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Other Possible Alternatives Where EBT/Debit Cards Can Be Used To Deliver Benefits

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Research Project

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STATE DOCUMENTS

I Introduction

For over 30 years, the Food Stamp Program has served as the foundation of America's nutrition safety net, working to end hunger and improve the health of low-income people by helping families buy the food they need for a nutritionally adequate diet. In SC, over 100,000 households depend on the Food Stamp Program each month to get the food they need for good health. The Food Stamp Program can help stretch limited budgets, improve nutrition and reduce the risk of diet-related health problems.¹

Electronic Benefits Transfer (EBT) is the method SC uses to issue food stamps. The EBT Card is a plastic, hybrid debit card. It can be used to buy food in the same way an ATM debit card is used. It can be used in any food store in the U.S. that displays a "Quest" logo. A client's benefits are entered into their account through a batch system on a nightly basis. The client must activate and PIN their card before they will gain access to the benefits in their EBT account.

Retailers must apply to the Food and Nutrition Office in order to be able to accept EBT cards for Food Stamp benefits. Once the retailer has been approved, they are sent a package of information that discusses integrated solutions that they must submit to the contractor. In other words, the retailer must decide if they will accept credit, debit and EBT cards or just EBT cards at their store. The reason for this is because "EBT programs pass through the same commercial networks that processes debit transactions and subsequently, third-party processors."² Once

they decide how they will be doing business, complete the packet of information and submit it to the contractor, the contractor will allow them to “hit” against the contractor’s system, thereby, getting reimbursed for food that the Food Stamp client has bought.

II Problem Statement

Because EBT is the method that SC uses to deliver food stamps benefits to clients in this state, I plan to investigate other possible alternatives (programs) where EBT/Debit cards can be used to deliver benefits. There is the possibility that cash and other benefit delivery can be utilized to provide clients a more up-to-date method of receiving benefits. The reason this is important is that in today’s world of technology, the agency must keep in tune to other possible avenues to issue benefits to clients and to reimburse providers on behalf of the client instead of sending a paper check for the client or provider to cash. Also there might be ways to incorporate those alternatives into the EBT/Debit process and therefore, gathering this information could be very beneficial to the agency.

Some of the Agency’s goals include reducing waste; saving money and eliminating fraud by ensuring clients receive only the benefits for which they are eligible. In the article, Payment Options Surpass Credit, Debit Boundaries, you can surmise that using EBT or Debit cards will eventually reduce the need to issue paper checks to clients and/or providers.³ Another goal of the agency is to

modernize the way it does business and that means going paperless in the way it issues benefits and payments to clients.

III Data Collection

The data that I have collected includes a flowchart the EBT process. This will allow the reader to understand the technical and financial parts of the process. A flowchart allows the identification of the actual flow of events in this process. The flowchart that is being used is simple macro-flowchart. It shows sufficient information to understand the general process flow of EBT.

The flowchart shows where the client applies for Food Stamps and is determined eligible. Their demographic information is placed into SC eligibility system (CHIP) and benefits are issued. An electronic demographics file is sent to our vendor. In the meantime the Food and Nutrition Services approves a letter of credit for the agency and this money is sent to Automated Standard Application for Payment (ASAP) as a credit. Simultaneously, JP Morgan creates an account for the client, posts benefits and issues a card. The client then shops for food at the retailer, the retailer hits against JP Morgan's system and is sent their money through the Automated Clearing House (ACH) system. The vendor later sends a file to ASAP, the Federal Reserve, who debits the account for the vendor that allows them to pay the retailer.

Other data that I've collected includes several internet articles that show how the EBT/Debit card can be used. One article from *Enhancing Government Electronically (August 2006)* provided a wealth of information. They suggested that "Direct Deposit of payments to a traditional bank account is the preferred method for government to disburse payments to recipients. However, the EBT card and the Electronic Payment Cards (EPC) provide a means for government agencies to make payments electronically to recipients who do not have a bank account or who, for some reason, do not elect to have payments deposited directly to a bank account."⁴

This article also gives examples of the types of Electronic Payment Cards (EPC) that are being used today. "Examples of the Electronic Payment Cards are *The Visa Prepaid Card* and the *Prepaid MasterCard*. Also, the product operates on the existing commercial Automated Teller Machine (ATM) and Point of Sale (POS) Networks and offers worldwide access to cash and the purchase of goods and services"⁵.

Data collected from the website of the Social Security Administration (www.SSA.gov) indicates that The Department of the Treasury has introduced an easy and affordable option – the Electronic Transfer Account (ETA). The new ETA is available through participating federally insured financial institutions including banks, savings and loans, and credit unions. The account which provides the full range of consumer protections is available to any one who

receives a federal benefit; wage; salary or retirement payment. Features of an ETA include:

- A maximum cost of \$3.00 per month
- A minimum of 4 cash withdrawals per month.
- Your bank, saving & loans or credit union will tell you whether you can get your money from a teller, ATM or both. If you use ATMs at certain locations – it may cost extra;
- No minimum balance, unless the law requires it.
- A monthly statement listing all deposits and withdrawals; and
- Federally insured accounts⁶.

Additional data collected is information from the vendor currently chosen for the EBT Contract at the South Carolina Department of Social Services.

JPMorgan Chase has many options to offer agencies for solutions to help them convert value and benefits into electronic payments. For the debit card program, there are multiple options:

1. Branded debit cards – can do debit or credit transactions which is what DSS is currently assessing for Family Independence funds, Foster Care and Adoption subsidies payments. It is also used for Unemployment Insurance payments, Federal Cash Disaster Aid (like after Hurricane Katrina).
2. Non-branded cards – cardholder can use anywhere that PIN-based transactions are accepted (these are for programs like Department of

Corrections inmate work release program where we need to “reload” the account).

3. Cash Cards (EPC) – work like a gift card – cardholder can use anywhere that PIN-based transactions are accepted, but card is not “reloadable”. We use these for programs where cash disbursement needs to be done, like termination pay, jury duty pay, or any situation where a one-time deposit is going to be made and the need to ‘reload’ the account is not needed.
4. Medical Spending account products – the accounts are typically pre-funded, meaning money is deposited into the account prior to transaction processing. An account is created and a card issued (usually branded). One of the big differences is all of the requirements/business rules as to where and how the card can be used (only at authorized providers, only for authorized medical services and/or products, etc.).

According to JPMorgan, “there are nuances to all of them, but, #1 and #2 uses the ACH file process to make deposits to the accounts and option #3 allows DSS to do ‘drawdowns’ from a designated account that the company/agency has established for that purpose. One particular nuance is that SC DSS cannot use on-line adjustments because their programs are a part of the State’s contingency account; however, another program that has its own account may be able to use them. In other words, the State Treasurer’s Department has indicated that there are some programs that are paid out of the contingency account and therefore cannot use on-line adjustments. Other programs are not paid out of this

contingency account and may have its own separate account. This separate account may not have any restrictions on the use of on-line adjustment. So the nuances are not just in how the specific type of debit card is used, but also in each programs' "business rules".

The reason why I've collected this data is to lay the foundation for the reader and to give them an understanding of other possibilities to deliver funds electronically.

IV Data Analysis

Electronic delivery is becoming a well-used mechanism to transfer benefits to clients and in this age of technology, it can help eliminate waste and fraud. For people who do not have bank accounts, direct deposit is not an option for them. Therefore, in order to receive benefits if the agency does not issue checks, the client must be issued a debit or payment card to receive their benefits. "Electronic Funds Transfer (EFT) is simpler to implement than the controls necessary to issue checks safely. It offers payees a quick, secure way to receive payments, while payers benefit from low cost"⁷, according to *Electronic Disbursement Options (2003)*.

Electronic Payment Cards (EPC)

There are basically 2 types of payment cards, according to *Electronic Disbursement Options (2003)*. There is:

1. The prepaid cards which is “tied to an aggregated account rather than to a cardholder’s consumer asset account.”
2. An account-based EPC which is “tied to a cardholder’s consumer asset account.”⁸

These types of cards require the client to activate and PIN the card. To authorize a transaction using a PIN, the cardholder must key in a PIN on a PIN Pad at the point-of-sale. Funds are immediately debited from the cardholder’s account.

Once this is done, the client can use the card at stores or ATMs. “The EPCs can effectively deliver recurring government payments, supporting such programs as TANF; Child Support; Unemployment Insurance; federal benefit payments; payroll and other repetitive payments. EPCs could be used to deliver multiple payments to the client, enabling the client to receive both state and federal payments using the same EPC account,”⁹ according to *Electronic Disbursement Option (2003)*.

Other options involve value-transfer programs that have used the EBT infrastructure. These include Child Support payments, Women, Infant and Children (WIC) benefits, Food Stamps, energy assistance programs and other state-sponsored (or Federal) aid programs. Other examples include Medicaid eligibility and subsidized day care time and attendance.

V Implementation Plan

The SC Department of Social Services is in the middle stages of implementing its current contract for EBT/EFT services which began January 28, 2008. Several phases of the contract have already taken place and implemented. One phase of the new contract that the agency and the vendor have completed was the conversion of the old 19 digit EBT cards to the new 16 digit EBT cards. Each Food Stamps client who received benefits for September 2007 received a new EBT that had to be activated by October 22, 2007. Those that did not activate their cards at the appointed time had their old 19 digit card deactivated which meant they had to call to activate their new cards.

Another phase of the contract included Expedited EBT cards. Directors in the county office wanted the ability to issue EBT cards out of their office to be issued following the Food Stamps expedited policy. County staff was trained regarding the procedure for issuing expedited cards the first 2 weeks of January 2008 and were delivered their initial order of Expedited EBT cards.

This contract also added debit services to clients/providers receiving cash payments. Currently, meetings are being conducted weekly to give and receive information in the three areas that will be affected by debit services. Those areas include TANF, Foster Care and Adoptions Services. Implementation will begin for Foster Care and Adoption Services in May 2008. Implementation for TANF will begin in October 2008 with a 6 month roll-out.

Meetings are also currently being held to begin the implementation process for Debit Services and Time and Attendance Services with the Child Care Services Division at the agency. Unlike TANF, child care providers who have regular bank accounts will be given the option of using direct deposit for their child care payments. If the provider does not have a bank account then that provider will be issued a debit card from JPMorgan. JPMorgan will also be providing Child Care Time and Attendance services for a time and attendance data collection system and provider payments. The implementation date for this is scheduled for October 2008.

Another part of this contract involves developing a new disaster EBT program. Being able to implement disaster services for Food Stamps is quite complicated in that the transmission of funds and benefits must be handled as quickly as possible. This includes the creation of accounts and cards for clients in the affected area. In order to do this, there must be the appropriate firewalls, mainframes, routers, lines, etc. Meetings are currently underway to determine the best way to transmit information to and from the vendor. In the event of a disaster, we would need to figure out quickly what is needed to insure that benefits are delivered to clients.

Implementing the contract was not without its challenges. Although the key stakeholders were involved, the key players were not at the table. Staff

members who had no power to make significant decisions were at the table instead of top personnel on the program side. This created confusion when it was time to implement. Also, pointing out how the contract would benefit the program area would go a long way to establishing key relationships necessary to implement. Other challenges regarding transmission of information to and from the vendor in the event of a disaster are top priority at the moment. There appears to be many ways to transmit information and we need to come to a common ground with the vendor on the easiest and most efficient way for the transmission of client information in the event of a disaster. This could mean possible contract re-negotiations to get the best bang for the agency's dollar.

VI Summary/Recommendation

There are many possibilities for the electronic delivery of funds through EBT/EFT. There are the value-transfer benefits that can be delivered, for example Food Stamps and WIC are benefits where no money is provided to the clients, only a value for food. There are benefits that can be delivered through Debit cards or EPC cards. Unemployment benefits, TANF, SSA, Foster Care and Adoption Subsidies payments can all be delivered through Debit cards. Benefits that need to be delivered on a one time basis can be delivered using the pre-paid (EPC) *Visa Card* or the pre-paid *MasterCard*. Being able to deliver funds through Direct Deposits is the way that is preferred for governments; however, it is not always the most feasible for clients. Many clients do not have bank accounts or simply do not want their benefits delivered to their bank. Those

clients can be given their benefits on a debit card without any problems, “provided they are not terrorists,” according the Regional Director of the vendor on January 30, 2008.

With my agency’s goal of becoming paperless and eliminating waste, EBT/EFT cards are a step in the right direction. Although there will be challenges along the way, it is important to remember the goal of the agency and be aware that the future holds many other possibilities in delivering benefits to clients electronically.

VII References

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2. NACHA - THE ELECTRONIC PAYMENTS ASSOCIATION, *Enhance Government Electronically*, 2006
3. Interview – Lynn Bean, JPMorgan Chase, October 30, 2007
4. Flow Chart – Robin Verenes, SC Department of Social Services
5. NATIONAL PETROLEUM NEWS, *Payment Option Surpass Credit, Debit Boundaries*, 88.n7 July 1996
6. Sender, Isabelle, CHAIN STORE AGE, *EBT Spells Out Differently in the Courts. (Electronic benefits transfer; supermarkets bring suit over extra costs and difficulty in incorporating EBT systems in their operations)*. 74.n8, August 1998

Websites

7. www.FNS.USDA.gov/fns
8. www.SSA.gov/deposti/lowcost/htm
9. www.healthyhelping.org/fs_howdoiuse.htm

VIII Appendices

Appendix A: Flow Chart of EBT Process

Appendix B: Interview with Lynn D. Bean, JPMorgan Chase

Appendix C: Glossies for EBT/EFT Solutions

Appendix D: Payment Options Surpass Credit, Debit Boundaries article

IX Endnotes

¹ SC DSS Website www.healthyhelpings.org

² Sender, Isabelle, *EBT Spells Out Differently in the Courts (electronic benefits transfer; supermarkets bring suit over extra costs and difficulty in incorporating EBT systems in their operations.)* CHAIN STORE AGE 74.n8 (August 1998): p.p124.

³ *Payment Options Surpass Credit, Debit Boundaries*, NATIONAL PETROLEUM NEWS, 88n.7 (July 1996): p.p42 (3)

⁴ *Enhance Government Electronically*, NACHA - THE ELECTRONIC PAYMENTS ASSOCIATION, (2006) p. 18

⁵ Ibid, p.19

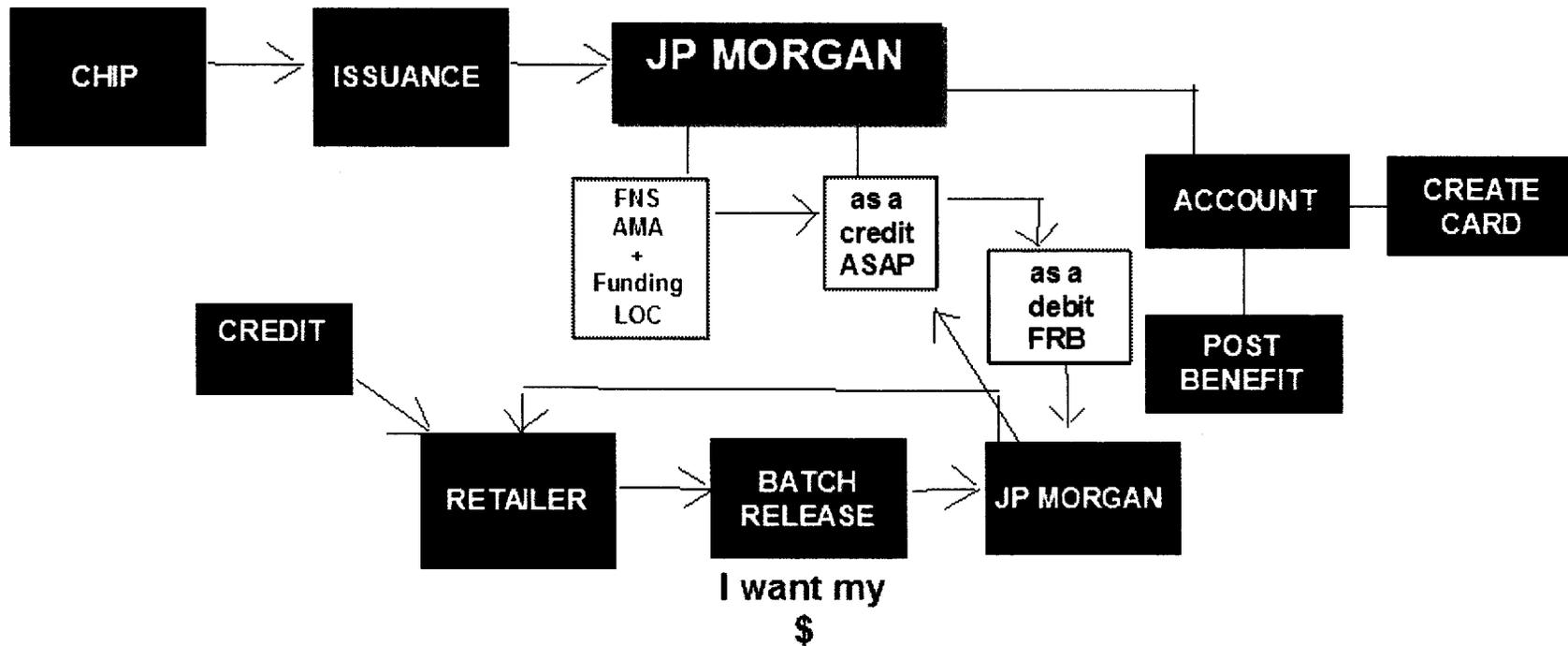
⁶ Social Security Administration website www.SSA.gov/deposti/lowcost/htm

⁷ *Electronic Disbursement Options*, NACHA – THE ELECTRONIC PAYMENTS ASSOCIATION, ELECTRONIC DISBURSEMENT OPTIONS WORK GROUP, ELECTRONIC BENEFITS AND SERVICES COUNCIL, White Paper, Version 1.0, November 2003, p.4.

⁸ Ibid. p.11.

⁹ Ibid. p.p24-25

EBT PROCESS



Appendix B

Cynthia,

I am sending you some information via FedEx. It should be there tomorrow (Wednesday).

The EBT Web-based Administrative System (Web Admin) is part of the EBT Services that all states receive. Access is controlled by roles and user profiles. The add-ons to EBT Admin include:

- InfoManager -- Allows Standard users to run standard queries (reports) that come with the product. Also allows Custom Users to create their own queries (reports). Custom queries can be shared with other custom users by making them part of the "shared" directory. The reports created by the queries can be saved and distributed via normal methods -- e-mail, hard copy, etc.
- Security Admin -- Allows designated State staff (Security Officers) to maintain (add, change, delete) EBT Admin System user IDs for State staff.
- EBT Account - Allows EBT cardholders to access information about their EBT account on-line via the internet. Cardholders can also select a new PIN and e-mail Customer Service with questions/comments. As part of the new EBT Services contract, we are adding the ability to change addresses too.
- Web Reporting -- Allows users to access daily and monthly reports online via the internet from the EBT Admin System (e.g.; Daily Administrative Transactions Report or Monthly Benefit Drawdown Report or Card Issuance Report)

SCDSS has all of these now.

For debit card programs, there are multiple options:

1. Branded* - cardholder can do debit or credit transaction - which is what we're using for DSS TANF, Foster Care, Adoption Subsidies, and Child Support. It is used for Unemployment Insurance payments, federal cash disaster aid (like after Hurricane Katrina in Louisiana).
2. Non-Branded - cardholder can use anywhere that PIN-based transactions are accepted (we use these for programs like DOCs inmate work release program where need to "reload" the account.)
3. Cash Card - works like a gift card - cardholder can use anywhere that PIN-based transactions are accepted, but card is not "reloadable". (we use these for programs where cash disbursement needs to be done, like termination pay, jury duty pay, or any situation where a one-time deposit is going to be made and the need to "reload" the account is not needed.

*Has a VISA or Master Card logo and is accepted wherever VISA or Master Card cards are accepted, which is pretty much world-wide.

There are nuances to all of them, but #1 & #2 use the ACH file process to make deposits to the accounts and option #3 allows us to do "drawdowns" from a designated account that the company/agency has established for that purpose. I believe all have the option of using on-line adjustments via the Agent Service Center application if so decided by the policies/rules governing each program. For example, SCDSS can't use on-line adjustments because their programs are part of the State's contingency account; however, another program that has it's own account may be able to use it. So the nuances are not just in how the specific type of debit card is used, but also in each programs "business rules".

Tuesday, October 30, 2007

A good source of information for the various EBT/EFT products/services SCDSS is (or will be) utilizing is the proposal. The info I'm sending to you contains info on WIC too. I do not have any glossies I can send you for the medical spending account products, but basically it works the same as any other. The accounts are typically pre-funded, meaning money is deposited into the account prior to transaction processing. An account is created and a card issued (usually branded). One of the big differences is all of the requirements/business rules as to where and how the card can be used (only at authorized providers, only for authorized medical services and/or products, etc..

Good luck with your paper.

Regards,
Lynn

"Lara, Cynthia" <Cynthia.Lara@dss.sc.gov>

To <lynn.d.bean@jpmchase.com>

cc

10/26/2007 12:29 PM

Subject Certified Public Manager Project

Hi Lynn,

I am reminding you about our conversation yesterday regarding my CPM Project on "other alternatives that can be utilized with the EBT/EFT Program." I am in the hunting and gathering phase of this research paper. So, if there is any information you have that you feel could be helpful, I would really appreciate receiving it.

Thanks so much!!

Cynthia S. Lara

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GALE[®]

Payment options surpass credit, debit boundaries. *National Petroleum News* 88.n7 (July 1996): p.p42(3). (2067 words) From *General OneFile*.

Abstract:

Consumers can now avail of payment options ranging from credit, prepaid, debit and smarts cards to electronic benefits transfer. Notwithstanding their popularity, however, payments made through credit and other forms of cards represent only 40% of total consumer purchases, with cash purchases still accounting for 60%. This is expected to change soon, as companies continue without letup their efforts to popularize credit purchases. However, software and hardware for facilitating credit payments should be developed for credit to become more popular.

Full Text: COPYRIGHT 1996 National Petroleum News

The heated rise of plastic in the form of co-branded credit, prepaid, debit and smart card plastic, coupled with the emergence of Internet payment possibilities and electronic benefits transfer (EBT), has unleashed a flood of technical issues for marketers and convenience store operators.

Payment options have grown limbs in recent years with success stories in Europe translating into U.S. beta-tests and rollouts of a variety of payment options. Prepaid or "stored value" cards, co-branded credit cards and EBT are among the early leaders in penetrating the U.S. market where, not since the expansion of debit in the late 1980s and early 1990s, has the industry seen such activity.

"Companies are all trying to get a better grip on that cash buyer," says Jonathan Briggs, marketing manager for the petroleum division of VeriFone, Integrated Systems Division. "With all the plastic options available, I don't know of any numbers that go over 40% credit card purchases. You've got a market of 60% cash customers."

Reigning in the cash buyer and converting them to some form of plastic has a deeper meaning, sources say. Such a transition is important not only for the purposes of brand loyalty, but for the underlying factor of convenience. Sources point out that where once the easiest way to buy gasoline was to plunk \$10 down at the cashier, the easiest way today is to pay with a card at the pump. Plastic options have become more and more necessary to provide the cash customer with the simplest way to buy gasoline, sources say.

Still, any inroads made by plastic are going to mean change, observers warn. "Marketers shouldn't minimize the software [and hardware] development needed to support any new payment method," says Bruce Schroeder, manager of the petroleum division at SPS Payment Systems Inc., Riverwoods, Ill.

For instance, in the latest beta-tests with smart cards, the computer chip credit-debit card, independent terminals had to be installed for locations to accept them. It's a big expense. But despite the technical requirements, major experiments are ready to commerce with a Visa product

at the Atlanta Summer Olympics and with another project called Mondex in Canada.

Schroeder of SPS points out that if smart cards are to take off, oil companies that just spent millions rolling out magnetic stripe readers in their pumps will have to upgrade with devices that read computer chips. The battle between chip and mag stripe may just tie an anchor on smart cards, sources say, with mag stripe products predicted to hit marketers in the next 12-18 months while the smart cards are expected to hit much later.

Should marketers expect the worst? That's difficult to say. Like debit, it's a chicken-or-the-egg question. In order for any of these new payment options to have a significant impact on marketers, customers will have to drive its use. In order for customers to use these new options, they must be educated and then sold on the idea. That means a lot of marketing by banks and other merchants. But as any marketing executive will admit, a company can throw a lot of money at a campaign and still get a less-than-satisfactory response from consumers.

For many marketers, the most visible impact of growing payment options will be with equipment, everything from hardware upgrades to additional phone lines. "With EBT, it means putting yet another terminal on the counter," says a marketer at a technical conference sponsored by the National Assn. of Convenience Stores (NACS) last spring in Dallas.

On the "invisible" side, the electronic networking between the growing number of host databases is becoming an issue of increasing cost and third-party processing capability. Marketers dealing with in-pump credit authorization and a myriad of proprietary major oil company networks can attest to the difficulties of making it all work. Not all networks are linked up. Not all terminals talk to every network. None of this is free. Added phone lines, increased communication costs, not to mention bank and oil company fees, create a list of negatives that seems to go on forever.

However, keeping up with developments is important, since many of these options are already becoming reality. Here's a rundown of what's been happening.

* Smart cards. All eyes are on the Summer Olympics in Atlanta for more than the obvious reasons. For those interested in smart card development, the planned rollout of a reported 1 million smart cards through a Visa program is said to be the initial test of how Americans take to the product. The vast program is set to run from July 19 to August 4, with a planned 5,000 merchants and government agencies providing everything from hamburgers to rapid transit rides.

Experiments in the United States are important, since Americans typically need more time to accept new technology versus consumers overseas, sources say.

Despite the obvious regional factor, still other sources say the test to watch is the one set to take place in Guelph, Ontario, just outside of Toronto. Scheduled to occur this fall, the "Mondex" project will provide a better picture of smart card acceptance due to the higher saturation of retailers potentially accepting the cards, sources say.

Other big smart card tests include a test among students and faculty at Florida State University in Tallahassee and a New York City test that has combined the strengths of both Visa International and MasterCard International. The New York test is set to launch in the fourth quarter of 1996.

Though the potential for smart cards is rising, critical issues have yet to be resolved. One of the main questions has been what to put on the card. The Visa test is primarily a stored-value initiative. In other words, like prepaid phone cards, the smart cards will carry stored dollar amounts (plastic cash, as it were) that are debited right from the card itself. But the smart card can carry

much more information. It can store personal medical and financial records, grocery lists, even a digital photo of the card holder that can pop up on a PC screen at the C-store cash register.

Another unresolved issue is what the card industry refers to as "Regulation E." Still under debate in Washington, the regulation keeps cards from issuing more than \$50 in cash without a receipt, as well as other stipulations. Current reports say the government is poised to exempt smart cards from the restrictions of Regulation E, increasing the potential value of the cards to the consumer.

That's important since one of the biggest obstacles to smart cards will eventually be consumer acceptance. And a large part of that will be education. What consumers know about smart cards currently is sketchy. According to sources compiled by Cardtechnology, a Chicago-based Faulkner & Gray publication, three in ten consumers have heard of smart cards, but only 0.5% have actually used one.

The hope for smart cards lies with the young, Cardtechnology says. Younger consumers, ages 18 to 49, are prime targets for smart card development.

* Electronic Benefits Transfer (EBT). The new take on food stamps is EBT, the replacement of paper stamps with a magnetic stripe card. Proponents say it will cut waste and fraud in the system dramatically. For marketers, it means yet another network to tie into and yet another terminal at the point-of-sale.

But the impact of EBT is undeniable. Already, states like Maryland, Texas and South Carolina have implemented programs, while a host of other states are scheduling programs this year. Since 1993, the number of EBT households has grown from one million to three million, and by the year 2002, is expected to hit 11 million.

Currently, many regional states are banding together to create standard protocols so that systems and networks can talk to each other, but for marketers caught in the wrong combination of states, it could present yet another headache in tying together store operations.

* Co-branded credit cards. Much of the growth in co-branded oil company credit cards has been coming from their proprietary card base, say industry sources. Recent numbers show dramatic declines in proprietary card holders with the introduction of major oil, co-branded Visa and MasterCard [NPN - June 96, p. 67].

Other sources say customers are tending to carry both the co-branded card and the company proprietary card. The result is a more loyal customer, says one source.

Feared loss of customer loyalty has always been a factor since the introduction of co-branded credit cards three years back. Skeptics said the cards would allow people to fuel up at a competitor's location, even though they would lose the gasoline rebates.

In an effort to maintain control over its credit card base, Tulsa-based Citgo issued a companion Visa card, which allowed customers a Visa option, but only gives rebates to customers when they used their Citgo proprietary card. So Citgo's option accounts for what is seen as a trend, namely, that the customer will tend to carry both the co-branded card and the proprietary card.

* Debit, ATMs. Accessing cash directly with a plastic bank card through the point of sale or automatic teller machines (ATMs) has seen boom times in past years. Regional debit networks report increasing numbers of transactions and more and more merchants, including oil companies, are bringing them into their locations. POS terminals deployed in gasoline outlets in

1995 almost doubled from the year before, reaching 164,000 in 1995 as opposed to 89,500 in 1994, according to Debit Card News. C-store deployment rose to 21,100 in 1995 from 14,000 in 1994.

ATM use is as strong as ever. More than 25 years since the first one was installed, ATM activity continues to rise 15%/yr.

* Prepaid cards. While marketers may be more familiar these days with prepaid phone cards, the prepaid concept can be expanded to cover more than just a local or long distance call.

Fairfax, Va.-based Mobil Oil Corp., for instance, launched its "Go" card, a prepaid card that allows the purchaser to prepay for fuel and other items at a Mobil location. The customer gets a plastic card that is debited every time he or she uses it for a purchase. Customers who don't necessarily qualify for a credit card or have a bank account can have the convenience of using plastic with this option.

The Go card has gotten the oil company ahead of the game in the prepay application of what can be accomplished through a smart card. But Mobil officials say smart cards are a few years into the future, and they wanted to get a jump on the competition in the prepaid arena. Mobil introduced the card a year ago in selected cities and began marketing the card nationally during the fourth quarter. Customers can buy Go cards in \$20, \$30 and \$100 increments and can use them with the in-pump card readers as well as inside the store.

Another big area for prepaid cards is rapid transit. Several major metropolitan commuter systems have initiated prepaid card programs.

* Value-added or "loyalty" cards. Another dimension yet to be explored by the petroleum and C-store industries are "frequent shopper" or "preferred customer" cards. Along the lines of co-branded MasterCard or Visas, these cards give extra value in the form of rebates or discounts to customers who use the card. The credits reward customers for their continued loyalty.

Supermarkets and wholesale clubs have been most aggressive in developing these credit card products.

* Internet. An increasing number of people are starting to shop the Internet, and not for big ticket items. Services such as Peapod in the Midwest have taken off by delivering grocery items for people who want the convenience of not having to do all that shopping.

Talk at industry conventions and conferences is centering on how C-stores can provide that delivery service. "In some communities, the C-store is the main source of these goods," said a speaker at the NACS conference. "Maybe it's time the industry looked at delivering these goods. After all, we are in the convenience business."

In terms of payment options, the emerging mag stripe products all boil down to convenience. "I don't think you'd find another retail buying experience that can give you as many options: six different credit cards, co-branded, fleet cards, debit...", " says Briggs of VeriFone. "It's no question that this family of [mag stripe] products is an attempt to bring the easiest buying experience to the end user."

Source Citation:"Payment options surpass credit, debit boundaries." [National Petroleum](#)

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