

Product Bulletin

Pay By Touch

MB-EPS-1222

April 9, 2007

StoreNext is pleased to provide the Pay By Touch program for StoreNext dealers. Pay By Touch reduces electronic payments costs for a merchants while increasing security for both the shopper and the merchant. Under StoreNext's Pay By Touch dealer program, Certified Pay By Touch dealers make profits from hardware and software sales, professional services and an ongoing share of the Pay By Touch transaction revenue stream.

Pay By Touch uses a "biometric" method of positively identifying a shopper. At the POS terminal, Pay By Touch uses a special mathematical algorithm that checks selective characteristics of the shopper's finger image and encodes them into an encrypted number. Although it is impossible to reconstruct the shopper's actual fingerprint from this numeric string, Pay By Touch's accuracy in verifying a shopper's identity is very close to 100%.



No-Frills Summary

Pay By Touch provides an unbeatable combination of high security and low costs to the merchant.

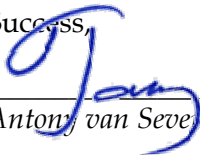
- The primary values to the merchant are low payment costs and high shopper service.
- Pay By Touch provides the ultimate in convenience to shoppers while protecting them from identity theft.
- Dealers can sell the hardware, software and services anywhere there is an ISS45 or ScanMaster system. Dealers also get a share of the ongoing transaction revenue stream.
- Dealers need to be certified for sales and support to participate in the program.
- ISS45 and ScanMaster interfaces are complete and generally released.

Pay By Touch benefits include:

- **Lower-cost payments** – Pay By Touch provides electronic ACH (Automated Clearing House) transactions that are the lowest-cost electronic payment type available, debiting a shopper's checking account. Such Pay By Touch per-transaction fees are typically 30%-40% lower than PIN debit transactions.
- **Increased loyalty** – Pay By Touch transactions are even faster than cash. Shoppers don't need a loyalty or payment card – or even a wallet. The convenience and speed improves the shopper's store experience and brings them back again and again.
- **Reduced fraud** – the positive ID protects the merchant. But shoppers can leave their cards at home, preventing loss or theft – and handling by the occasional evil clerk – thus striking a blow against identity theft.
- **Easy integration** – Pay By Touch is pre-integrated with ISS45 and ScanMaster with WinEPS, ensuring straightforward installation and operation. U-Scan too.
- **Finger-touch access to the loyalty program** – no loyalty cards needed! Shoppers are automatically recognized as members of the store's loyalty program at checkout, and discounts are automatically applied.
- **Positive Age ID** – shopper's don't have to fish for their driver's license - instead, just placing a finger on Pay By Touch is all that's needed to verify shopper age. The extra speed is especially appreciated by other shoppers in line. (ISS45 V7, V8.)
- **Faster Checkout** – faster than cash by 4-7 seconds on average. Better shopper service.

This bulletin further explains the Pay By Touch proposition and the Pay By Touch dealer program. Pay By Touch is generally released and available immediately.

To Your Success,



Antony van Seester

This document and information are supplied to StoreNext Retail Technologies personnel and third parties to assist them in doing business with StoreNext. They are not to be used or distributed for any other purpose.

StoreNext Retail Technologies LLC endeavors to ensure that the information in this document is correct and fairly stated, but does not accept liability for any error or omission.

Pay By Touch Overview

Why Pay By Touch Now?

Three current trends challenge merchants – and Pay By Touch’s responses make it the ideal addition to any merchant’s array of payment types:

SKYROCKETING ELECTRONIC PAYMENT COSTS

Financial institutions and card associations and networks repeatedly raising transaction rates for debit and credit card interchange. With the banks’ introduction and advertising focus on “signature debit,” a less secure form of debit with higher transaction fees, and the confusing multi-use cards, plus high interchange rates on common “affinity” (airline etc. associated credit cards), retailers are under payment cost assault from all sides. Electronic payment costs now exceed many grocers’ profit margins. Since electronic payments are not going away, merchants need a low-cost payment format.

The Pay By Touch answer to payment costs:

- For the small grocer, it’s not uncommon for the average credit card transaction to cost \$0.70 - \$0.90, and for the typical PIN debit – the lowest-cost form of debit card – to cost \$0.28 - \$0.030. Pay By Touch transactions typically cost \$0.20 or less, so every transaction that’s converted to Pay By Touch provides a big savings – and might double the amount of profit the grocer takes from the sale. In fact, analysis shows that if only 15% of shoppers use Pay By Touch, a typical \$200,000/week supermarket will likely save over \$15,000 in payment processing costs.

SHOPPER AND MERCHANT PROTECTION

The continued growth of fraud and identity theft – and the remarkable creativity and technology employed by these felons – call for a more secure and positive form of payment and identification. Shoppers and merchants both are looking for security.

The Pay By Touch answers to security:

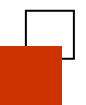
- “Don’t leave home *with* it...” Leave those cards (and your whole wallet) at home where they won’t be lost, stolen, borrowed by clerks or skimmed by bugs. Instead, pay with something that no one can copy in the store or read over your shoulder.
- Comprehensive security – members’ information is encrypted and stored at secure data centers using the same standards of top financial institutions including being fully certified to the highest PCI compliance standards
- Enhanced privacy – shoppers are always in control of how their data is used, with no sharing of information for marketing purposes unless agreed to in advance.
- “Give identity theft the finger...”



COMPETITION

Independent grocers need to provide better, faster and more convenient service to keep their shoppers out big box stores and warehouse alternatives.

The Pay By Touch answers to help independents beat competitors:

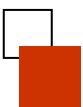


- Convenience – shoppers will know that they only have to bring themselves. They'll never have to fumble for a card at checkout, or risk losing their wallet in the store. Recent industry survey information once again demonstrated that shoppers choose their stores on the basis of convenience – if a shopper can run in and grab a few items, touch with a finger and leave, that's faster than any C-Store.
- Checkout speed – shoppers never have to wait in line while shoppers in front of them grind through the tender process. Scan-scan-scan-touch-done. It's nice when it happens for you, but even nicer when the three people in front of you do it. Pay By Touch is easy to position to your shoppers as an enhancement of service as well as security. And with tender averaging 1/3 of the typical transaction, you *know* it can reduce labor hours and the number of lanes that need to be staffed.
- Age ID – Pay By Touch can provide proof of age with one quick touch. Much better than that drivers' license. And impossible to fake. (Currently ISS45 only.)
- Loyalty – Pay By Touch is the best way to implement card-less loyalty. Any frequent shopper, loyalty or CRM guru will tell you how important convenience has become, and how important card-less programs are to convenience. Also critical: with Pay By Touch, you *know* who the shopper is, and a full loyalty system can finally differentiate between members within a household – a serious blind spot with cards and other physical methods of ID.

What Pay By Touch Does

It's really pretty simple:

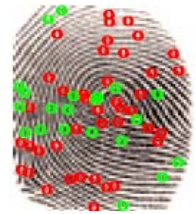
- Shoppers sign up for Pay By Touch, either at an enrollment kiosk in a Pay By Touch-equipped merchant or on the Web – and then completing the enrollment at such a kiosk (for the finger-reading process).
- Part of the enrollment process is providing information regarding the various payment media the shopper chooses to have in their “electronic wallet.” Shoppers can limit their information to simple loyalty or age ID information, and almost all provide the checking account and routing numbers to enable Pay By Touch ACH transactions. However, shoppers can also add debit and credit card payment instruments too.
- Shoppers also associate a number – usually a telephone number – to their Pay By Touch account data.
- The data is held at a super-secure data center which has been certified under the most stringent set of PCI requirements.
- During checkout, the POS system can request loyalty or age ID information, and the shopper can respond by touching the Pay By Touch reader. Pay By Touch is integrated with WinEPS in the lane, which in turn is integrated with ScanMaster and ISS45 to provide a seamless transaction (Age ID feature currently ISS45 only.)
- In use, the shopper provides their number (for example the telephone number) and then touches the reader. The lookup number is recognized at the Pay By Touch server, and then the finger-touch validates that the shopper's finger in the store matches the one on file.
- When used for tendering, the shopper's electronic wallet and with the merchant's payment acceptance preferences combine to present the shopper with a list of payment options on the PIN pad under Pay By Touch. The shopper selects the desired option and simply completes the transaction.



How Pay By Touch Works

It's not simple at all – it just seems that way.

- The heart of the system, of course, is the patented reader and its encryption algorithm for encoding a shopper finger into a unique numeric verification string.
- No two fingers will create the same encoded number, so “false positives” – where a wrong finger in the store would somehow match up correctly to the stored number – are a virtual impossibility.
- Multiple reads during the enrollment process limit the instances of “false negatives” – where a shopper's bona-fide finger gets turned down – to less than 1%. Unless the account has been suspended, cancelled or altered, a simple re-touch is normally all that's required.
- The associated lookup number (the shopper's telephone number) is critical to security since the lookup number is a one-for-one identification for the account number. The finger touch validates the lookup number, ensuring that the shopper's finger-read encodes acceptably close to the encrypted reads on-file from the enrollment process.
- The Pay By Touch reader is connected to the PIN pad, which is controlled by WinEPS/OpenEPS. Further, WinEPS is of course integrated with the ISS45 or ScanMaster POS system to ensure payments, loyalty and age-ID interfaces.¹
- The Pay By Touch reader is also connected to the dedicated Pay By Touch network, and has an IP address linked at Pay By Touch to the specific store and lane location.



See the Questions and Answers for additional details.

Pay By Touch System Components

To implement Pay By Touch, grocers need the following components:

- The merchant needs to sign a Pay By Touch merchant agreement and have their location boarded under the Pay By Touch service.
- A dedicated broadband connection to Pay By Touch is required. StoreNext and Pay By Touch are working to modify this requirement and allow Pay By Touch to operate over a non-dedicated Internet, private network or other payments connection.
- The Pay By Touch reader/UCB is required at each lane.
- The Pay By Touch enrollment kiosk is required for enrolling shoppers. Note that the current Pay By Touch kiosk unit uses proprietary in-unit software linked to Pay By Touch, but this will be replaced in Q3/Q4 of 2007 with a Web-based enrollment system using industry-standard PC or kiosk hardware and browser-based software.
- A PIN pad/payments terminal is required in each lane (see Specifications section).
- WinEPS/OpenEPS is required in the store (see Specifications section).
- ISS45 (V7/V8) or ScanMaster (V2) software is required in the store with the WinEPS/OpenEPS interface. No other electronic payment software or interfaces are supported. The ScanMaster EPI (“old interface”) that does not support OpenEPS cannot be used. See Specifications section for applicable releases.



¹ Note that Loyalty is currently available in the ScanMaster Pay By Touch interface in 2.4.1. A date and release will be announced for Age ID on ScanMaster.



Specifications

STORENEXT ISS45 AND SCANMASTER INTEGRATION SPECIFICATIONS:

➤ *POS software support:*

- ◆ ISS45 8.1.0.1-060
- ◆ ISS45 7.1.0.1-050
- ◆ ScanMaster 2.03.01

➤ *Electronic payments software:*

- ◆ WinEPS™/OpenEPS™ version 818 and above

➤ *PIN pad - payment terminals:*

- ◆ Hypercom®: L4100, L4250, ICE 5500, and ICE 6000
- ◆ Verifone®: MX870, Omni 7000, and Everest Plus
- ◆ Ingenico: EnCrypt 2100, and EnTouch 10000

➤ *Pay By Touch features:*

- ◆ ISS45 Version 8 with the Pay By Touch option and WinEPS/OpenEPS enables biometric authentication, wallet presentation, eCheck, Loyalty/frequent shopper identification and age ID verification.
- ◆ ISS45 Version 7 with the Pay By Touch option and WinEPS/OpenEPS enables biometric authentication, wallet presentation and eCheck (7.1.0.1-050 and above). Loyalty/frequent shopper identification and age ID verification supported as of 7.1.1.0-050.
- ◆ StoreNext ScanMaster Version 2 with the Pay By Touch option and WinEPS/OpenEPS enables biometric authentication, wallet presentation and eCheck (2.03.01-050 and above). Loyalty/frequent shopper identification also supported as of 2.04.01-050.



ISS45 AND SCANMASTER TECHNICAL SPECIFICATIONS:

➤ *POS hardware support:*

- ◆ ISS45 V8: all POS terminal hardware and peripherals supported by 8.1.0.1-060 software
- ◆ ISS45 V7: all POS terminal hardware and peripherals supported by 7.1.0.1-050 software
- ◆ ScanMaster V2: all POS terminal hardware and peripherals supported by 2.03.01

➤ *POS operating system support:*

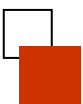
- ◆ ISS45 V8: all POS terminal operating systems supported by 8.1.0.1-060 software
- ◆ ISS45 V7: all POS terminal operating systems supported by 7.1.0.1-050 software
- ◆ ScanMaster V2: all POS terminal operating systems supported by 2.03.01

➤ *Server hardware support:*

- ◆ ISS45 V8: all server hardware supported by 8.1.0.1-060 software
- ◆ ISS45 V7: all server terminal hardware supported by 7.1.0.1-050 software
- ◆ ScanMaster V2: all server terminal hardware supported by 2.03.01

➤ *Server operating system support:*

- ◆ ISS45 V8: all server operating systems supported by 8.1.0.1-060 software
- ◆ ISS45 V7: all server operating systems supported by 7.1.0.1-050 software
- ◆ ScanMaster V2: all server operating systems hardware supported by 2.03.01



The StoreNext Pay By Touch Program

The Pay By Touch Life Cycle Process

DEALER CERTIFICATION

Dealers must be certified to sell and support Pay By Touch.

- Dealers who have attended a sales certification course or attended the 2006 “Sunday School” by Pay By Touch and StoreNext at RSPA have been certified for sales. StoreNext will schedule additional Sales Certification courses as required.

StoreNext will *accept* orders for Pay By Touch hardware only from dealers who are certified for Pay By Touch sales.

- Prior to installation, a dealer must also be certified to implement and support Pay By Touch by successfully completing the Pay By Touch Support and Service course. Dealers may take this course from StoreNext, or StoreNext may arrange for the dealer to become certified by attending the course in the San Francisco training facility at the Pay By Touch headquarters.

StoreNext will *ship* orders for Pay By Touch hardware only to dealers who are certified for Pay By Touch support and service. Transaction revenue shares will be paid to dealers only if they are certified for support and service and actively providing support and service to the store.

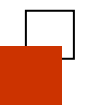
- All StoreNext courses and schedules are posted on the [Education and Training Page](#) of the StoreNext Dealer Support Web site.
- Dealers must sign a Pay By Touch agreement in order to sell and market Pay By Touch. This agreement is available on the StoreNext Dealer Support Web site on the [Pay By Touch All-In-One Page](#). It is not necessary for a dealer to have completed Sales or Support/Service certification in order to execute the Pay By Touch Dealer Agreement. Please note that this agreement is executed between the dealer and Pay By Touch – not between the dealer and StoreNext.

SALES AND IMPLEMENTATION PROCESS

Pay By Touch sales are a cooperative effort between the Dealer, StoreNext, Pay By Touch and possibly the wholesaler.

- It is primarily the dealer’s responsibility to call on customers and prospects, quote and propose Pay By Touch.
- StoreNext and/or Pay By Touch are available for sales assistance with key customers and early sales prospects. Call your StoreNext representative, or the Pay By Touch Dealer Liaison:

Ms. Colette Camerano
Vice President, Retail Grocery Industry
Pay By Touch
708.645.0310 (o)
708.308.4387 (c)
708.645.0312 (f)
colette.camerano@paybytouch.com

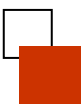


- Wholesalers, including SuperValu, may also have Pay By Touch relationships and may take on a significant portion of the selling effort. However, all Pay By Touch hardware and software will be sold, installed and supported by the dealer on ISS45 and ScanMaster systems. *Wholesalers do not sell* the Pay By Touch hardware and software on ISS45 or ScanMaster systems where a certified dealer is available.
- When a customer has decided to implement Pay By Touch, the dealer should carry out the hardware and software order as usual.
- When the customer is ready to order, the dealer must also contact Pay By Touch to sign the Pay By Touch Merchant Agreement for the Pay By Touch service. This agreement is between Pay By Touch and the merchant, and executed much like a other electronic payments merchant agreements. It is also possible that certain wholesalers will also be empowered to execute these agreements on behalf of Pay By Touch.
- Customers who implement Pay By Touch are required by Pay By Touch to properly roll it out to their shoppers in accordance with established “best marketing practices.” These processes, including shopper notifications in advance, advertising, bag stuffers, signage and so forth are provided directly by Pay By Touch to the grocers.
- The dealer will be responsible for the site survey, a professional service to ensure the store is properly set up for a Pay By Touch installation.
- The grocer will be responsible to have the proper broadband connection available based on Pay By Touch guidelines. Dealers may arrange or assist installation of such services.
- The dealer is responsible for the proper installation of the POS system, the WinEPS/OpenEPS payment system and interfaces and the Pay By Touch hardware and software.²
- The dealer is responsible for all ongoing support and service of the Pay By Touch hardware and software under a support and service agreement between the dealer and the user.
- The user will pay Pay By Touch or its agents directly for the Pay By Touch services and transaction fees.
- Dealers who are certified for sales and support of Pay By Touch, have a valid and current Pay By Touch Dealer Agreement and are currently supporting and servicing a user store will receive a share of transaction revenues for that store according to the Pay By Touch StoreNext Dealer Agreement. These payments will continue so long as the store is operating with Pay By Touch and the dealer is in good standing with StoreNext. StoreNext reserves the right to pay such dealer shares in the form of credits against StoreNext dealer invoices.

Hardware Warranty

Pay By Touch hardware is warranted to the dealer for one year from ship date. Full warranty information, policy, addressing and costs will be provided in the service and support course.

² In specific cases where the wholesaler bears some responsibility for the WinEPS system, the wholesaler may also have responsibility for the Pay By Touch setup and parameters within the WinEPS system, including network connections and settings. This does *not* mean that the wholesaler has any responsibility for the Pay By Touch or the POS or the POS interface hardware or software installation, support and service. Any such responsibilities are limited to the implementation of Pay By Touch within the wholesaler-supplied WinEPS system.



Documentation and Materials

StoreNext is providing the following documentation, which can be found on the StoreNext Dealer Support Web site.

PAY BY TOUCH DEALER INFORMATION

- This Marketing Bulletin (1222)
- Pay By Touch Dealer Agreement
- Pay By Touch Merchant Agreement

SALES AND COLLATERAL MATERIALS

- Pay By Touch PowerPoint Presentation
- Pay By Touch General Information Sheet
- “Why Pay By Touch” Information Sheet
- Pay By Touch White Papers
- Pay By Touch Video
- Independent ROI Model
- Additional collateral as it becomes available

TECHNICAL DOCUMENTS AND INFORMATION

- Manuals as provided
- Technical Bulletins as available
- Additional technical documentation available with Service and Support certification course

IMPLEMENTATION INFORMATION

- Pay By Touch Best Practices
- Pay By Touch store implementation and rollout materials

UTILITIES AND DRIVERS, SOFTWARE MAINTENANCE

- Available from the Software Support Page on the StoreNext Dealer Support Web site.



Configuration and Administration

LOCATION

Orders should be placed as usual with StoreNext Order Entry.

LEAD TIMES

Hardware lead times from Pay By Touch may be 90 days for large orders, so rollouts must be planned carefully. StoreNext will make best efforts to turn around typical dealer orders within the normal hardware lead times. See the [Lead Times Page](#) of the StoreNext Dealer Support Web site for current information.

SOFTWARE

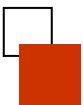
Implementations of Pay By Touch require that WinEPS/OpenEPS be used with ISS45 and ScanMaster. The WinEPS/OpenEPS interface for ScanMaster or ISS45 must be used, and the ISS45 or ScanMaster Pay By Touch Biometric Option is required.

Order:

PIN	Item	Price	Inst	Maint
Pay By Touch Biometric Options for ISS45 and ScanMaster				
45180/081	ISS45 Pay By Touch Biometric Option (when sold with hardware) ³	\$ 995	100	100
45180/081N	ISS45 Pay By Touch Biometric Option (when sold without hardware) ⁴	1,695	100	100
SM45180/081	ScanMaster Pay By Touch Biometric Option (V2 only) (with hardware) ³	995	100	100
SM45180/081N	ScanMaster Pay By Touch Biometric Option (V2 only) (without hardware) ⁴	1,695	100	100
WinEPS Interfaces for ISS45 and ScanMaster				
45180/063	ISS45 WinEPS/OpenEPS Interface	\$ 995	200	200
SM45180/063	ScanMaster WinEPS/OpenEPS Interface	995	200	200

³ This function can be ordered with this PIN only if Pay By Touch hardware for each store lane appears on the same order. Use 45180/081N or SM45180/081N if no hardware is being purchased and this is a software-only Pay By Touch order.

⁴ This function should be ordered with this PIN only if Pay By Touch hardware for each store lane does not appear on the same order.



PIN	Item	Price	Inst	Maint
WinEPS ISS45 and ScanMaster				
45180/064	WinEPS Store software for ISS45 (requires 45180/063). ⁵	\$ 2,495	300	700
SM45180/064	WinEPS Store software for ScanMaster (requires SM45180/063) ⁵	2,495	300	700

HARDWARE

The enrollment kiosk is currently provided directly from Pay By Touch to the merchant. This is a proprietary device, and with its high cost, Pay By Touch normally provides this to the user under a lease arrangement, thereby limiting up-front cost. In the future, an industry-standard browser-based enrollment kiosk product is intended for release in Q3/Q4 of 2007.

The Pay By Touch Reader/UCB kit is provided under a single PIN and shipped to order, pre-configured with the correct IP addressing and encryption keys. No additional hardware or options are required for the in-lane hardware.

Order:

PIN	Item	Price	Inst	Maint
PBTR1UCB	Pay By Touch biometric in-lane reader and UCB hardware ⁶	\$ 599	50	75

Dealers will receive the standard discount for platform hardware (e.g. PCs) on this product.

⁵ Special dealer net price of \$1,000 applies.

⁶ A quantity of this PIN equal to or greater than the number of lanes in the store must appear on the order for the \$995 Biometric Option PINs (45180/081 or SM45180/081) to be used. Otherwise the more expensive 45180/081N or SM45180/081N PINs must be used.



Questions and Answers

CHALLENGES AND OBSTACLES

I'm worried that shoppers will think that Pay By Touch is a "fingerprint" like the ones on Post Office walls. Aren't we going to have privacy concerns? – Pay By Touch is actually a benefit to shopper privacy and security, and Dealers will need to make these points very clearly to prospects. First, there's a big difference between a "fingerprint" and a biometric sensor reading of a finger: the Pay By Touch reader system encrypts a numeric string that symbolizes key aspects of the finger, but there is *no* capability to take the number and reverse-engineer an actual fingerprint from it.

What about identity theft? Is that a worry? – This is another big plus for Pay By Touch – you can't lose your credit cards or have them stolen if Pay By Touch enables you to leave them at home! The Pay By Touch system is much more secure, since fingers are unique and other shoppers or clerks can't look over your shoulder and copy your PIN.

What about immigrants – are they going to balk at using this in fear of government investigations or deportations? – In Southern California, one of the biggest Pay By Touch groups of users has been the Hispanic population. So far, there is no indication of this concern.

How about seniors? The word is that seniors always hate new technologies! – Not when it helps them out. For example, stores near retirement communities were the first to discover that automated check-writing printers was considered a major relief to older shoppers who might have, for example, arthritis problems. Holding up a line of impatient shoppers is a real stress issue for seniors, and the fast and easy checkout with Pay By Touch removes anxieties of fumbling for cards or slow signatures.

ROI

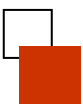
Is there a "savings elevator speech" for Pay By Touch? Can you provide an easy rule of thumb? – Yes – in a \$200,000/week store (the FMI definition of a minimum supermarket), figure that for every percent of (all) store transactions that are moved to Pay By Touch, the grocer will save about \$1,000 per year or a little more. If they convert 10% of the transactions, they'll save \$10,000 per year, 20% will be \$20,000 per year. If the store is only half the size, then cut the \$1,000-per-percent in half.

How is this figured? – Mostly using multiplication and fractions.

I mean, what assumptions are used? – See the ROI model for all the factors, but the \$1,000-per-percent rule assumes a typical/standard mix of cash, debit, credit, checks etc. and then uses Pay By Touch's market experience on the percentages of the various transaction types likely to get converted to Pay By Touch.

It's not all positive, right? I mean, what happens when cash transactions get converted to Pay By Touch? – We've treated this as a negative against savings, although in fact it's not really true. The cost of supplying, protecting, loss, counting and accounting for cash actually makes it fairly expensive – about \$0.12 per transaction. Regardless, we've treated cash as a "free" transaction compared to a small cost for a Pay By Touch transaction.

What really makes the difference in a store achieving good conversion rates and saving money? – Communications and attitude. If the clerks encourage the customers and the store uses best practices for communications and introduction, the launches go very well and the shopper usage ramps up quickly. If not, Pay By Touch usage will languish. This is exactly why Pay By Touch is so insistent on best practices in the launch and rollout phase.



What does Pay By Touch do to encourage the best practices and ensure success? – For one, Pay By Touch provides the signage and materials to the grocers at nominal cost. Pay By Touch also provides dealer training in this area. Pay By Touch has now formed a team of “secret shoppers” that go to Pay By Touch stores and check how things are going and how Pay By Touch is being used and communicated, all to help the merchant convert the most transactions.

Is that good for me? – Yes, since the more transactions go to Pay By Touch the more transaction residuals the dealer gets.

Will a grocer always get the best processing rates when a shopper uses a credit card from their electronic wallet? – It depends on the card type. Since these negotiations are ongoing, check with Pay By Touch for the latest information, but if using Pay By Touch excludes the merchant from the “card-present rate” then the merchant will pay more for a payment card transaction than if the card itself is used.

WHOLESALE PROGRAMS

Sometimes a wholesaler does vendor agreements where the dealer gets cut out of the deal. Is this the case with Pay By Touch? I don't want to get all excited if the wholesaler is just going to take over. – StoreNext dealers certified for Pay By Touch will be able to sell the hardware and software in all stores with ISS45 and ScanMaster.

Specifically what items? – ISS45, the Pay By Touch option, the WinEPS interface, the Pay By Touch hardware, the installation and service will all be dealer-supplied. Unless the wholesaler has a special MTXEPS agreement, the WinEPS payments software and its implementation is also exclusively for the dealer, otherwise it's non-exclusive.

If the wholesaler - like SuperValu - has a Pay By Touch agreement, will the dealer still get the transaction revenue share? – Yes. Sharing the transaction revenue isn't impacted by the fact that a wholesaler may be trying to push its members onto Pay By Touch. For the dealer, any such wholesaler arrangements are good news.

Still, if the grocer has to buy all the software and hardware, doesn't it take time to pay off? – based on the ROI model, it looks like the grocer has a very good chance of break-even within six months or a year.

What about other factors? – Never dismiss checkout speed and customer convenience. These are very important for the sense of service and providing the shopper a good in-store experience. Cost savings are always great to get - especially in electronic payments - but there's nothing like market share to drive the independent's business. Convenience and checkout speed are again and again cited as the reason why shoppers go to the independent grocer, and when coupled with today's security concerns, Pay By Touch is in perfect position to assist with all of these factors.

PRICING AND REVENUE

How much money does the dealer make? – The dealer makes the standard “platform” margin on the hardware and the standard dealer margins on POS software and options.

But you mention a revenue stream from transactions. Doesn't the dealer receive some of that too? – Yes, this will also be paid or credited to the dealer by StoreNext.

How much will the dealer make on the transactions? – The dealer fee schedule is included for dealer owners in the terms and conditions of the Pay By Touch Dealer Agreement.

Give me a round number! – Regarding the \$200,000/week supermarket saving \$15,000 referenced in this bulletin, the dealer share would be in the neighborhood of \$450 per year.



What if I stop selling Pay By Touch - do I still get the revenue for my earlier installations? – The dealer will continue to get the transaction revenue share so long as the dealership continues to be an authorized StoreNext Dealer, continues to be certified for Pay By Touch support and service and supports and services those particular Pay By Touch stores.

TRAINING

Why is there such an emphasis on dealer certification? – If Pay By Touch is going to be a successful company, salespeople need to understand how to sell it successfully and then support people need to know what they're doing to make sure it is implemented successfully. So StoreNext can accept orders only from dealers who are certified for sales, and to ship to dealers certified for support and service.

Do support people need to be trained up-front? – No - dealers can wait until Pay By Touch has been sold before training the support people. However, dealers who do not have support trained in advance need to be careful of course scheduling times so they don't end up with a system that's been sold that they can't install.

What's the schedule for training courses? – Service and Support certification courses will be announced - watch the Wednesday Letters and the Education and Training Page on the StoreNext Dealer Support Web site.

FEATURES AND FUNCTIONS

It looks like ISS45 and ScanMaster support slightly different features with Pay By Touch. – They are essentially the same, but currently only ISS45 has Age ID support built into the POS using Pay By Touch as the age verification engine.

When will this feature be available on ScanMaster? – We intend this to be put on the RoadMap for as early as the 2008 Winter Release. As always, the official notification will be via the RoadMap itself.

I've heard about a function called "Paycheck Secure." What is this? – As you can imagine, cashing a paycheck from an employer is different than debiting a shopper's account. Paycheck Secure is a biometric-oriented paycheck cashing system that is being released by Pay By Touch but is separate from the standard Pay By Touch in-lane product - it will normally be used at a courtesy counter. StoreNext intends to offer this product and the program surrounding it.

