

# ISO & AGENT

June 14, 2006 by Lynn Walford

## Fixed Wireless, New Connection for ISO Profits

When Visa USA changed its rules April 1 to require authorization of all transactions under \$25, Rusty Patterson had a problem. He is the director of store systems at the Bojangles' Restaurant Inc. chain of chicken restaurants and he faced the prospect of slowing down service—the last thing any fast food restaurant wants to do—in order to obtain authorizations through his dial-up terminals.

Or he could not authorize transactions and pay higher interchange fees—interchange on a non-authorized transaction is 2.7% plus 10 cents as opposed to 1.65% plus 4 cents with an authorization. On a \$20 ticket, that's a difference of 64 cents versus 37 cents, a painful extra cost in a notoriously low-margin business. And credit cards have grown to 10% of Bojangles' business.

Fortunately for Patterson, he found a way to obtain authorizations quickly enough that he can keep that drive-through lane moving and avoid the higher fees. He implemented a technology known as fixed wireless that enables terminals at fixed locations to send data through the same wireless networks used by Blackberry devices and text-messaging systems. The provider of the system was Accel Networks of St. Petersburg, Fla.

"We saved about \$75,000 on software and also decreased our processor fees by using Accel Networks," Patterson says. He says a typical processor fee transaction that cost 4 cents through the dial-up service went down to 2 cents through the Accel gateway. And, he adds, "Our unit directors are ecstatic with the speed of service of Accel Networks, because their bonuses are based on speed and customer service."

If fixed wireless puts a smile on the face of merchants like Patterson, then the technology figures to be something ISOs can sell to other retailers, especially those still using slower, dial-up terminals. And 45% to 50% of installed point-of-sale terminals still use dial-up connections, estimates Mike McCormack of the Fort Lauderdale, Fla.-based consulting firm Noblett & Associates.

One ISO that has had success selling fixed wireless is Rick Brennes. "We've converted many our dial-up clients to fixed wireless and expect it will increase our business 10 to 15%, because we are able to offer a new services that lowers our transaction cost structure, offers a faster response time and offers wider availability (than broadband)," says Rick Brennes, president of the Brennes Jones Group in Dallas, Tex.,

an ISO with nine full-time employees selling in thirty-eight states.

Brennes has found that the Accel Networks data service, Accelerator, is four to eight seconds faster than dial-up services. His merchants like the speed of the connection, ease of installation (a few days), security, technical support and reliability. Connection devices are sent to the merchant pre-programmed to automatically work with Accelerator and the merchant's payment processor.

Brennes recently sold the service to a chain of independent grocery stores in several states. Fixed wireless was best for the multi-state location chain, because broadband availability and pricing is different in different states, Brennes says.

In the past, Brennes experienced problems with other types of data connections. He chose not to sell broadband because at the time he reviewed the contract, he noticed that the ISO commission was at risk, and could be changed or taken away in the future. His company also noticed disruption of satellite services during bad weather and storms.

Accel has sold its services to 4,270 sites, so far, including fast food restaurants, convenience stores, retail chains, petroleum locations and banks. ISOs contracting through Accel can buy network services (Accelerator) and devices at wholesale rates and then mark them up for retail. Retail rates for network services range from \$59 to \$89 a month depending upon how many applications are offered.

The Accel Networks Continuum router (the device that connects the network to the POS terminals) retails for around \$500 or can be rented at \$20 to \$30 a month and can connect several POS terminals to the Accel Network. Accel Networks is also compatible with systems typically found in gas stations, such as Gilbarco's AutoGas and VeriFone Ruby.

Accel Networks leases wireless data access through Cingular, and all data is sent via a PNC, Permanent Network Circuit that is secure, private and PCI compliant. The Accelerator service may use the same cellular towers that are transmitting Blackberry or text message signals, however, the data is encrypted (with Triple DES) and routed through the private network.

The Cingular data network covers 99% of retail locations in the United States. When the ISO sells the Accelerator service, the Continuum is pre-programmed for the merchant. The merchant simply connects each of the POS modem cables to the Continuum. The signals from the merchant are sent through a private

network directly to Accel Network's processor Alliance Data or via a gateway to other processors.

Fixed used of wireless networks is also growing for other wireless data network providers. Although the VeriFone Connect service was originally sold as an option for mobile sales, it is also being used at fixed locations.

"Some smaller merchants are opting for fixed wireless services such as VeriFone Connect services with a VeriFone POS terminal such as the Omni 3750, because it can be more cost-effective and faster than dial-up," says David Talach, director of global product management at VeriFone.

The VeriFone Connect service costs \$19.99 a month, which is often less expensive than land telephone lines that can cost as much as \$50 a month. That fee covers up to two megabytes of data transmission for one POS terminal, more than enough for many small merchants because of the small amount of data in a payment transaction.

Talach also notes that wireless data networks are faster than dial-up connections. Dial-up transactions average 9 to 12 seconds, while wireless data transactions can be as fast as 1 to 4 seconds, Talach says.

Mark Gianinni, co-founder and CEO of Accel Networks calculates that Accel prices can also be less expensive for merchants than other processing connections: multiple phone lines that run \$25 to \$50 dollars a month each; or business broadband that ranges from \$70 to 120 a month depending on the area;

and leased lines typically costing \$200 or more a month.

However, broadband suppliers say they are not worried about the new competition on the block. "There are more applications available through a broadband network for merchants besides payment processing, such as digital video monitoring, inventory management, sales polling, video training, digital video signage and more," says Sal Cinquegrani, executive director of corporate communications for New Edge Networks, Vancouver, Wash. "Nevertheless, in some cases, wireless may be the only option."

McCormack sees "fixed wireless" invading data broadband and leased-line space in the future. For now, he says, replacing dial-up is the target market for those selling fixed wireless services. However, he says, as data capabilities of fixed wireless expand they will become more attractive to merchants using other forms of data access, as well.

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