, third-party software developers are devising systems that make PayPal usable at the physical point of sale, although PayPal insists it has no intention of challenging conventional merchant processors.

On the other end, eBay's acquisition of Bill Me Later late last year (see page 30) makes PayPal a sizable provider of consumer credit—a usually profitable but rather risky business these days. But PayPal's auction and merchant payment transactions generate profit margins of about 60%. Those margins are why virtually every other online payment system is gunning for PayPal.

## Revolution Money

**Parent:** Revolution LLC

**Headquarters:** St. Petersburg, Fla.

**Year Founded:** 2007

**Web Site:** <https://www.revolutionmoney.com/>

**2008 Transactions:** n.a.

**Pricing:** 0.5% of the transaction.



### Recent Developments

Created by investors that include America Online founder Steve Case, Revolution Money has several payment products that include the RevolutionCard, the RevolutionGift prepaid card, and a person-to-person payments service called Revolution MoneyExchange, which has 400,000 users. The flagship Revolution Card is PIN-authenticated, carries no card numbers or other sensitive cardholder information, and works both online and at the point of sale. With an interchange rate of only 0.5%, the card is positioned by Revolution Money as a

more secure and less costly alternative to Visa and MasterCard. Merchant-acquiring partners include Chase Paymentech and Fifth Third Processing Solutions. The card is accepted at 650,000 merchant locations, short of the 1-million goal the company set for 2008. But a recent infusion of \$42 million in venture capital may help close that gap quickly.

## Secure Vault Payments

**Parent:** NACHA—The Electronic Payments Association

**Headquarters:** Herndon, Va.

**Year Founded:** 2007

**Web Site:** <http://www.securevaultpayments.org/>

**2008 Transactions:** n.a.

**Pricing:** The greater of 10¢ or 1.35% of sale for consumer purchases, 40¢ for government purchases, 50¢ for bill payments. Switch fee capped at 6¢ for sponsoring and authorizing bank; 1¢ network fee each to sponsoring and authorizing bank. Sponsoring banks, which function like merchant acquirers, add their own mark-ups.



**Secure Vault Payments™**

### Recent Developments

Now in test, Secure Vault Payments is NACHA's much-anticipated automated clearing house entry into one-time Internet payments. Its advantages include generally lower costs than credit or signature debit cards, ACH credits to merchants and billers that are less subject to reversals than ACH debits, and no need for merchants to store cardholder information that hackers seek. A downside: the buyer briefly leaves the merchant site during the payment process, something e-commerce retailers dislike. Ten merchants and several colleges are testing the system. When paying at an accepting merchant or biller, the customer

clicks on a drop-down SVP menu to find his bank. The acceptor site then sends the data via a switch operated by eWise Systems USA to the bank's online site, where the customer logs in, is authenticated, and approves the sale. The customer then is switched back to the merchant/biller site to complete the transaction, and the merchant receives an ACH credit.

## Tyfone

**Parent:** Tyfone Inc.

**Headquarters:** Portland, Ore.

**Year Founded:** 2004

**Web Site:** <http://www.tyfone.com/>

**2008 Transactions:** (n.a., had 21 payment tests globally in 2008, going into trial with six companies in 2009)

**Pricing:** Merchant can choose pricing based on whether Tyfone platform is licensed or hosted, and on a per-transaction or block-of-customers basis.



### How It Works

Tyfone's "Secure Digital" memory card for cell phones allows contactless payments at the point of sale provided the merchant's terminal is contactless-enabled. Banks and payment networks don't need to have business arrangements with telecom networks for the system to work, overcoming a major barrier to contactless payments that rely on near-field communication (NFC). The consumer downloads bank card data to the card, which is independent of the SIM card in cell phones. The Tyfone card, however, costs \$5-\$10 above the cost of a memory card, which could dampen issuer enthusiasm.

## Tempo Payments

**Parent:** Tempo Payments Inc.

**Headquarters:** San Mateo, Calif.

**Year Founded:** 2001

**Web Site:** <http://www.tempo.com/>

**2008 Transactions:** n.a.

**Merchant Pricing:** Merchants are charged MasterCard's standard debit interchange rates when a MasterCard-branded Tempo card is presented.



### How It Works

Customers obtain a PIN-based decoupled debit card issued either by Tempo or bank partner HSBC, the latter of which will bear the MasterCard logo. Cards link to a checking account held at a bank other than the entity issuing the debit card. Customers use it as they would any other debit card. The company is promising a "revolutionary" new product in July.

## Ukash

**Parent:** Smart Voucher Ltd.

**Headquarters:** London

**Year Founded:** 2005

**Web Site:** <http://www.ukash.com/>

**2008 Transactions:** n.a.

**Pricing:** n.a.



### How It Works

Consumers exchange cash for no fee at 275,000 merchant locations in 22 countries, most in Europe, to get a voucher or card with a unique 19-digit number. Ukash plans to make the codes available online or through mobile devices via funds transfers from bank accounts. Consumers use the numbers to pay for goods and services at "hundreds" of Web sites, the company says. Ukash is not yet issued in the U.S., though the company plans a U.S. presence by year's end. Merchants can accept Ukash through CardinalCommerce.



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## Managing Payments Without Breaking the Bank

**Bill Duffy**

**As payment methods converge and paper yields to electronic processing, financial institutions of all sizes are giving a higher priority to payments management. The question is, how to do it cost-effectively?**

In the United States, financial institutions, on average, derive 30% to 40% of their revenue from payments. Therefore, the massive transformation from paper-based to electronic-based payments processing is putting financial-institution profitability at risk.

While Check 21 enactment in 2004 set many of the payments-industry changes into motion, a number of other factors over the past decade have had a material effect on paper and electronic volumes. Increased debit card use and a variety of practices that convert checks to automated clearing house transactions (ARC, POP, WEB, TEL, BOC, etc.) have dramatically reduced the volume of checks processed through the high fixed-cost paper processing infrastructure.

Responding to all of these events has required a significant investment, in both dollars and manpower, from financial institutions of all sizes. Institutions have managed the changes using different strategies and senses of urgency. But, despite their different approaches, it is crystal clear that there can be no bystanders. Every financial institution must adapt to the changing payments landscape.

Dealing with declining check volumes is a particularly difficult pill for many institutions to swallow. Customers are expecting faster availability of funds and lower transaction fees from the more efficient electronic process. However, managing unit costs of dual paper and image-based processes during the transition is a daunting challenge. Wholesale changes and re-engineering are required not only for day 1 item capture, but also the day 2 returns and adjustments that have traditionally relied on the custody of physical items that will no longer be available.

### **Dedicated Resource**

Deconstruction of the paper-based infrastructure needs to occur in carefully measured steps. Leveraging item capture closest to the source of deposits will facilitate getting out from under the majority of paper handling. Accomplishing that, particularly for larger organizations, is a complicated undertaking.

In the interim, many alternative hybrid scenarios have unfolded. This may include, for example, branch capture at remote locations while still physically handling paper from the branches located near operation centers. This strategy will have to evolve over

time since operation centers are being consolidated, following the pattern of the Federal Reserve's rapidly vanishing paper-processing footprint.

To facilitate the convergence of payment types, financial institutions need to formulate answers to the following questions:

- ▶ What is the effect of the interplay (and cannibalizing effect) of one transaction type versus another? How profitable is each and what are the elements?

- ▶ When customers move to remote deposit capture is the institution giving away a float advantage and can that advantage be recovered by a widened spread between transaction cost and price?

- ▶ Should branch image capture be deployed at all locations or a subset of locations?

- ▶ What is the appropriate configuration of distributed capture locations for volumes not processed at branches?

- ▶ What will be the impact of newer technologies, such as mobile payments?

- ▶ Where should incentive (and disincentive) pricing apply?

- ▶ When should certain services be eliminated?

Having a dedicated resource to formulate the strategy and help manage the tactics is critical to safeguarding payments-business profitability.

The largest financial institutions (over \$20 billion or so in assets) have

been able to justify employing dedicated payments strategists, product managers, float managers, and risk managers. Their payments business is also supported by professionals within their operations, finance, and cash-management functions.

And, in addition to having in-house expertise, these large companies also rely on sophisticated analytic tools to optimize the various elements of their payments business. With the combination of expertise and best-in-class technology, these large institutions are able to:

- ▶ Maximize revenue potential and profitability
- ▶ Reduce the cost of collecting payments
- ▶ Analyze and execute strategic changes to day 1 and day 2 processing
- ▶ Develop new products

- ▶ Minimize risk
- ▶ Identify opportunities to reduce non-earning assets

For the past few decades, until Check 21, the volume and revenue from the processing of paper-based transactions was static. Therefore, banks below the largest tier were able to get by without a dedicated payments-product-management function by assigning the associated responsibilities to existing staff members on a periodic, as-needed basis. These institutions either could not cost-justify, or did not perceive a need to acquire, analytic tools to refine payments-management decisions.

### ***Partnership Model***

Things have changed. In the rapidly evolving payments landscape, the lack of expert resources and tools results not only in the loss of a competitive

edge, but also in the ability to fully exploit opportunities.

Financial institutions with assets between \$5 billion and \$20 billion will probably not be able to add payments-management staff positions to rival those of banks in the largest tier. Yet, the creation of one central position to coordinate the response to all of the new payments challenges and opportunities could pay big dividends. If the expertise to fill that role does not currently reside within the existing staff, then the financial institution must look outside.

Staffing such a position is not without its challenges. In many cases, institutions have a need for the expertise, but the workload still may not justify a full-time position. And, once the institution addresses the payments-industry changes, there will be no reason to retain such a staff position.

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Financial institutions may be able to identify external candidates with the required depth of experience and subject-matter expertise, but recruiting them and getting them to relocate for a position that may not be full-time or long-term poses another challenge.

In the mid 1990s, some financial institutions began outsourcing portions of the float-management function, the area responsible for check-collection efficiency, to consulting organizations that had previously performed such work in limited, point-in-time engagements. Fifteen years later, this type of managed service has become, for a number of financial institutions, the preferred way to staff this function.

In today's environment, consultants also perform similar point-in-time engagements related to the other aspects of the payments business. Such a partnership model has now emerged for the payments-product-management function.

The partnership often involves five to 10 outsourced consulting days per month, which provides the expert coverage required to manage mission-critical payments initiatives. The contractor's deliverables typically include regular status reporting on accomplishments, work in process, and next steps to ensure that the service continues to focus on the evolving priorities of the financial institution's management team.

The cost to outsource is attractive for many institutions, and when tied to the financial benefits derived from the consulting, can even be self-funding. Depending on the scope of activities, fees for outsourced expertise can vary from fixed

monthly retainers to a percentage of the first year's ROI or can be a combination of the two. And, this type of partnership commonly has an annual renewable term—far shorter than is typical for other outsourced services.

### **Not a Hand-off**

So what are the benefits of outsourced payments product management?

**Immediate access to a team of payments specialists.** This partnership approach can provide not only an

**The cost to outsource is attractive for many institutions, and when tied to the financial benefits derived from the consulting, can even be self-funding.**

engagement leader but also access to a team of subject-matter experts that can be tapped for: payments-strategy execution, profitability analysis, cost reduction, revenue enhancement, risk mitigation, and product development and deployment.

### **Immediate access to sophisticated analytical methods and tools.**

Outsourced consultants routinely employ the use of sophisticated analytical models and methods. This facilitates decision-making through the use of more timely and accurate data, which is an improvement over using manual processes to guide best-effort decisions.

**Fills the temporary need for in-house expertise without adding to staff.** Staff management is an increasingly sensitive topic in any business today. Since the payments-product-management function may not require a full-time

resource, the partnership approach provides access to payments expertise without adding staff positions.

Consulting entities bring a vast expanse of experience and the knowledge derived from years of experience with working with large and mid-size financial organizations. This also provides an understanding of industry best practices and solutions to the financial institution. Working closely with seasoned consultants benefits less experienced

financial-institution employees by giving them an enhanced perspective and knowledge set.

Once a financial institution determines that it needs a dedicated payments-product-management function, a decision about how to staff the roles must be made. Can payments-business changes be better managed with an experienced partner than managed by a resource or resources on the payroll?

Effective outsourcing of any function has proven to involve a thoughtful partnership, not a hand-off. In payments-product-management outsourcing a coordinated approach is particularly important. It also means finding the right provider with the right approach and a proven track record of success. The right contracted resources will act as a virtual extension of your staff and accelerate the execution of your payments strategy, which will net a competitive advantage. **DT**



**Duffy: Competitive advantage from outsourcing management of payments products.**

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*Bill Duffy is managing director, global payment solutions at Fiserv Inc. Reach him at [bill2.duffy@fiserv.com](mailto:bill2.duffy@fiserv.com).*

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## Token Gestures

**Ben Jackson**

**With no end in sight to the rash of data breaches, the concept of replacing card data with so-called tokens is catching on. Just don't expect the technology to be a cure-all for PCI headaches.**

**M**erchants that accept credit cards may benefit from a technology commonly known as tokenization that can get the card numbers out of their system.

The Payment Card Industry data-security standard (PCI) requires merchants to demonstrate that they can protect credit card numbers and other cardholder data from criminals. Indeed, as mandated by PCI, every system that holds card data must have a set of controls to protect the data. Complying with this requirement, and then staying in compliance, is an expensive and time-consuming undertaking for any organization, and especially so for those with competing IT priorities.

Proponents of tokenization say the technology can lighten the PCI load for merchants because it replaces credit card numbers with unique codes, called tokens, that are useless to criminals.

### **Reducing PCI's Scope**

Broadly, tokens work as follows: A merchant hires a company that takes the card number from its system and returns a token that the merchant uses for its records. The token acts as an index or reference number that the

vendor could use to look up the actual information. The token vendor then sends the actual card number to the processor and authorizing bank.

For any given transaction, when a card is swiped at the merchant, the transaction data are sent to the vendor. The vendor submits the data for authorization and the authorization response is sent back to the vendor where the card number is replaced with a unique identifier that the vendor sends to the merchant.

The merchant only sees the customer's card number when a card is swiped or a number is entered into a Web site. The number is replaced by a token and deleted from the merchant's system, which reduces the risk of a data breach. The token provider stores the card numbers and takes the responsibility for keeping them safe.

Replacing credit card numbers with tokens reduces the scope of PCI compliance audits because it reduces the number of places cardholder data are stored, says George Peabody, director of Mercator Advisory Group Inc.'s emerging technologies advisory service.

Still, even though tokenization can make things simpler for merchants, it

doesn't mean the end of merchant responsibility to protect against data breaches. "You can't outsource all your PCI compliance," Peabody says.

### **'Waterproof'**

Las Vegas, Nev.-based Shift4 Corp. offers tokenization software that takes a credit card number from a merchant and replaces it with a randomly generated identifier that has no information that links it to the original card number or encryption keys.

"The only place that a token can be decrypted is at our data center," says Randy Carr, vice president of marketing at Shift4. "You would have to steal two buildings and a whole bunch of people to get a card out of us."

Merchants must transmit card numbers to Shift4, so these numbers could end up stored on merchant systems in some form. For this reason, Shift4 notes in an online presentation that card numbers can still be vulnerable if a merchant does not erase them after they get the corresponding tokens.

Shift4 works primarily with restaurants and hotels. Its tokens can be reused for recurring payments and for transactions like tips, where a merchant might need the card number again, Carr says. Tokens can be used in customer-relationship management systems and in other sales tracking, so the merchant never needs the card number, he says.

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TRENDS IN THE ELECTRONIC EXCHANGE OF VALUE

Paymetric Inc., a Houston-based processor and data-security provider, offers tokenization to large companies that run systems like SAP. Tim Girgenti, chief marketing and strategy officer at Paymetric, describes the tokens it provides as “claim checks” for the credit card numbers.

The tokens help large enterprises because once they replace credit card numbers with tokens, companies can share data across different business units without needing to create PCI protections in each unit. The tokens contain the last four digits of a credit card number so that companies can use them for analysis and customer-relationship services.

“One company had 17 systems where credit card data were stored,” Girgenti says. “We take all the credit card data and put it on one system.”

Replacing card numbers with tokens has an advantage over encryption because of the human factor, according to the vendors. Unlike encrypted data, tokens bear no information that can be deciphered into actual card data.

“If someone gets access to a single [encryption] key, they could access millions,” of credit card numbers, Girgenti says. “We consider token systems waterproof, while encryption is water resistant.”

While neither Shift4 nor Paymetric would reveal the names of clients or say how many companies use tokens, David Taylor, founder of the PCI Knowledge Base, a research group based in Stamford, Conn., estimates thousands of companies are using the technology. He expects there will be 20 to 30 companies offering tokenization services by the end of the year, up from fewer than 10 now.

## Headaches

The cost of tokens to merchants is far from a settled matter. Shift4 charges pennies per transaction for merchants using processing services, and tokenization is included in the per transaction fee. “Our rates are based on an

earned rate table (volume driven) and are 5 cents or less per transaction,” Carr says in an e-mail.

Paymetric’s Girgenti says that companies like his are still trying to figure out the best pricing model for tokenization. He has competitors that add 1 cent to 5 cents per transaction as a processing fee to monthly subscriptions based on volume. Paymetric offers tokenization as an add-on to other services, as a monthly subscription service where the fees are

while still protecting cardholder data,” Leach says.

But, he notes that, under PCI data security standard 12.8, merchants must still make sure that vendors have a contractual agreement to adhere to PCI standards and an obligation to protect the data they hold. If there is no direct agreement, the merchant must get evidence of the vendor’s PCI compliance “via other means, such as via a letter of attestation,” according to the PCI Web site.

## Breaches Booming

(Number of data breaches reported each year)



Note: Through March 31, there have been 133 breaches reported for 2009

Source: Identity Theft Resource Center

based on the number of tokens processed, or as a standalone “appliance” that requires merchants to pay a licensing fee and a maintenance fee based on the number of tokens issued.

Nor are tokens a complete cure for merchant security headaches. Troy Leach, technical director of the PCI Security Standards Council, says in an e-mail that tokenization will not eliminate the need to comply with PCI. He says that the Wakefield, Mass.-based council, which is responsible for administering PCI while enforcement remains with the card networks, has begun an initiative to study emerging technologies. The project’s aim is to gauge the industry’s readiness for technologies such as tokenization.

“One goal of the initiative is to explore whether tokenization and similar technologies can help reduce the scope of PCI-DSS for merchants

Besides compliance, merchants face other issues when considering tokenization, Mercator’s Peabody says. Outsourcing tokenization means that a merchant has another third party that could potentially cause an interruption in its service if its systems fail. Also, merchants pay to add the service, and they may need to do additional work to make the tokens work in their internal systems and with their other partners.

“You may have some significant reprogramming in your database,” Peabody says.

With any security method, merchants need to know who can access the data they collect, Taylor says. If a company makes promises about data security, then companies must perform due diligence to ensure that the vendor can deliver on its promises.

“Part of what you need for PCI compliance is tight controls,” Taylor says. **DT**

The right alternative, non-credit payment methods grant instant transaction authorization, ensuring that merchants get their money without changing their existing fulfillment processes.

Paul Phillipson is vice president of sales and marketing at Mazooma Inc., Miami, Fla.

## Here Comes Cash-And-Carry for the Web

**In the midst of an economy racked by restricted consumer credit, online merchants must embrace new payment solutions that let customers pay with cash, says Paul Phillipson.**

**T**he credit crisis and challenging economy are altering the way people think about debt and spending. In addition, more businesses than ever before are plunging into the red and being forced to shut their doors. But the economic turmoil has brought one very positive change: a shift to newfound financial responsibility for businesses and consumers alike.

Consumers are looking for ways to spend more prudently, save money, and reduce their debts, instead of spending freely and worrying about it tomorrow. Businesses are looking to offer their customers more cost-effective ways of spending, while also maximizing their own business goals and surviving these darker days.

More than ever before, online merchants these days must adopt new payment solutions that let people pay safely and conveniently with cash, not credit. Here's why.

### **Lose-Lose**

The declining economy is resulting in a serious credit crunch for the majority of today's consumers. Interest rates are skyrocketing, with little relief in sight. In addition, a growing number of consumers are being denied credit, making it harder to get a credit card to begin with.

Even the credit card issuers themselves are looking for ways to close accounts and end a reliance on the "buy now, pay later" mentality.

American Express Co. launched a program at the end of February offering some of its members \$300 in exchange for paying off their balances and closing out their accounts.

Meanwhile, whether to avoid debt, limit fees and charges, or as a result of ineligibility, more and more of today's spenders are cutting up those plastic cards and paying with cash.

Furthermore, there is still a high percentage of shoppers who fear the security risks of putting credit card information on the Internet. The results of this year's F-Secure annual Online Wellbeing survey found that only 6% of respondents felt safe in making credit card purchases online. Security is a clear priority for shoppers—and could make or break a customer relationship if it's not a priority for merchants.

### **Cash Is the Answer**

It's evident that consumers are feeling the effects of recession and fraud, but who else is suffering? Today's retailers, especially online retailers, are taking a heavy hit as fewer customers are willing to make purchases with a credit card. Monthly reports issued by the Federal Reserve indicate that consumer spending on credit has dropped to its lowest level since 1978—with little increase even during the holiday season. In addition, consumers are missing out on the convenient and cost-efficient offers online—ultimately a lose-lose situation.

Online merchants are well-positioned to help consumers save money, while continuing to maximize their own business goals and revenue opportunities. Their lower-cost structures, price transparency, and the ease of comparison shopping give Internet merchants a real advantage over traditional merchants in winning wallet share from price-conscious consumers.

But online merchants need an efficient, real-time way to allow consumers to conveniently pay without using credit cards.

What should retailers look for when selecting an alternative payment method? The answer:

- ▶ Non-credit, debit-based solutions;
- ▶ Secure, closed-loop process; and
- ▶ Real-time transactions.

These days, a crucial component to success for retailers is a payment alternative that doesn't rely on credit. In the physical world, more people will be paying with cash, but up to now it has been difficult to do so online. With the advent of alternative payment methods, online vendors can now offer their customers the option of paying in a non-credit format, similar to paying with cash. Customers can tap into their existing bank-account funds,

eliminating the risk of overdrafts, overdraft fees, and spending more than they can actually afford.

The right alternative, non-credit payment methods grant instant transaction authorization, ensuring that merchants get their money without changing their existing fulfillment processes. This is an advantage over systems based on the automated clearing house, where there's a window of up to three business days to get the funds approved and then up to a 90-day risk of chargeback.

### Win-Win

In addition, online vendors need to tackle security qualms, eliminating potential customer risks and fears up front. According to a 2007 report conducted by Javelin Strategy and Research, 8 in 10 consumers who have a preference would spend more online if they had a safe and convenient alternative to credit cards. By selecting a closed-loop alternative payment method, customers complete purchases through their own financial institution, without providing any financial details, card numbers, or login information to the online merchant.

This approach ensures that sensitive information is not shared with the merchant, limiting the chance

of fraud and putting the customer's mind at ease. By approaching security fears head on and deploying a secure, closed-loop solution, online vendors are able to tap into a wealth of potential customers who were previously hesitant to shop online. This powers a new era of growth by reaching a wider audience and increasing potential revenue streams.

Indeed, by offering a wealth of payment options, especially non-credit, online retailers can now extend their offerings to a growing number of customers without credit or to those just looking to spend smarter in a faster, more secure way. Merchants can not only reach a wider audience, but also they are armed with the tools to ensure customer satisfaction and loyalty—all fundamental to surviving the hard times now upon us.

There is no disputing that the spending habits of Americans are changing. Embracing these changes and offering alternative, non-credit payment methods gives businesses a cost-effective means of retaining existing customers and attracting new ones. Customers benefit, too, by decreasing their reliance on credit, reducing their debt, and increasing their sense of security while shopping online. That's a win-win situation for everyone. **DT**

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