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O'Ryan's Hope

Minn. retailer among those adopting proprietary, fee-friendly debit-card program

By Steve Dwyer

MONTICELLO, Minn. -- As retail fuel prices continue to rise, convenience retailers like T-Jay Johnson are eternally seeking solutions to combat escalating credit-card transaction fees, which intensify the more customers pay for fuel.

Johnson, manager of Monticello, Minn.-based O'Ryan's Marathon, found the solution to this onerous dilemma in January when his station adopted a debit-card program that enables the operation to save a bundle on credit and even debit-card transaction fees. The program is proving to be a win-win for his operation, which is decreasing its costs and driving customer satisfaction as well.

After looking around for ways to ease the burden of high transaction fees, Johnson told *CSP Daily News*, his operation is now signing up 30 to 40 customers a month to use O'Ryan's proprietary "Direct Gas Rewards" debit card. Under card issuance terms, O'Ryan's is assessed a flat 17-cent transaction fee from the card processor. Meanwhile, the savings O'Ryan's enjoys is passed along to customers in the form of 10-cent-per-gallon discounts on fuel.



Spending about \$1,000 on technology upgrades needed to support the card initiative, O'Ryan's through the end of May enrolled 160 customers to accept Direct Gas Rewards, and it projects that it will have 500 cardholders by the end of the year, said Johnson.

The savings on credit/debit card fees has been compelling for O'Ryan's: Within a pure credit-card transaction, O'Ryan's incurs a 2.2% fee from the bank or card issuer, which adds up quickly dollar-wise as more customers fill their tanks at rates of \$60 and up, said Johnson. Fees also apply when customers use traditional debit cards sponsored by bank or card processors.

"We also use the card to build customer loyalty," said Johnson. "We've rung up \$80,000 in additional sales since January because customers receive discounts not only on fuel, but car washes, groceries and automotive accessories. In June, we offered free coffee and fountain drinks to the 160 cardholders."

The card sponsor, National Payment Card (NPC) LLC, debuted what it calls a "decoupled" debit card in 2007. Peter Guidi, vice president of sales for Coconut Creek, Fla.-based National Payment Card, told *CSP Daily News* that NPC currently has about 1,000 retail customers under contact, with an estimated 500 or so currently live with the debit card.

Operating within an Internet Protocol (IP)-based systems environment, NPC equips each retailer-client with a \$200 router that captures transaction data and transmits it directly to NPC's "host" system. Functioning like an "electronic check," Guidi said that since the card is "decoupled"—with no affiliation to a bank processor or credit card company—retailers can circumvent costly transaction fees. This is meaningful because most retailers who even accept debit cards from customers are subject to hefty transaction fees since the debit card is issued by a bank or card processor.

NPC charges retailers a flat 17-cent fee per/transaction regardless of the gallons customers purchase.

Guidi said that the 17-cent assessment was established because MPC felt "it's a fair price for the services and functions we provide."

Individuals are able to sign up for the card by providing a retailer with bank account information. To use the card, customer swipe it through a dispenser card reader, enter a security code and then the fuel savings are taken off at the point of sale. Each time they use the card to pay for fuel, funds are withdrawn directly from a bank account.

The one stipulation for retailers to deploy the program is they must have a broadband (rather than dial-up) network, said Guidi. Other costs that retailers incur vary depending on the POS hardware and software with which they are equipped.

Employees at O'Ryan's are encouraging customers using bank-sponsored credit cards to consider enrolling in Direct Gas Rewards, and many are becoming believers, said Johnson, who could not provide a figure on how much additional fuel volume O'Ryan's has pumped since the card was unveiled. Johnson said that O'Ryan's plans to offer customers a 10-cent discount on fuel throughout the remainder of the summer. He said after Labor Day, the savings per transaction will probably range from 3 to 10 cents per gallon.