



'Changes in Attitudes, Changes in Latitudes'

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North East Acquirers Association



Changes in Latitudes, Changes in Attitudes

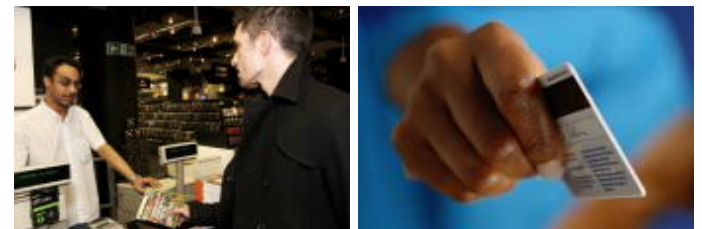
*It's these changes in latitudes,
changes in attitudes
Nothing remains quite the same
With all of our running and all of our cunning
If we couldn't laugh we would all go insane*

Jimmy Buffett



Agenda

- Evolution at the point of sale – an opportunity
- Vertical sales opportunities

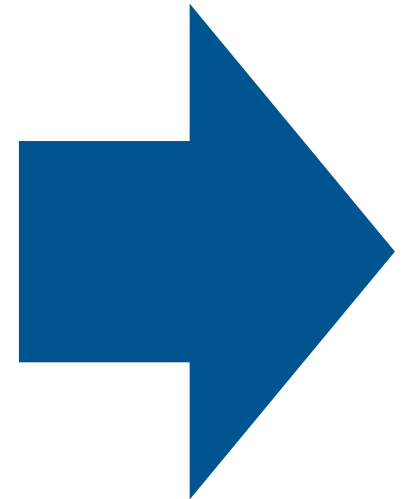


Evolution at the Point of Sale

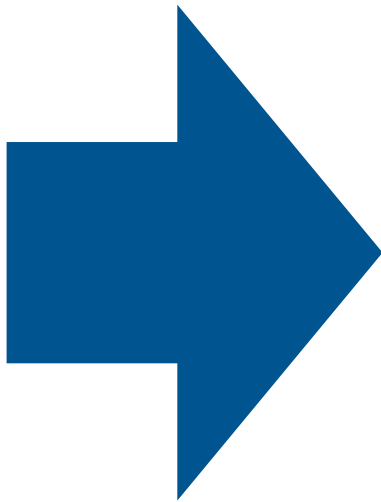
- What is the evolution?
- Opportunity Areas
- Challenge - PCI



The Evolution: From Terminals...



...To Integrated Point of Sale



Two Primary Opportunity Areas

New Product

- Generational impact
 - IBM PC introduction 1981
- Small businesses want value-added solutions
 - Sales, inventory, customer information
 - Organization of information
- Retail solution cost declining
 - Hardware
 - Software



Partnering Strategies

- Strategies
 - Low cost
 - Differentiation
 - Multiple Hooks
- Integrated Software Channel (Retail Solution Providers) as a source of merchants
 - ISO's are partnering with OEM's and VAR's
- OEM's and VAR's have discovered payments as a source of recurring revenue



What Does OEM and VAR Mean?

Original Equipment Manufacturer (OEM)

- Manufactures own software or hardware
- Can sell direct to merchants or to indirect channels (VARs)
 - Dealers / Distributors
- Examples:

micros[®]

Microsoft[®]

 **UP SOLUTION**

Value Added Reseller (VAR)

- Sells others' software & hardware
- Sells direct to merchant
- Sometimes called and ISV (Independent Software Vendor)
- Examples:

POSitive
Technologies, Inc.

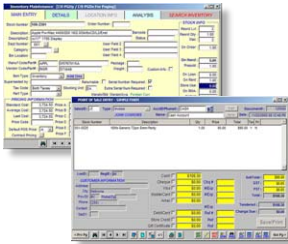
JCRsystems.com

Tucker Business Machines

Two Primary Opportunity Areas

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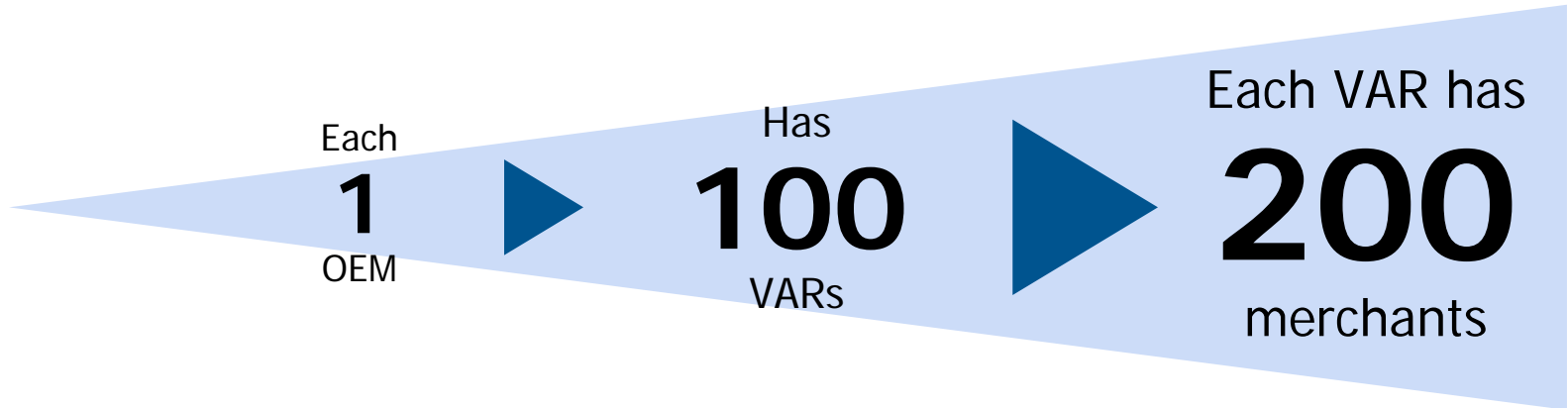
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The Scale is There....

How the channel distribution works



Leveraging the OEM channel



Software OEM for Any Vertical

Club Mgmt - Prophet Line

Dry Cleaners - Fabricare

Liquor Stores - Altantic

Marinas - Dockmaster

Storage Unit - Empower

Fast Food - Quick Kiosk

Health Clubs - CSI

Hair Salons - Rogers POS

Drug Stores - Emporus

Photoshops - Granite Bear

Book Stores - Computer Works

Super Markets - ECRS

Auto Body Shops - PPG

Motorcycle Shops - ADP Lightspeed

Bridal Shops - BBL



Highly Fragmented Market Place Leads to Opportunities

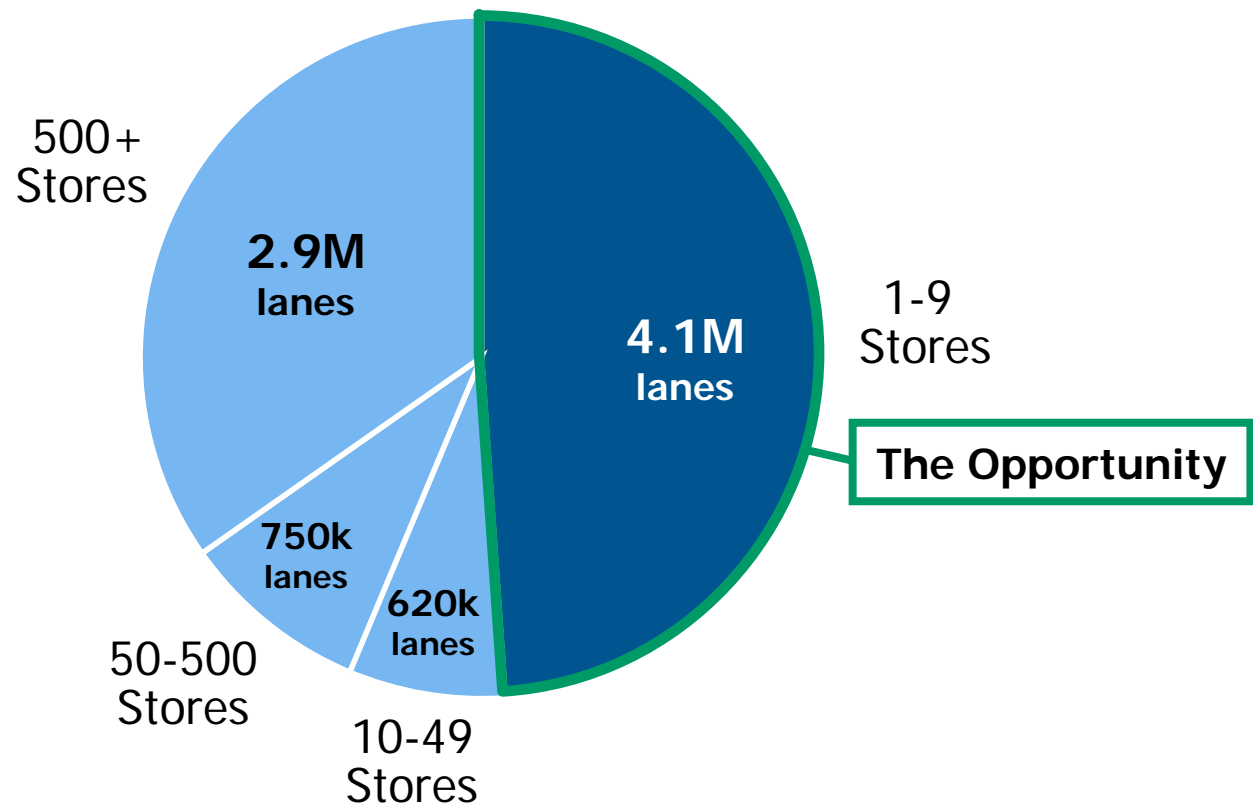
Example in Restaurant Vertical

Company	POS Functionality	Installs	Company Revenue
1. Micros Systems	40	10	5
2. Radiant Systems	37	10	5
3. Maitre'd by Posera	36	6	2
4. POSitouch	36	9	3
5. SilverWare	36	5	1
6. PC America	33	6	1
7. Restaurant Manager by ASI	33	6	1
8. Digital Dining/Menusoft	30	6	3
9. ParTech	30	9	5
10. Volante Systems	33	3	1
11. xpient (Progressive)	28	8	2
12. InfoGenesis	26	6	3
13. Compris Technologies	25	8	5
14. Wand	33	2	2
15. Panasonic	31	10	5
16. Squirrel Systems	30	5	3
17. FuturePOS	29	1	2
18. Speedline	27	2	1
19. NextPOS	24	5	1
20. Savista	16	6	3



The Small Retailer: Market Opportunity

Number of U.S. Retailer Checkout Lanes



55% of U.S. checkout lanes still use electronic cash registers

Opportunities and Challenges of Integrated Solutions

Opportunity

- New source of revenue
- Merchants sticky/hooked
- Tremendous scale opportunities
- All verticals supported by OEM software solutions



Challenge

- Longer sales process
- More complex solution
- Installation / support
- PCI Considerations



Evolution at the Point of Sale

- What is the evolution?
- Opportunity Areas
- Challenge - PCI



PCI-DSS and PA-DSS

- PCI DSS Requirements for enhancing payment account data security
 - Developed payment brands of the PCI Security Standards Council
 - Facilitate the broad adoption of consistent data security measures on a global basis
- PA-DSS (formerly PABP – Payment Application Best Practice)
 - Helps software developers and others develop secure payment applications that do not store prohibited data
 - Ensure their payment applications support compliance with the PCI DSS



The Merchant Landscape

Level	Transactions Per Day	Card Volume
1	16,438 or More	\$300M +
2	2,740 - 16,437	\$50M - \$300M
3	55 - 2,739	\$1M - \$50M
4	0 - 54	\$0 - \$1M

Assumes 365 day / year operation – Average Ticket - \$50



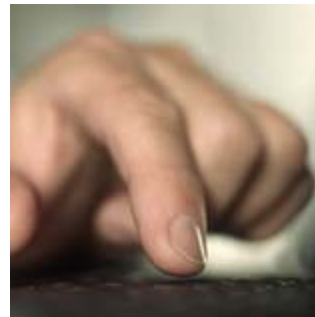
95% of merchants have revenue <\$5M

Myth of Fact?

- Big Level 1 merchants are the ones that are being targeted by the Bad Guys and compromised/hacked
- The Bad Guys would rather hit the Big Guys instead of wasting time on my small Level 4 merchants

Myth

Myth



The Facts Are...

Level 1 Merchants...

- Numbers game
- Most are compliant
- They have IT staffs
- Time / money



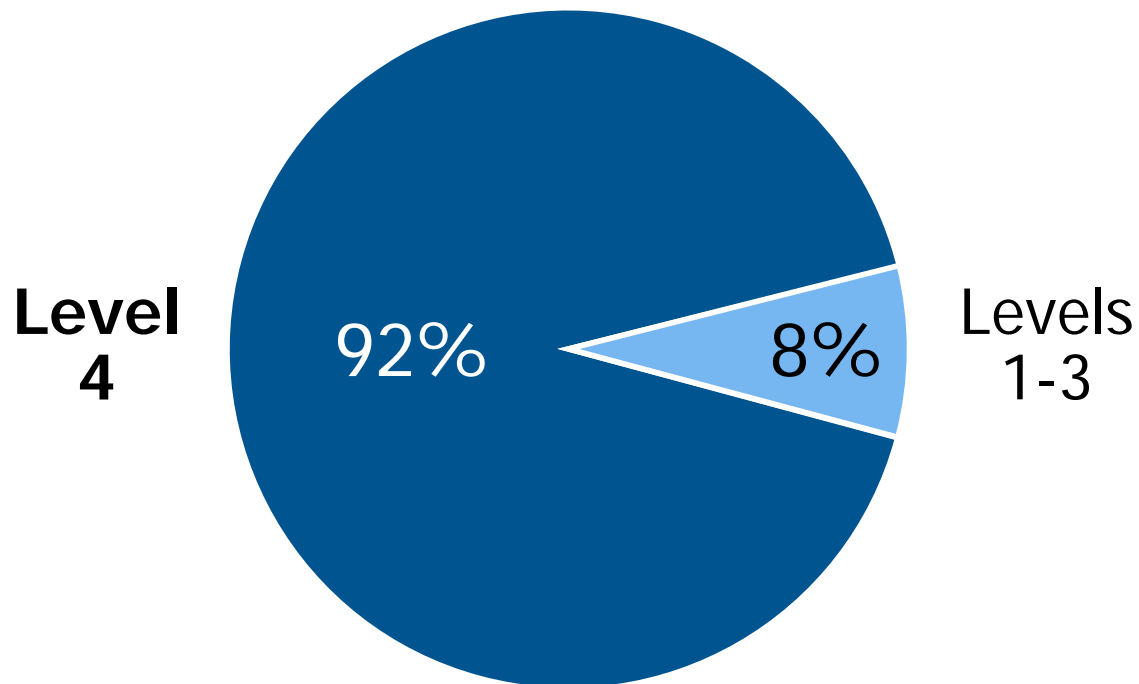
Level 4 Merchants...

- Numbers game
- Most are not compliant
- Low hanging fruit
 - especially with Integrated Point of Sale



Most Compromised Merchants are Level 4

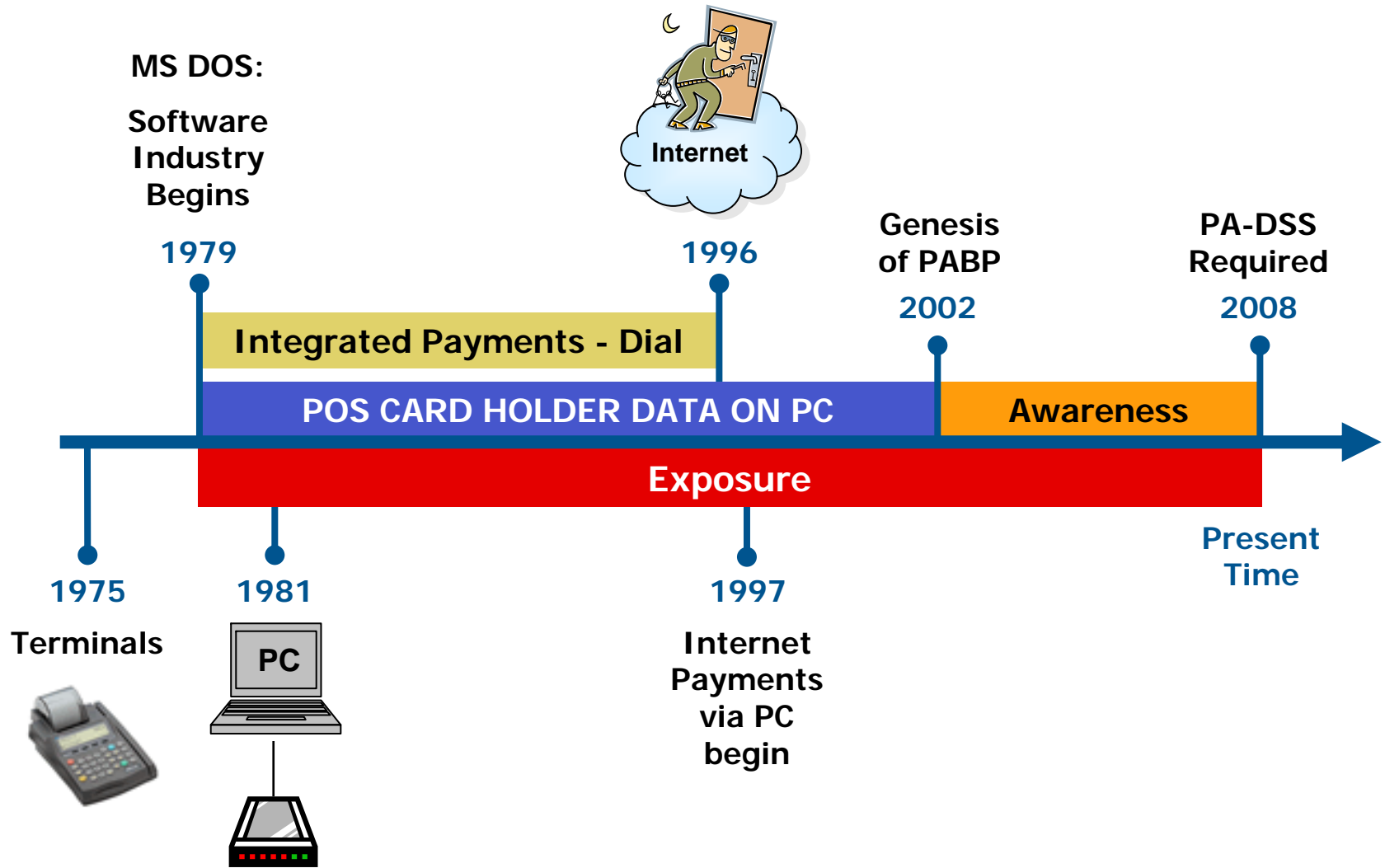
Compromised Merchants by Level



70% have stored card data!

Integrated Payments History

→ Weak Compliance



Who's Fault Is It?



*Inventor of
MS-DOS*

Bill Gates



*Inventor of the
Internet*

Al Gore



*Inventor of the
Magnetic Strip*

Fritz Pfleumer

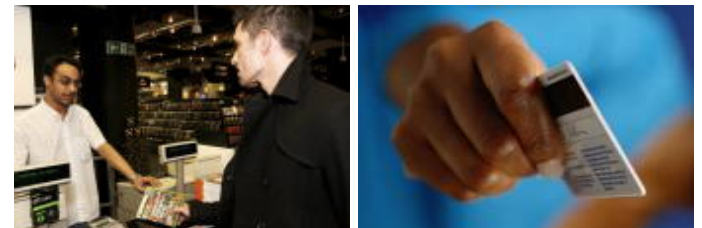
It's my own damned fault... JB



- Evolution at the point of sale – an opportunity

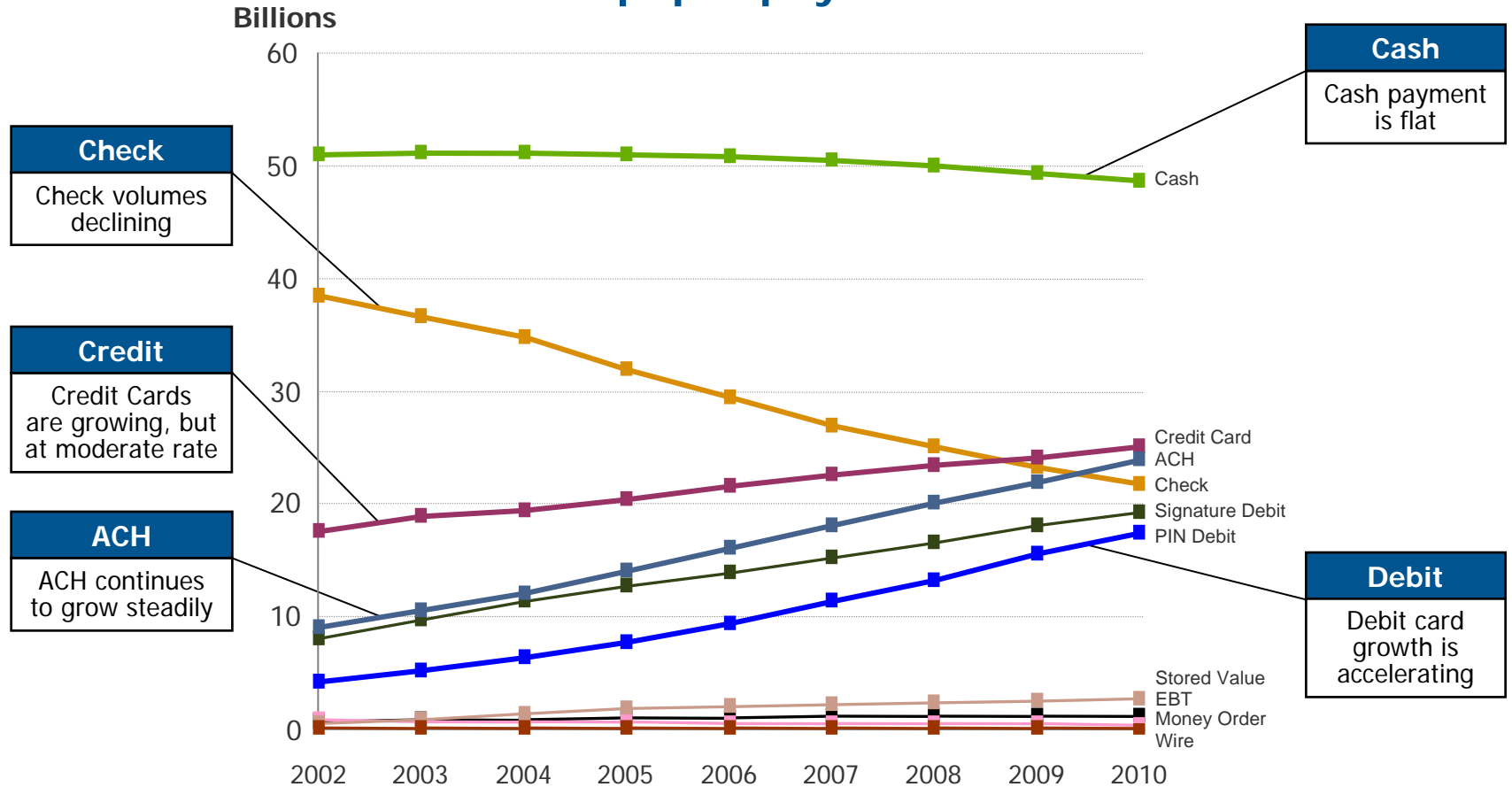
- Vertical sales opportunities

- Alternative payments – future role?



Payment Trends

Transaction Number by Payment Type – It's still a paper payments world



The Enemy is Cash



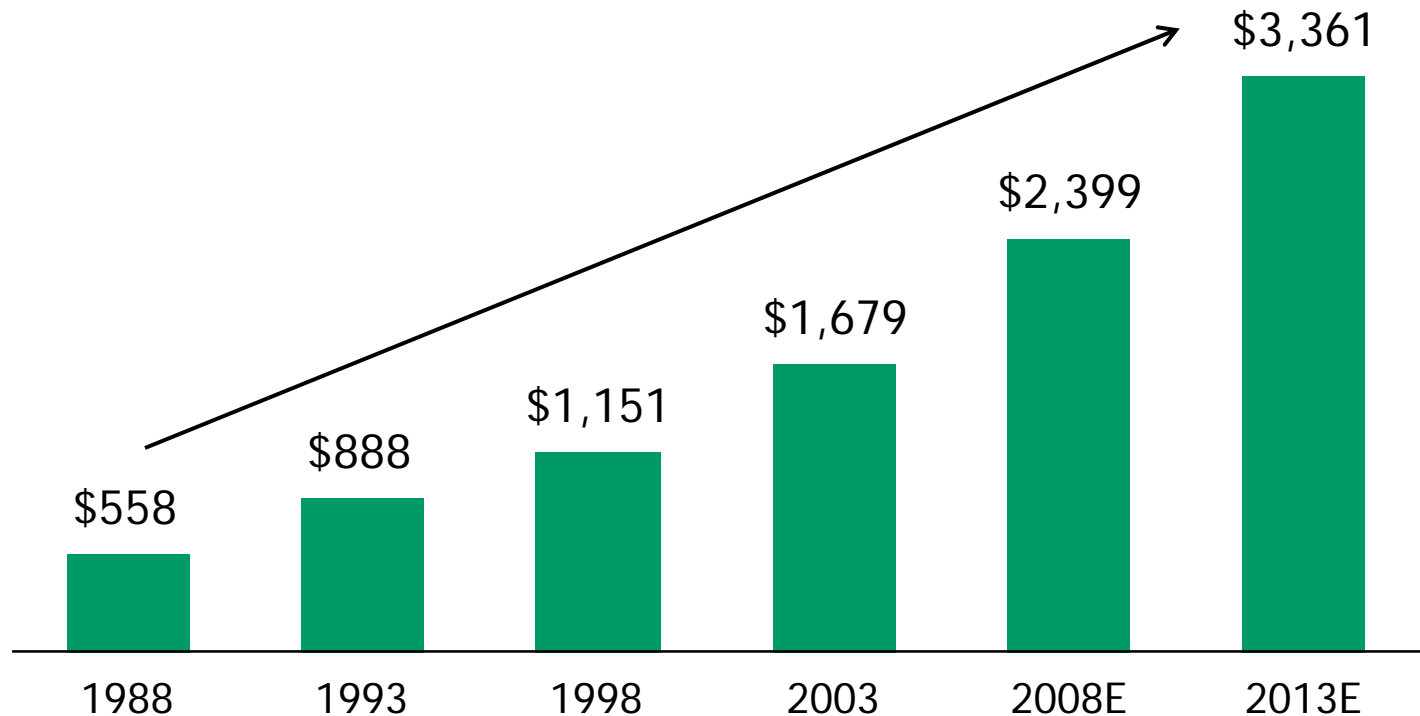
Opportunities – More Ways to Pay with Cards

1. Healthcare



The Healthcare Industry: Huge Growth

U.S. Healthcare Expenditures⁽¹⁾ 1998-2013E (in \$ Billions)



The Future: Let Patients Pay

Rapid growth of cost and expenditures

Percentage of Gross Domestic Product spent on healthcare in United States



Larger share paid directly by consumers

Employee spending for health insurance coverage (Consumer Directed)



The Problem (Opportunity)

How Much to Pay?

- The total amount to pay is unknown at the Point of Sale
 - Different Insurance Companies / Multiple Products per Company
 - Patient Co-Insurance and Deductible Status

Patients Pay Slow

- Consumers pay healthcare bills last or never. Accounts Receivable write offs can exceed 50% for a Physician

Immature Infrastructure

- There are few standards and common platforms
 - Healthcare technology ecosystem is immature compared to the electronics payments ecosystem we are used to.

The Advantages of Card Acceptance

Faster payment

- More payment options can increase the likelihood that patients will pay more or in-full at the time of service

Reduced billing costs

- When patients pay before leaving the office, reduced billings / collections

Time savings

- Simply swipe a patient's Card at the time of service



Healthcare “Gateways”

Agree to Pay Up Front – for all of services

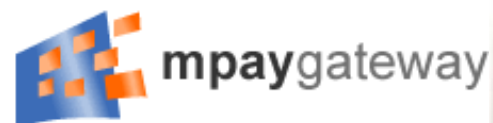
- Patients are coached to pay by bankcard (!!!)

Instant Adjudication

- Balance owed for services is determined at Point of Sale
- Installment programs for balances

Time savings

- Simply swipe a patient’s Card at the time of service for co-payment, deductible and/or CDHC



On Selling Acceptance to Doctors / Dentists

Step #1 – Getting In The Door

- Get to the Office Manager who serves as the doctor’s personal “gate keeper”

Step #2 – Getting Through

- Schedule a 5-10 minute appointment
- Describe how consumer-directed plans with high deductibles put the payment burden onto patients and how they need non-cash options to honor their responsibility. \$25 co-pays are now \$100= bills
- Accepting all credit cards is a fast and easy way to help patients manage their medical expenditures

Step #3 – Getting To Yes

- Provide sales collateral with the Office Manager
- Review the major points of the card acceptance value story which s/he will have to sell to/share with the doctor
- Schedule a time to meet and/or speak with the doctor to get the final go ahead

Step #4 – Education, Training, Training

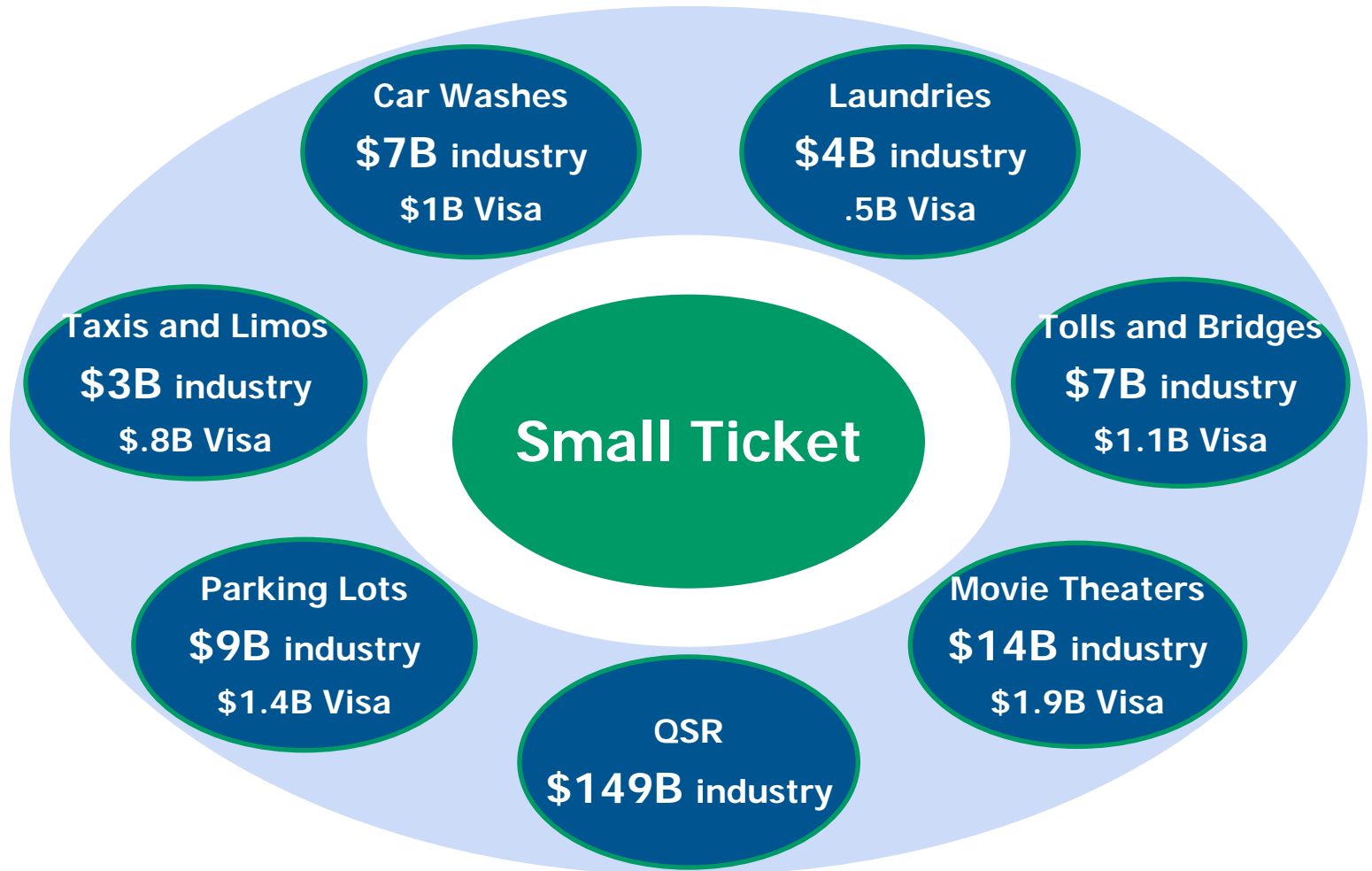


Opportunities – More Ways to Pay with Cards

1. Healthcare



Large Markets – The Opportunity



Strategies to Attack Cash

- Fast payment services
 - No signatures
- Contactless
 - There are over a billion mobile phones active world wide
 - More mobile phones activated each day than mag stripe cards
 - Generational acceptance is key
 - The phone will be the “Contactless” platform of choice
 - Smart Phones (I-Phone, Android, BlackBerry) are becoming dominant (?)
 - Mobile “wallets” will prevail for the “Contactless”
- Mobile Payment Models
 - Square, PayPal Mobile
 - VeriFone PayWare Mobile, Way 5000
 - Ingenico iSMP, USAePay
 - Pay By Isis



Brand Strategies for Small Tickets

Open Loop Prepaid Cards

- Networks are positioning for Open Loop Prepaid Cards
 - Partial Approvals; Load / Balance Transactions
- Prepaid Card Companies are Coming of Age
 - Green Dot & NetSpend IPO's.
- Prepaid Product Opportunities Abound
 - Non Banked / Underserved
 - Payroll Cards, Money Transfer
 - Health Care
 - Healthcare Cards (FSA/HAS), Drug Cards
 - Corporate & Consumer
 - Gift, Sales Awards



In Summary

- Evolution at the point of sale – an opportunity
- Vertical sales opportunities
 - Healthcare
 - Small Tickets / Mobile



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agreement 
EXPRESS by Recombo™

Jimmy Buffett





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