

September 7, 2009

Making it Easier to Pay

Looking to offer fuel and food customers new, convenient ways to pay for their purchases, Sheetz is analyzing results of a fleet-fueling test that lets drivers make transactions with specially enabled cell phones, and is rolling out a new contactless debit payment option.

Working with Wright Express, which initiated the fleet card test, Sheetz leveraged its existing RFID payment platform, which accepts contactless credit cards, such as MasterCard PayPass, Visa payWave and American Express Express Pay, inside and at the pump, to test a near-field-communication (NFC) payment option.

"We're always looking for ways to drive business," said Rich Steckroth, Sheetz' director of business development. "If this new technology is something fleet customers would find attractive, we want to look at that. We will always look for on-the-edge opportunities. Will all of them be winners? No. But nothing ventured, nothing gained. We enjoy working with our vendor partners who share an innovative spirit, to bring new approaches to the market, allowing us and our customers to experience something different. A test like this will help us move through the next level of payment options."

For the test, 10 fleet drivers from two customers of Sheetz' private label Business Advantage fleet card were equipped with Nokia cell phones containing ViVoTech's ViVowallet software and Wright Express fleet card data. The customers agreed to have drivers make their fuel purchases with the cell phones, rather than plastic cards, during the January to May 2009 test period.

For Sheetz and the fleet customers, the NFC transactions worked similar to Business Advantage fleet charge card transactions, except the payment card information was stored on the cell phone.

Prior to fueling, drivers opened the application and waved their cell phones in front of the card reader at the pump. The reader recognized the payment device, sent the transaction information to the point-of-sale device, and the transaction flowed to Wright Express for authorization. The technology may also be used for retailers and fleet customers who require drivers to enter an ID code and odometer reading before use.

During the test, all of Sheetz' 350 stores could accept the payment option, and given the fleet customers' routes, most of the transactions were made in the Altoona and State College, Pa., markets.

The rate of cell phone use today, especially by Generation X and Y consumers, leads Russ Lamer, manager of emerging technologies for Wright Express, to believe the phone will be the purchase device of the future. "People will have wallets inside their cell phones just as they have wallets in their pockets today," he said.

Sheetz went into the pilot wanting to better understand the level of customer acceptance of the technology and the fleet customer's experience, Steckroth said. "How did they perceive the pay-by-cell-phone option? Was the transaction faster? What was the value added for the customer? From our end, it is still the same payment transaction. But if the fleet customer perceives a benefit, it may translate to more fleet business down the road."

Longer term, any learnings the company takes away may be applied to a consumer NFC transaction. But that is a bigger issue involving phone companies, payment networks and others, said Steckroth. "There could be marketing lessons, and lessons about configuring phones and menuing that are valuable from this test," he said.

Wright Express was interested in how the operating system of mobile payments technology works and what the company had to do to potentially offer it to all of its customers in the future.

"Our desire is to be ready to implement this technology when the time comes," Lamer said. "Change happens."

Next on the horizon are mobile marketing programs, including delivering coupons to mobile phones when gasoline is purchased, allowing drivers to redeem offers by bringing cell phones into the store, Lamer said.

Meanwhile, Sheetz began offering First Data's GO-Tag prepaid cards in July, which are packaged with a small, sticky-backed, plastic RFID tag that may be affixed to a cell phone, student ID, the back of a watch or inside a purse.

Customers may purchase the \$50 or \$100 GO-Tag reloadable Visa payWave card and tag combination, activate them and use the card or tag to pay for transactions wherever Visa payWave is accepted.

Customers may also transfer funds to the card and tag via a phone call.

Sheetz, which invested in the RFID payment platform in early 2005, has seen increased use of contactless payment cards, most notably MasterCard's PayPass, due to the card company's marketing push.

"We offered RFID for two reasons: speed of service and payment convenience," Steckroth said. "We like this option because the biggest challenge for contactless is getting debit card issuers to issue the contactless option."

For purchases made in the \$20 to \$60 sweet spot for which customers use debit, banks and issuers do not want to spend \$1.25 to issue a contactless debit card to customers in their checking account base, Steckroth said. "But people making those \$20 to \$60 transactions are a huge part of our card base.

"We want to push the use of contactless debit to the general public and this RFID vehicle is a comfortable way to do that. If the consumer demand for contactless debit grows, then maybe customers will start asking their banks: 'If I can get this option on a prepaid card, why can't I get it on my check card?'"

Steckroth would be happy to see the technology used in the fleet card test and RFID program to come together to allow all customers the option of paying by cell phone.

"While one is NFC technology and one is RFID, the pundits do believe there will be a point where the two technologies merge or one goes away," he said. "From a merchant standpoint, we have the infrastructure in place to accept both. The challenge is how it plays out on the issuing side."