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MasterCard Plans Point-of-Sale Product For Merchants Leery of Bank Cards

By MICHAEL WEINSTEIN

MasterCard International Inc. is developing a new point-of-sale product designed for merchants who traditionally refuse to accept bank cards.

This is the latest of several moves by MasterCard to offer point-of-sale services. With this new product, the bank card organization is taking advantage of the renewed interest in direct-debit, point-of-sale systems.

MasterCard will offer a branded logo specifically for the new service to be used on banks' proprietary debit cards, said F. Alan Schultheis, senior vice president of marketing and product development at MasterCard.

The service, which MasterCard expects to be operational by the end of the year, is aimed at such merchants as supermarkets and oil companies, Mr. Schultheis said. It will be made available to MasterCard's member banks, which will market the product to retailers.

The service, still unnamed, will not be readily identifiable as a MasterCard product to avoid comparisons with MasterCard's traditional bank card products, Mr. Schultheis said in an interview at the Electronic Funds Transfer Association's annual conference in Orlando, Fla., this week.

The bank card organization will provide the data processing support for the new product. And the new product will carry no interchange fee, which is the charge merchant banks pay card-issuing banks for bank card transactions. The fee is usually passed on to retailers in the form of a discount fee.

Since there will be no interchange fee, the product should be cheaper for merchants, Mr. Schultheis explained.

Mr. Schultheis said he expects merchants to pay a flat transaction fee for the service rather than a discount fee. The discount fee, which usually amounts to few percentage points of the sale, has traditionally been assessed on credit card transactions. But many merchants refuse to pay a discount fee on debit card transactions.

In a direct-debit, point-of-sale system, such as the one being developed by MasterCard, consumers pay for purchases at store checkout counters with their debit cards. The electronic network supporting the the system automatically debits customers' accounts and credits merchants' accounts for these transactions.

With this new service, MasterCard is using the data processing capability it is developing to support other point-of-sale systems. For example, MasterCard expects to provide the data processing for Interlink, the point-of-sale system being developed by California's five biggest banks.

MasterCard's new point-of-sale service is designed for regions that lack extensive coverage by one electronic network, Mr. Schultheis said. In these areas, the logo of MasterCard's new service will serve as the unifying linchpin for the point-of-sale network.

Point-of-sale systems require the participation of most of the financial institutions in a market area to meet merchants' requirements that all customers have access to the point-of-sale system.

MasterCard's new product would be unsuitable in places like California, Florida, and Iowa, where the financial institutions have banded together on their own to form one point-of-sale network. But MasterCard would like to provide the data processing support for point-of-sale systems in such regions, as it expects to do in California, Mr. Schultheis said.

And MasterCard recently announced the availability of yet another point-of-sale product that will provide authorizations for credit card transactions and other services. It is to be provided through an agreement with Tymshare Inc.

Organizations in three areas of the country have already expressed interest in MasterCard's newest product, Mr. Schultheis said. "I think we can realistically have one or two of these regions up by the end of the year."

The product is known internally at MasterCard as MasterKey. But that name will not be used in the marketplace, and the product's name will not include the word "Master" or the traditional MasterCard logo, Mr. Schultheis said. "It won't be driven by MasterCard marks."

MasterCard wants to avoid a situation in which merchants who accept the bank card and pay a discount fee see other retailers accepting a MasterCard payment device while paying only a transaction fee, Mr. Schultheis explained.

But he agreed that merchants will probably be aware that MasterCard is offering the new product. 'Nontraditional Bank Card Merchants'

MasterCard hopes to offer members a chance to deliver point-of-sale services to merchants who have typically declined to accept bank cards because of their unwillingness to pay discount fees, Mr. Schultheis said. "We believe the product's objective is to get at nontraditional bank card merchants."

Banks and merchants will negotiate individually over what fees are to be paid and who will finance the installation of point-of-sale terminals.

Mr. Schultheis expects the product to involve the use of customers' personal identification numbers at the point-of-sale.

But a number of merchants have raised objections to that procedure, claiming it may hinder their checkout process.

The new product should also offer member banks the opportunity to add an extra service to their existing proprietary debit cards, Mr. Schultheis said. "It's an extension of the utility of that ATM card."

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