

# ACH Card Makes Inroads in Service Station Market

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By [Will Wade](#)

Some [MTG Management Inc.](#) gas stations in Texas offer drivers a choice between paying the standard price or getting a discount of 10 cents per gallon if they pay with the company's private payment system.

[Guy Oliver](#), MTG's president, said the discount is so attractive that people who sign up often make his stations their primary gasoline source and rarely use any other payment mechanism at his pumps. The system, developed by [National Payment Card LLC](#), lets people initiate transactions with their driver's licenses and PINs; it debits their bank accounts through the automated clearing house network.

Though customer loyalty is important, Mr. Oliver said using the National Payment system yields several other benefits, notably that he owns the customer relationship and that using the **ACH** network for payments is less expensive than credit or **debit** card transactions.

National Payment has been promoting its **ACH** payment system to gas stations for a year, and though its customer base is small, and growing slowly, the reasons cited by Mr. Oliver indicate that the payment provider's model could be attractive in specific markets.

"I'm tired of being subject to the credit card companies and their massive fees," Mr. Oliver said in an interview Tuesday. "Obviously, I want people to use the cheapest form of payment," and in 15 years in the gas station business, "this is probably the most successful thing we've done to steer payments."

MTG, an Austin company, uses the National Payment system in five of its 50 stores and will soon add a sixth. Mr. Oliver said he would like eventually to adopt it in all 50. He also said that he bought a small stake in the payments company after testing the system last year.

Besides generating repeat business, Mr. Oliver said, the payment system gives him a direct link to every user. People sign up online by giving their bank account information and e-mail addresses. MTG automatically sends customers an e-mail confirmation after every purchase, which could serve as a warning if someone's account is misused, and it is also able to send targeted marketing messages and special offers, based on customers' spending habits. This is impossible with users of [Visa Inc.](#) and [MasterCard Inc.](#) cards because the transactions give MTG no way to contact the customer and little information on their purchases.

"If someone hasn't bought gas in a month, I could send them an e-mail and ask why not," Mr. Oliver said, and he can also offer special rewards to people who buy a lot of gas. "I can't do anything like this with credit card customers," he said.

[Joe Randazza](#), the president and chief executive of National Payment, said the Coconut Creek, Fla., company focuses solely on gas stations and its system will be available at about 350 stores by the end of this quarter. By yearend, he expects it to be available at about 1,500 stores, and to be carrying \$10 million to \$15 million of transactions per month. He would not say how many people are using the system now.

His system can be linked to any card with a magnetic stripe, including driver's licenses, merchants' loyalty cards, or even exhausted gift cards. Mr. Randazza said that his company made a gateway processing deal in November with [Fiserve Inc.](#) that will ease merchants' use of the system once it is available in June.

National Payment's model is very similar to the one that [Tempo Payments Inc.](#) tried for several years before changing strategy last year. Tempo in San Mateo, Calif., has said that, despite the lower cost of accepting **ACH** transactions instead of standard credit and **debit** cards, persuading merchants to become card issuers was difficult. Tempo now is promoting its **decoupled debit** card system to banks, which can offer the cards to people with accounts at any financial company.

But Mr. Randazza said that in the specialized gas station market "we haven't had a problem with acceptance." However, each merchant's payment program works only at its stores, and analysts said this hinders widespread use.

[Bruce Cundiff](#), a research analyst at [Javelin Strategy and Research](#) in Pleasanton, Calif., said the National Payment model is viable for specific market niches, not as a general-purpose payment tool. Being able to reach customers directly "is a big benefit. It makes this more than just an **ACH** payment card," he said.

[Gwenn Bezard](#), a research director at [Aite Group LLC](#) in Boston, said it will be hard for merchants to match the rewards available on standard credit cards. "The discount is a nice reward at a gas station, but you can only use it there," he said. "Some people will like it, but in the mass market, people want to put as much as they can on one card."