



Store-and-Forward Fact Sheet

THESE FREQUENTLY-ASKED QUESTIONS WILL HELP YOU UNDERSTAND THE PROFIT AND SERVICE BENEFITS OF USING OFFLINE STAND-IN WHILE CONTROLLING RISK AND COST

There's no reason why disruptions in communications or processing must also disrupt your checkout operations or inconvenience your shoppers.

Here is how Connected Payments can locally approve these transactions in the checkout lane while staying strictly within the risk and cost levels you determine.

Network, communications, routing and processing disruptions can impact the normal flow of your electronic payments transactions. When this happens, cards from even your most credit-worthy shoppers are declined, causing concern and interruptions in the smooth flow of your front-end POS.

Connected Payments includes a Store-and-Forward feature that automatically provides transaction approvals. Also known as "offline stand-in," it enables your system to accept electronic payment media regardless of any temporary communications or processing disruptions.

Store-and-forward approves your selected transactions locally and stores them for forwarding to the Connected Payments data centers once processor approvals and connections are once again available. This enables your shoppers to use the EFT tenders that you select to approve in offline mode during such interruptions.

To limit your risks of authorizing a bad card or transaction, Connected Payments provides many options and limits that you can choose depending upon your situation and shoppers.

USING STORE-AND-FORWARD

Which EFT tenders can be accepted when using store-and-forward? Any valid electronic payment medium can be set to enable offline processing. Each payment type is tailored and controlled individually. Settings are available to determine the maximum total amount and maximum cash back amount (if applicable) per transaction, and all such limits are provided uniquely for each payment and card type.

Are there any other ways to handle Debit transactions offline? Yes. The system can recognize "dual-use" debit cards — which provide credit capability as well as debit —

and run those as credit-style transactions, with the shopper signing the authorization.

Can all debit transactions be converted to credit? Only dual-use cards provide credit capability. Debit-only cards cannot be converted. However, offline stand-in can be used for debit transactions if desired.

How can I still get paid for offline transactions that are declined by the processor? To maximize collection, Connected Payments will automatically resubmit transactions denied for NSF once per day following the initial decline. These retries are automatically carried out for up to seven (7) days — this time limit can vary depending upon the processor.

Does the automated resubmit work on all declined transactions? Only transactions that are declined for non-sufficient funds can be resubmitted. Other reasons such as incorrect PIN cannot be resubmitted and those transactions will not be paid.

STORE-AND-FORWARD COSTS

What are the risks of using store-and-forward? Some percentage of transactions may be declined by the processor when they are sent for settlement, so offline approvals involve some financial cost. Other general risks for offline processing include the possibility of a shopper entering an incorrect PIN for tenders such as EBT and debit, or having part or all of a gift or stored-value card payment declined for non-sufficient funds.

How much will these uncollectible declined transactions cost me? Every store has a different profile of its shoppers, the payment media they use and the decline percentages for each transaction type. Merchants should use Connected Payments' reports to determine their unique decline rates and potential non-collect costs.

Are there any studies that show typical costs resulting from declined transactions? StoreNext has carried out an extensive study that included almost 20 million credit, debit, EBT and EBT Cash transactions with the following results:

TABLE NOTES AND EXPLANATIONS:

- **Percent Declined** excludes transactions initially declined but recovered through automated retries.
- **Average Cost per Transaction** multiplies the Average Transaction Amount by Percentage Declined.
- **Average Cost per Shopper** calculates the “service cost” per shopper while offline. For example, if 100 shoppers are checked out during an offline period, the cost of providing off-line stand-in for credit transactions will be \$0.004 x 100, equaling \$0.40 for that period.
- **Average Cost per Lane** calculates the “service cost” per hour of providing off-line stand-in for the listed transaction. For example, the cost of declined credit transactions will average \$0.115 per lane per hour of offline operations, and providing offline debit will add an average cost of \$5.842 per hour per lane.
- **Average Gross Margin** is the typical profit from transactions of that type. For example, the average profit in one hour from the items purchased with credit will be \$71.85.
- Calculations assume an average item price of \$1.75 and scanning productivity of 20 items per minute with 30% of total order time dedicated to tendering. An average ½ minute additional bagging and setup time between orders is assumed.
- **Average Gross Margin** calculations assume an average GM of 25%.
- The **Average Cost Per Shopper**, **Average Cost Per Lane** and **Average Gross Margin** columns assume that 25.7% of all transactions are tendered via credit card, 21% debit, 13% EBT and .3% EBT Cash. The remaining 40% are tendered with cash or check.

OFFLINE TRANSACTION COSTS AND BENEFITS						
TRANS-ACTION TYPE	AVERAGE TRANS-ACTION AMOUNT	PERCENT DECLINED AND NOT RECOVERED	AVERAGE COST PER TRANS-ACTION	AVERAGE COST PER SHOPPER WHILE OFFLINE	AVERAGE COST PER LANE PER HOUR OFFLINE	AVERAGE GROSS MARGIN PER LANE PER HOUR
CREDIT:	\$ 38.94	0.04%	\$ 0.016	\$ 0.004	\$ 0.115	\$ 71.85
DEBIT:	\$ 40.02	2.47%	\$ 0.989	\$ 0.179	\$ 5.842	\$ 59.09
EBT:	\$ 40.50	7.93%	\$ 3.174	\$ 0.353	\$ 11.497	\$ 36.68
EBT CASH:	\$ 39.44	16.25%	\$ 6.498	\$ 0.017	\$ 0.554	\$ 0.84

How should I interpret this data? One key result shows that credit losses from offline stand-in are extremely low – less than \$0.02 per transaction and less than \$0.12 cents per hour of offline operation per lane. With the gross margin from that lane’s credit sales at \$71.85 per hour, store-and-forward’s profitability with credit greatly outweighs the typical cost. Offline debit, EBT and EBT Cash approvals are not as rewarding, although there is a strong case for debit. Merchants should use their own store data to corroborate their specific circumstances.

Are there PCI ramifications when using store-and-forward? The scope of PCI’s data storage requirements is limited to finalized transactions. Any pending offline stand-in transactions are considered “in-process” by the PCI Data Security Standards (“DSS”) and so there are no PCI consequences for using store-and-forward. Connected Payments also uses strong encryption for all pending offline transactions to maximize security.

Will my shoppers know when I am offline and using store-and-forward? Offline stand-in operation is designed to appear identical to processing the same transaction under normal online circumstances. This “transparency” is to ensure smooth processing, but also to prevent cashiers and shoppers from recognizing offline status and taking advantage of it with a canceled card or other fraudulent method. Methods of recognizing store-and-forward mode should be limited to trusted employees with a need to know.

How might someone know I’m approving offline? The first indicator that a POS may be in the process of going to store-and-forward mode is the initial offline transaction requiring about 45 seconds. This is the lane’s default setting to time-out the transaction if the host fails to respond to the lane’s payment authorization request. While the POS lane is offline, transactions are approved with normal-looking response times of about four (4) seconds.

How about watching transaction types? If only certain transaction types are enabled for offline stand-in, shoppers studying many transactions could possibly deduce that the store is offline based on the transaction types getting approved. For example, if store-and-forward is limited to credit only and all credit transactions are being approved while all debit and EBT transactions are declined, that would be evidence that the lane could be offline.