



“FROM **BRICKS** TO CLICKS”

THE CHANGING E-PAYMENT LANDSCAPE

It's hard to pick up a newspaper or business magazine without reading about skyrocketing growth rates for the adoption of new technologies. To wit:

- DataMonitor reports that worldwide business-to-consumer e-commerce—that is, shopping over the Internet—totaled US\$50 billion last year and will grow to more than US\$660 billion by 2005.
- DataMonitor predicts that consumers will use mobile phones to buy US\$300 million in goods online this year, forecasting an annual total of US\$17 billion in five years.
- Dataquest says shipments of smart or chip-based payment cards are estimated to grow 35 percent this year, up from 176 million cards in 2000 to 238 million this year. Shipments are expected to reach 459 million in 2004.
- Gartner predicts that 40 million consumers will use electronic bill presentment and payment services as part of managing their household finances by 2004.

For merchants, financial institutions and processors—the established operators of mainstream electronic payment systems—what do these numbers mean? Are traditional channels for delivering payment services being abandoned in a mad rush toward newer “e” channels?

“On the contrary,” said Mark Vipond, president of ACI Worldwide. “We see the same trend regardless of industry or geography: Businesses are looking at ways to use the Internet and other ‘new economy’ technologies to incrementally improve their existing business. No one is talking about throwing out proven methods of delivering service. However, those proven methods are being expanded to enable businesses to operate in both ‘bricks’ and ‘clicks’ environments.”

The vast majority of electronic payments are still made at traditional ATMs and brick-and-mortar merchants. That said, it's impossible to ignore the forecasts of growth surrounding newer channels. At the same time, researchers have clearly established that each new generation of consumers is more comfortable with technology, and in fact future generations will expect the convenience of doing business in multiple, often electronic, ways.

Investing in new technology isn't just about positioning for the future. Some ACI customers are already realizing cost savings or new revenue streams through “e” initiatives, not to mention gaining the competitive advantage that comes with differentiating their business through innovative service.

Yorkton Securities, a Canadian brokerage firm, is implementing a system to create and deliver monthly electronic statements for its investment customers.

BY JUDY HARTLIEB,
vice president of Corporate Marketing,
ACI Worldwide

The system also will securely and electronically deliver transaction confirmations to approximately 60,000 accounts within 24 hours of initiating a transaction. Yorkton will realize a significant return on investment by using the new delivery system to eliminate the higher cost of paper statements.

Deutsche Bank Italy has initiated a program to issue electronic wallets to cardholders. Wallets securely store information about consumers' payment cards—for example, account numbers and expiration dates—along with information needed to automate logon and password functions, so consumers make fewer key strokes and find it easier and faster to make purchases over the Internet. Deutsche Bank has also implemented a payment gateway that formats transaction requests from Internet merchants and secures them using the SET protocol, transferring transactions to the bank's existing payment processing system.

MovilPago Internacional is launching an innovative mobile payment system that allows consumers to use their mobile telephones to initiate payments at the point of sale. Telephones are scanned to identify the customer, who is prompted to enter a PIN through the telephone to confirm their identity and approve the payment against their debit or credit account.

In another mobile commerce initiative, the National Bank of Greece allows mobile telephone users to check their account balances and receive alerts from the bank when their balances reach specified amounts.

In Australia, two leading telecommunications companies have teamed with local banks to allow mobile telephone users to recharge their prepaid phone accounts at ATMs. Consumers initiate transfers to their prepaid accounts at the ATM and receive convenient codes on the ATM receipt that are used to activate the new airtime.

In the Middle East, Emirates Bank Group is launching an EMV smart card program to issue and personalize chip cards and process smart card-based transactions for itself and other banks in the United Arab Emirates. Cards will be usable at ATMs, point-of-sale devices and over the Internet.

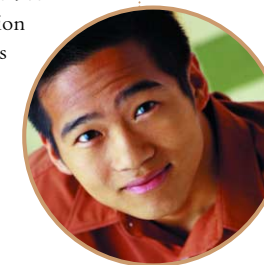
In each of these examples, customers turned to ACI for the software to support their new initiatives.

“WE USE THE TERM ‘E-SERIES’ TO DESCRIBE THE SOLUTIONS IN THIS CATEGORY,” VIPOND EXPLAINED. “THESE REPRESENT A BROAD SUITE OF TECHNOLOGIES THAT INTEGRATE WITH EXISTING PAYMENT SYSTEMS AND ALLOW CONSUMERS TO TRANSACT BUSINESS IN NEW WAYS. ESSENTIALLY WE’RE HELPING OUR CUSTOMERS PLUG NEW, SECURE COMMERCE TECHNOLOGIES INTO THE TRUSTED PAYMENT SYSTEMS THEY HAVE OPERATED FOR YEARS.”

ACI is best known for high-volume, 24/7 software systems that process electronic payments in traditional ATM and POS channels. More than 340 customers used these software engines to process more than 20 billion transactions last year. Now more than 50 customers in 23 countries have licensed ACI e-series solutions to enable commerce in the virtual world. These customers come from a variety of industries and use one or more of the following products:

Electronic statement delivery and bill payment

ACI's M-Bill™ and M-Statement™ products enable businesses to deliver digitally signed, secure documents directly to consumers' desktops using standard e-mail—the delivery method expected to drive the highest adoption rates. The products also support electronic document delivery via the Web and mobile devices. Consumers can receive summary information or images of entire bills or statements, complete with interactive links to information on new product and service offerings. M-Bill includes a robust payment manager that formats transactions when consumers press “pay biller,” sending instructions to direct-debit or card-based payment networks.



Secure Internet payments

ACI's e24® software addresses the needs of merchants, merchant acquirers, and debit and credit card issuers. These products include a solution for hosting server-side wallets that securely stores consumers' payment information and automates secure interaction with merchant Web sites. Wallets can be issuer-branded and displayed on PCs, PDAs, telephones and other devices. Also included are solutions that format and securely route payment transactions to merchant acquiring systems and monitor transaction patterns for potentially fraudulent activity.

Mobile commerce

ACI's solutions leverage the substantial worldwide growth in mobile telephones, establishing the telephone as an e-commerce platform linked to ACI's robust payment engines for transaction processing. ACI solutions enable consumers to send and receive messages between their banks and mobile telephones, recharge prepaid phone accounts at ATMs, and use mobile telephones to authenticate consumers and complete purchase transactions at the point of sale.

Smart card services

ACI provides a variety of solutions to help customers use smart cards. The company's expertise is unique in the industry and ranges from enabling e-purse schemes and management of multifunction cards to supporting transactions initiated with EMV-compliant smart debit and credit cards. ACI's experience includes several large-scale deployments, particularly in Europe.

“The payments landscape is changing,” Vipond said. “In fact, it's been continually evolving since the days of ACI's first product for electronic or ‘e’ business in the mid-1970s. What drives the change? Usually it's a combination of consumer expectations, technology advances, and the competitive pressures that our customers face. At the end of the day, ACI's customers understand that both physical and virtual channels are important to their future. With e-series solutions, we're helping them extend their reach and incorporate the best of both traditional and emerging technologies.” ▲

ACI E-SERIES CUSTOMERS

“INVESTORS NEED TO MAKE QUICK DECISIONS IN TODAY'S INTERNET ECONOMY, AND WITH THE ACI SOLUTION, OUR CUSTOMERS WILL BE ABLE TO DO JUST THAT BY RECEIVING TIMELY TRANSACTION INFORMATION IN INTERNET TIME – THEIR VERY LATEST TRADES CONFIRMED WITHIN 24 HOURS AND MONTHLY STATEMENTS OUT IMMEDIATELY AFTER MONTH-END – INSTEAD OF WAITING THE TRADITIONAL FOUR WEEKS.”

Rodney Sim,
Yorkton Securities president

“SECURITY IS THE NO. 1 ISSUE ON THE INTERNET TODAY, AND WITH ACI SOFTWARE WE CAN ESTABLISH A TRUSTED ENVIRONMENT FOR CONSUMERS SHOPPING ON THE INTERNET. OUR OBJECTIVE IS TO GIVE CONSUMERS CONFIDENCE TO BUY OVER THE INTERNET AND TO REASSURE MERCHANTS THAT CONSUMERS ARE PROPERLY AUTHENTICATED.”

Umberto Bartoletti,
Deutsche Bank Italy international relations manager

“THE ACI SOLUTION WE'VE SELECTED TO POWER THE SYSTEM PROVIDES US WITH A HIGH-SPEED, HIGH-RELIABILITY M-PAYMENTS PLATFORM THAT CAN SCALE TO SUPPORT THE VOLUMES WE ANTICIPATE AND CAN ADAPT TO INCREASING VALUE-ADDED TRANSACTION TYPES.”

Mario Cantero Brandes,
MovilPago CEO

“IN UNDERTAKING THIS DEVELOPMENT, EMIRATES BANK IS EMBRACING THE VERY LATEST IN CARD TECHNOLOGY TO PROVIDE BOTH SECURITY AND ADVANCED FUNCTIONALITY. OUR CUSTOMERS WILL BENEFIT WITH CONVENIENT SMART CARD FUNCTIONALITY THAT OPERATES IN TRADITIONAL BRICKS-AND-MORTAR ENVIRONMENTS AS WELL AS THE INTERNET.”

Anis Al Jallaf,
Emirates Bank managing director and CEO

FOR MORE INFORMATION ABOUT ACI'S E-SERIES SOLUTIONS, CONTACT GENE HINKLE AT HINKLEG@ACIWORLDWIDE.COM.