



Memo to Pay By Touch: Look South

John Stewart

Down in Texas, Biometric Access's Ron Smith figures retailers want to own their customer data, even when it comes to biometrics. Now he's gearing up to apply that idea to the potentially lucrative market for in-lane payments.

With its \$82-million acquisition of BioPay LLC behind it, it may appear Pay By Touch Inc. has a hammerlock on the small but growing market for biometrically secured electronic payments. After all, the San Francisco-based company, which was sitting on contracts to install its system in some 7,000 retail outlets, was swallowing its biggest competitor, a feisty rival that had signed up some 1,600 stores.

But don't tell Ronald R. Smith he has no chance against Pay By Touch. Smith runs Biometric Access Co., a Round Rock, Texas, company that, with BioPay out of the way, now stands as David against the West Coast Goliath. And if he's sweating over how to compete, he's not showing it. "There's no one company that will own this market 100%," Smith, president and chief executive, says. "I feel comfortable we have a tremendous team here with a lot of talent."

At first glance, it may not seem hard to own this

market. For all the publicity Pay By Touch has been able to generate with high-profile signings of such chains as Piggly Wiggly Carolina Co. and Albertson's Inc., fingerprint-scanning to cash checks and for in-lane payments remains a sliver of the overall market for biometrics. "We're still a long way off from making [biometric payments] happen," says Ariana-Michele Moore, a senior analyst at researcher Celent LLC.

Yet even in a universe this small, niches matter. Addressing grocers' fears of payroll-check fraud, BioPay was able to sign up scores of outlets for its check-cashing product. And 10-year-old Biometric Access, too, is making headway with check cashing, installing scanners in 900 Kroger Co. stores, and has had success in non-financial applications, too, includ-

ing time-and-attendance. All told, the company has installed its system to support check cashing and payments in more than 1,000 locations, compared to 2,000 for Pay By Touch.

But Smith's developers have cooked up some secret sauce of their own. This includes technology that allows merchants to house and control their own data, run proprietary loyalty programs, and centrally manage potentially thousands of scanners from a single seat. Pay By Touch stores biometric data on customers in a central location, allowing it to run a network in which customers who enroll in one store could use the system to buy products at any other store on the network, including one that may belong to a competitor.

Going In-Lane

Smith figures stores want to own their customer data, including fingerprint templates, and don't want to run systems that enable their customers to buy from rivals across town. So Biometric Access's software lets them store and manage fingerprint data locally. "I'm not of a mindset to go to my customers and tell them how to do business," says Smith. That approach

The Biometric Players

- Pay By Touch** ▶ 2,000 locations, with 7,000 under contract
- BioPay** ▶ 1,600 locations, included in Pay By Touch numbers
- Biometric Access** ▶ 1,000+ locations, mostly for check-cashing, with another 4,000 for time-and-attendance

Source: Company reports

hands merchants the power to choose with whom they share data, and under what circumstances, he says.

Like Pay By Touch, Biometric Access sees huge potential in in-lane payments. Supermarkets in particular like the low cost of electronic checks compared to pricey credit card payments and increasingly expensive PIN debit transactions. What fingerprint scanning does is to add a layer of presumably rock-solid authentication to an automated clearing house application that has historically lacked one.

So Smith is moving his company in that direction. So far, he has installed his system in 40 outlets belonging to two large organizations, which he says he can't name, to manage stored-value in one case and various payment types in the other. He also hopes Kroger, by far his largest client for financial applications, will adopt his product for in-lane payment. Kroger did not reply to an e-mail from

Digital Transactions seeking comment on Biometric Access.

Transaction costs vary. The merchant's fee to Biometric Access for an ACH transaction ranges from 8 to 12 cents, and includes the company's origination services. For a credit or debit card transaction, the company collects a penny on top of the acquirer's discount fees.

Security Worries

Speed in the lane is also part of the appeal of biometric payment. In fingerprint-secured payment systems, customers touch a scanner, which uses an algorithm to convert the fingerprint into a mathematical expression. The system software compares this mathematical expression to a template that was stored at enrollment. In-lane, a match can trigger a transaction on any payment account the customer designates. Without cards or checks to fuss with, transactions happen fast—ten-

der time is 16 seconds, according to one study, compared to 64 seconds for checks and 48 seconds for cards.

But Biometric Access may face hurdles quite apart from those created by its much larger rival (Pay By Touch executives were not available for comment for this story). Celent's Moore, for instance, worries about merchants' ability to secure biometric data. Smith counters that his system encrypts the data using the "latest and most secure" technology.

For now, Smith, who founded Biometric Access after a career at IBM, is focusing on growth following years of product development. Backed by primary owner Perseus LLC, a Washington, D.C.-based private-equity firm, he expects to expand head count to at least 70 by mid-year from the current 50. And he says his competitor can only help if it succeeds in growing the market. Says Smith: "I'd rather have 30% of a dollar than 100% of a dime." **DT**



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Canada, M9W 1L2

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