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Brand-Free ACH Gas Product Targets Small Station Owners

■ BY DANIEL WOLFE

National Payment Card Association, which offers an automated clearing house payment card to gas stations, says it hopes a non-branded version will boost demand this year for the low-cost transaction format.

Most of National Payment's cards carry the names of regional and national gas station chains. Joe Randazza, the Coconut Creek, Fla., company's president and chief executive, said the GasCapRewards card, introduced last week, was designed to appeal to independent owners, who often operate stations under several national brands — a setup that makes it difficult to offer a card or loyalty program.

"This is designed for the independent operator, who wants to go ahead and have the same resources as a large regional or a national chain," Mr. Randazza said.

He estimated that there are 96,000 independent U.S. operators running gas stations with multiple brands, and their appetite for an ACH card could increase his customer base from 500 stations now to 10,000 by yearend.

Last month Royal Dutch Shell PLC launched an ACH card through First Data Corp., a unit of Kohlberg Kravis Roberts & Co. Unlike National Payment's version, the Shell card is just for Shell stations. Like the National Payment card, it offers gas station operators lower transaction fees than credit cards and encourages them to pass on some of the savings to consumers to spur adoption.

Timothy J. Horton, the vice president of product development at First Data's Tele-check Services Inc., said Shell accepts the



Randazza: Owners can spend money on building traffic, not interchange.

card at 14,000 gas stations, and First Data is offering it to other companies in the gas, grocery, pharmacy, warehouse retail, and fast food industries.

"There are opportunities across the board," he said.

Mr. Randazza said the GasCapRewards card charges gas station operators 19 cents a transaction, and they are supposed to pass along a discount of 3 cents a gallon to motorists to encourage use. The savings would be passed along with each gas purchase, rather than by assigning points to be redeemed at a later date.

"This isn't a loyalty program," he said. "GasCapRewards enables merchants to use" the money they would be spending on "interchange to control and direct customer behavior for a traffic-building program."

Since the payments are made by ACH, the money does not leave the consumer's

account immediately. The consumer receives an e-mail after every purchase; Mr. Randazza said the e-mail both reminds consumers to keep funds available for the debit, and keeps the gas station brand in the consumer's mind long after the transaction.

Selling to small station owners instead of the chains will mean less income for each contract signed, he said, but this is the best way for National Payment Card to grow.

"My business model is that you can sell more 10-cent White Castle hamburgers than \$10 Morton steaks," Mr. Randazza said. "The industry itself is comprised out of 140,000 stations. Ninety-six thousand are independents. How could you choose to ignore them?"

National Payment also wants to expand into supermarkets and drugstores, and last year it raised \$2 million of venture capital for to do so, he said.

Bruce Cundiff, a director of payments research and consulting for Javelin Strategy and Research of Pleasanton, Calif., said the market-segmenting approach appears sound.

"They're concentrating on gas, so it's recurring transactions," he said. "It's always been that way in terms of payments. I remember in the 70s the only cards that my parents had were the gas station-specific cards, and they were much more focused on driving loyalty. ... There's definitely something there."

Mr. Randazza's target of 10,000 clients by yearend is "a lofty goal," Mr. Cundiff said. "But oftentimes it's good to have lofty goals." ■