

Accelitec Unveils RFID Payment System

The company's PayPilot platform is designed to help retailers avoid paying high fees levied by credit-card-based RFID payment systems.

By Mary Catherine O'Connor

Aug. 17, 2005—Accelitec, a startup located in Bellingham, Wash., is introducing an RFID-enabled payment platform this week called PayPilot. According to the company, this platform increases consumers' payment options while providing merchants a means of avoiding high transaction fees.

Such fees, which merchants pay on every credit or debit card transaction, vary by merchant and card association but are based on a percentage of each transaction amount, plus a fixed fee. Retailers have been pushing credit card associations to reduce their transaction fees in recent years, explains Accelitec CEO Tom Bartz, and have filed a number of lawsuits. "With most industries, as you drive scale, you should see some economies of scale. That's not happening with [transaction fees]," says Bartz. "The United States has the 14th highest transaction fees in the world."

Major credit card associations and issuing banks are asking retailers to equip their stores with new RFID-enabled payment terminals that will accept RFID payment cards from American Express, MasterCard and Visa. But the card associations are not lowering transaction fees not even for payments made using RFID, Bartz claims and merchants aren't happy about that.

To mitigate these transaction fees, merchants who deploy the PayPilot system in their stores can choose to offer incentives to PayPilot cardholders. For example, they can offer discounts to consumers whose PayPilot accounts draw funds from prepaid or e-check accounts.

E-checks make an electronic debit to a checking account; they are not processed through a credit card organization, such as Visa or MasterCard, but through the North American Automated Clearing House (ACH) Network, a nationwide electronic funds transfer system operated, in part, by the Federal Reserve. E-checks are the fastest growing new payment method, says Bartz. Safeway, for instance, combines a loyalty system with e-checks in its Smart Check program, providing loyalty-based discounts for transactions that customers pull from their checking accounts via e-check.

"Merchants pay from 6 to 12 cents to process an e-check payment, whereas it costs them 20 to 50 cents to process a physical check," says Bartz. He notes that a number of gas and grocery retailers are currently assessing the PayPilot system, and he expects to be able to announce pilot programs soon.

According to Accelitec, PayPilot offers consumers a number of unique benefits. PayPilot accounts can be set up so that funds are pulled from credit, debit, prepaid or e-check accounts, or they can arrange for transactions in certain dollar ranges to be charged against specific accounts. For instance, transactions for \$10 or less could draw funds from a debit card account, while those exceeding \$10 might be charged against a credit card. PayPilot also lets account holders link an image of themselves to their account as a means of authenticating their identity and preventing others from using their account. The image would appear on the clerk's monitor

at the point of sale.

PayPilot accounts can be assigned a predetermined spending limit, which parents might use on their children's PayPilot cards. The accounts can also be configured to alert clerks of underage card users, preventing them from purchasing cigarettes or alcohol. Consumers can then set up and manage their account online and chose either an RFID-enabled card, key fob or adhesive-backed tag that attaches to a cell phone or PDA.

To accept PayPilot devices, retailers would need to purchase and install countertop PayPilot terminals to read the PayPilot payment devices. These devices cost less than \$100 each, according to Accelitec. RFID readers currently certified by American Express, MasterCard and Visa range from \$100 to \$150 apiece. Retailers would also pay a per-transaction fee on each PayPilot transaction. Accelitec has not yet revealed this fee structure.

A PayPilot terminal inside a store reads this inlay, and the encrypted account ID saved on its chip pulls up the account profile and processes the payment in accordance to that profile and its payment preference. The RFID hardware is compliant with ISO 14443-A and 14443-B standards, as are the RFID payment platforms used by the credit card companies and most other RFID payment platforms. PayPilot uses standard encryption methods to protect the account ID being transmitted from the tag to the PayPilot payment network. Bartz says Accelitec is currently working to enable PayPilot point-of-sale terminals to accept RFID cards from major credit card companies.

Tests have shown that RFID payments enable consumers to make purchases more quickly than cash and magnetic-stripe payment cards. Tests have also shown that consumers spend more when making non-cash payments.

This summer, [Chase Credit Cards](#) announced blink, its branded RFID payment cards for MasterCard and Visa accountholders (see [Chase Offers Contactless Cards in a Blink](#)). In addition, American Express said it would be inserting RFID tags into its Blue credit cards (see [AmEx Adds RFID to Blue Credit Cards](#)). Companies that have launched other proprietary RFID payment systems for various applications include [Dexit](#) (see [Dexit Turns RFID Cards into Cash](#)), [FreedomPay](#) (see [RFID Serves Up Cafeteria Food](#)), [Smart Systems Technologies](#) (see [RFID Enters the Sports Arena](#)) and [Precision Dynamics](#) (see [RFID News Roundup](#)).

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