

MONTH
APR.
1999

THE NILSON REPORT

ISSUE
690

FOR 29 YEARS, THE LEADING PUBLICATION COVERING CONSUMER PAYMENT SYSTEMS WORLDWIDE

STORE CARDS IN THE U.S. 1998 At year-end, the number of active accounts tied to credit cards issued by and for stores in the United States for use exclusively at their own outlets declined 4.3% to 160.6 million from 167.8 million the prior year. Charge volume on store cards totalled \$108.01 billion, down 4.3%. Outstandings were \$83.93 billion, down 3.2%. Despite these downturns, the number of credit ... (turn to page 9)

INTERNET PAYMENT GATEWAYS Purchases made from World Wide Web storefronts and from merchants selling on other on-line networks generated credit and debit card volume of \$17.11 billion last year — 82% from the U.S. The five global brands — Visa, MasterCard, Amex, Diners, and JCB — accounted for 99.1% of volume with the rest generated by domestic general purpose brands such as Switch ... (turn to page 5)

DATACARD TERMINALS TO IVI Third largest manufacturer of POS terminals in North America, IVI Checkmate, has acquired DataCard's Financial Systems point-of-sale business unit for approximately \$8 million in convertible preferred stock and warrants. In April 2002, each share of DataCard's IVI preferred stock along with 200,000 warrants may be converted ... (turn to page 4)

PRIO REWARDS Issuers and acquirers in all countries where there is access to the Internet and a card payment infrastructure can benefit from a new customer rewards program developed by Prio. Investors include Microsoft, Intel, Hewlett-Packard, American Express, Knight Ridder, and the Quandt family (owners of ... (turn to page 4)

ANTITRUST LITIGATION Visa and MasterCard are the defendants in two lawsuits: (1) an antitrust case brought by the United States Department of Justice to be decided by a federal judge, and ... (2) a private, civil action brought by a handful of large retailers to be decided by a jury. Both cases are in the discovery phase with lawyers obtaining and ... (turn to page 9)

Share	Issuer	Billions
33.8%	Sears	\$28.36
16.8%	GE Capital	\$14.10
10.0%	Household	\$8.36
5.4%	JCPenney	\$4.55
3.0%	Dayton	\$2.50
2.8%	Associates	\$2.35
2.7%	Federated	\$2.24
2.6%	Alliance	\$2.14
2.5%	May	\$2.11
2.2%	Banc One	\$1.87



LEADING STORE CARD ISSUERS in the U.S. 1998

Share	Issuer	Millions
19.9%	Sears	32.0
14.3%	GE Capital	23.0
8.7%	JCPenney	14.0
7.6%	Federated	12.2
5.9%	May	9.5
5.1%	Dayton	8.2
5.0%	Alliance	8.0
4.1%	Household	6.6
3.8%	Dillard's	6.2
3.8%	Saks	6.1

ALSO INSIDE: Greenlink Cash Dispensers — 4
Fast Facts & Job Mart — 2, 3

© HSN Consultants Inc. 1999 THE NILSON REPORT may not be reproduced or copied in any form without permission. It is not sponsored by any group or organization. Opinions and recommendations are solely those of the publisher. Yearly Subscription: 24 issues—\$795 (Outside U.S. \$845)
THE NILSON REPORT: 300 Esplanade Drive, Suite 1790, Oxnard, California 93030 • PHONE (805) 983-0448 • FAX (805) 983-0792

D-3333

MCJ4369182

\$5,000 REWARD ... payable to the first person to notify The Nilson Report of anyone reproducing or allowing reproduction of any portion of this newsletter in a manner that constitutes a copyright violation and leads to a monetary settlement. Reproduction (with or without attribution) includes photocopying or duplication by any electronic or mechanical means for storage or retrieval and specifically prohibits exposure on the Internet or interoffice computer networks. DO NOT COPY THIS REPORT. Violation of copyright laws can bring penalties of up to \$100,000 per incident. ISSN 1087-8718

FAST FACTS ◀ **FAST FACTS**

CITIGROUP Co-chairman John Reed says that Citibank's commitment to MasterCard credit cards at the expense of Visa-brand cards will result in savings of up to \$200 million over the next three years.

METRIS COMPANIES, parent of Direct Merchants Bank, the 14th largest U.S. MasterCard/Visa credit card issuer, will list its stock on the New York Stock Exchange under the symbol MTRS beginning May 7. The company's shares had traded on Nasdaq.

ASSET MANAGEMENT OUTSOURCING has completed its 16th acquisition in 14 months with the takeover of W. Al Gordon & Assoc., a collections company with 150 employees. AMO is the 17th largest U.S. collection agency ranked by total placements. Greg Shelton is CEO at AMO, (770) 792-3600, fax (770) 792-3382.

QSPACE'S Web storefront called iCreditReport.com has sold more than 250,000 on-line credit reports to individual consumers over the last 18 months. Cost is \$8. Reports are delivered in real time to the buyer's Web browser. Ike Eze is CEO, (415) 882-9597, fax (415) 882-9914.

CAPITAL ONE added 1.3 million new accounts in the first quarter. Net income increased to \$82.4 million from \$65.7 million a year before. Richard Fairbank is CEO, (703) 205-1010, fax (703) 205-1185.

OUTSOURCING SOLUTIONS INC., the largest U.S. collection agency, has created OSI Credit Card Services to specialize in collecting bank card debt. Andy Tricules is Pres. at the Capital Credit Corp. subsidiary of OSI, (904) 725-3641, fax (904) 721-7099.

COMPUCREDIT raised \$60 million from its initial public offering of common stock - 5 million shares at \$12 each. Shares trade on the Nasdaq Stock Market under the symbol "CCRT." David Hanna is Pres., (770) 901-5840, fax (770) 901-5859.

PROVIDIAN FINANCIAL added more than 1 million accounts in the first quarter. Managed revenue increased 88% to \$851.1 million and net income increased by 102% to \$113.5 million. Shailesh Mehta is Chairman, (415) 543-0404, fax (415) 278-6028.

BUSINESS DYNAMICS CONSULTING, specialists in card, electronic-banking, and payment products, has acquired Town & Country Consulting, specialists in payment systems operations and risk management. Art Clark is Founding Partner at BDC, (914) 353-0961, fax (914) 353-0831. Darold Hoops is Pres. at T&CC, (919) 968-6052, fax (919) 968-6053.

EXTERRA CREDIT RECOVERY, specialists in the purchase and recovery of nonperforming credit card debt, has raised \$29 million in a second round of private equity financing. Top investor is Warburg, Pincus Ventures. Ravi Yadav is VP at WPV, (212) 878-0815, fax (212) 878-6139. Suzanne Sheuerman is CEO at ExTerra, (925) 944-2600, fax (925) 944-2603.

LEASECOMM, a subsidiary of MicroFinancial, will continue to use Fleet Bank to fund its POS terminal rental and lease agreements with merchants nationwide for another 3 years. Gregory Hines is VP at MicroFinancial, (781) 890-0369, fax (781) 890-1368. Len Knabelkamp is VP at Fleet, (401) 278-6177, fax (401) 278-6213.

JOB MART - POSITIONS AVAILABLE *Subscribers pay \$300 per 100 words (nonsubscribers \$500) for Job Mart positions.*

ALLARD ASSOCIATES provides veteran executive placement to the leading-edge in card, consumer credit, financial services, and related emerging markets. Included in our extensive new job listings: **Managing Director**, sub-prime, to \$250K + bonus + equity. **Senior Manager, Commercial Products**, world-class retailer, \$95K + bonus. **Director Risk Management**, pre-IPO, e-commerce credit card player, \$110K + bonus + equity. All consultations strictly confidential. Phone: (800) 291-5279. Fax: (800) 526-7791 or email: recruit@allardassociates.com. Visit our Website: www.allardassociates.com for more jobs, employee information and tips, and to request our recent newsletter outlining 1999 trends and predictions.

CREDITCARDS.COM formerly Electronic Card Systems, the nation's fastest growing ISO/MSP, headquartered in Los Angeles, seeks aggressive **Sales Manager**. 5-10 years industry experience required. Responsible for recruitment, training and managing sales department. Outstanding management compensation package inclusive of base salary, benefits and residual income. For consideration please submit cover letter,

resume and salary requirements to: creditcards.com, Attn: Ryan O'Connor, 9200 Sunset Blvd., 6th Floor, Los Angeles, CA 90069 or fax to (310) 724-6403.

DE LA RUE CARD SYSTEMS Global secure bankcard manufacturer seeks a **VP of Sales and Marketing** to take ownership of the "top line." You will have the authority and responsibility to execute the duties of the position, which include: strategic planning, marketing and advertising, and direct sales management. This market is highly competitive and the successful candidate will be experienced and accomplished in similar environments. An understanding of the financial marketplace, and bankcards specifically, is a plus. College or graduate degree required and proficiency with PC-based business support systems a must. Compensation is highly competitive and includes base salary, car allowance, commission and bonus components. Successful candidate will do very well. We are a customer focused company with a differentiated, niche strategy. We enjoy competing and winning. If you believe you are qualified and like minded, please send resume to: De La Rue Card Systems, 523 James Hance Court, Exton, PA 19341. Attention: Human Resources, fax (610) 524-2412.

FAST FACTS ▶ **FAST FACTS**

JTS CHEQUEOUT SOLUTIONS, provider of software that develops customer profiles by collecting and analyzing point-of-sale data and payment transactions, has been acquired by Hypercom, second largest POS terminal manufacturer in the world. John Smith is Pres. at JTS, (716) 273-8240, fax (716) 461-0841. Roger Hitchcock is GM at Hypercom, (602) 504-5247, fax (602) 866-5380.

SOUTHTRUST BANK merchant acquiring statistics published in issue 688 should be amended as follows – Visa & MasterCard dollar volume of \$1.11 billion (up 26.2%) generated by 15.9 million transactions.

EQUIFAX CARD SOLUTIONS will provide cardholder processing and marketing services to Card Services for Credit Unions, an association of 1,750 credit unions (6.9 million accounts) through 2004. Jerry Hines is SVP at ECS, (727) 556-9000, fax (727) 556-9051. Bob Hackney is Pres. at CSCU, (727) 536-6800, fax (727) 536-0777.

FLEET CREDIT CARD SERVICES, 8th largest U.S. bank credit card issuer, will continue to use First Data Corp. as its cardholder processor for another 10 years. Joe Saunders is CEO at FCCS, (215) 444-7440, fax (215) 672-6214. David Bailis is EVP at FDC, (402) 222-6808, fax (402) 222-7770.

PT-1 COMMUNICATIONS, a subsidiary of Star Telecom, will distribute its prepaid calling cards through 15,000 Western Union outlets. Integrated Payment Systems/Western Union is a subsidiary of First Data Corp. Sam Tawfik is CEO at PT-1, (718) 939-9000 x217, fax (718) 939-9998. Frank McBride is Dir. Sales Prog. at FDC (IPS Card Solutions), (303) 488-8415, fax (303) 889-6368.

ELRICK & LAVIDGE MARKETING RESEARCH, a subsidiary of Aegis Comm., offers database/data warehouse development, predictive modeling, purchase pattern/cross shopping analysis, tracking/evaluation systems, customer acquisition/activation/retention analysis, lifetime value analysis, and risk/financial/opportunity analysis. Steve Gasner is Sr. Consultant, (201) 599-4798, fax (201) 599-9896.

CROSSCHECK will provide check guarantee services to AT&T's Connect 'N Save service for payments received via phone or fax. CheckNow lets AT&T accept data over the phone or via fax and then print a check in any of its sales offices. David Siembieda is EVP at CrossCheck, (707) 586-0551, fax (707) 586-1884. Eric Lilja is Mktg. Mgr. at AT&T, (908) 221-8770, fax (908) 221-4016.

AMERICAN BANKERS ASSN. & DOVE ASSOC.'s 1999 Study of Consumer Payment Preferences, Focusing on Online and Offline Debt comes with a searchable CD-ROM. The price is \$3,250 for ABA members and \$3,995 for nonmembers. Contact the ABA, (202) 663-5087, fax (202) 663-7543.

MBNA AMERICA will pay up to \$100 million over 5 years to advertise its credit card products on Internet-based Infoseek Corp.'s Go Network of sports, news, and entertainment Web sites. Michelle Shepherd is Division Pres. at MBNA, (302) 432-1088, fax (302) 432-0896.

INABYTE, software developer for Windows operating systems, has introduced InaCardCheck, a product that validates Visa, MasterCard, Discover, and Amex account numbers to reduce data entry errors and to protect against fraud on Internet transactions. Cost is \$199. A free download for evaluation is at www.inabyte.com. Mark Hennessy is Pres., (415) 883-3407, fax (415) 898-1652.

AMERICAN BANKNOTE, manufacturer of payment cards, has acquired Transtex, a card manufacturer and personalization vendor in Argentina with sales to that market and Chile, Uruguay, and Paraguay. Morris Weisman is CEO at ABN, (212) 593-5700, fax (212) 593-9615. César Abrudsky is Pres. at Transtex, 54 (11) 481-43777, fax 54 (11) 481-43555.

AMERICAN EXPRESS ATM coverage has expanded in Sweden by 602 terminals owned by Nordbanken and in Italy by 4,373 terminals owned by five of that country's banks. Jim Howland is Pres. Establishment Services Int'l at Amex, 44 (171) 630-3424, fax 44 (171) 233-5431.

IKANO FINANCIAL SERVICES, owner of 300,000 private label accounts in the U.K. for stores including Habitat, Ikea, and Oasis, will outsource its cardholder processing to Equifax Card Solutions. Jens Rom is Mng. Dir. at Ikano, 44 (115) 955-1500, fax 44 (115) 978-2256. Larry Towe is SVP Int'l Operations at ECS, (727) 556-9000, fax (727) 556-9051.

MANAGEMENT CHANGES

Beverly Wells, head of Consumer Credit at Wachovia, is now also head of all Consumer Financial Services, (336) 732-2752, fax (336) 732-2762. **Bond Isaacson**, formerly at IBM, has been appointed EVP Member and Merchant Relations at Visa, (650) 432-7837, fax (650) 432-2177. **James Corcoran**, formerly at Citigroup, has been appointed CEO Europe at Bank One Int'l, 44 (122) 244-6029, fax 44 (122) 244-6169. **Gary Heatherington**, formerly at MasterCard, has been appointed CEO Canada at Bank One Int'l, (613) 740-6262, fax (613) 740-6006. **Donald Shapleigh**, formerly COO at Net B@nk, has been appointed EVP and Dir. of Sales at Directo, (770) 242-6000, fax (770) 242-6899. **David Anastasi**, formerly at US West, has been appointed CEO at Global Chipcard Alliance, (425) 649-0604, fax (413) 228-6473. **Hatim Tyabji**, formerly at VeriFone, has been appointed to the Board of Directors at PubliCARD, (650) 358-1185, fax (650) 358-1186. **Richard Eagland**, formerly at IBM, has been appointed Country Mgr. U.K. and Ireland at Diebold, 44 (178) 447-0650, fax 44 (178) 447-3907.

CONFERENCES & SEMINARS

CARDS EASTERN EUROPE '99: June 15-17, Palace of Culture, Warsaw, Poland. \$995 (one day); \$1,995 (three days). Subscribers to **The Nilson Report** from outside Eastern/Central Europe receive a 20% discount. Contact Agata Lucka, AIC Worldwide, 46 (8) 588-31036, fax 46 (8) 588-31030.

\$5,000 REWARD ... payable to the first person to notify The Nilson Report of anyone reproducing or allowing reproduction of any portion of this newsletter in a manner that constitutes a copyright violation and leads to a monetary settlement. Reproduction (with or without attribution) includes photocopying or duplication by any electronic or mechanical means for storage or retrieval and specifically prohibits exposure on the Internet or interoffice computer networks. DO NOT COPY THIS REPORT. Violation of copyright laws can bring penalties of up to \$100,000 per incident. ISSN 1087-8718

GREENLINK CASH DISPENSERS

According to Lyle Elias and Charlie East (formerly with Diebold) of Greenlink Technologies, the current generation of low-cost cash dispensers that depend on point-of-sale-terminal-type embedded chip technology has a very limited future. While Greenlink also uses an embedded chip powered system in its CD selling in the \$3,000 to \$5,000 range, its proprietary technology is upgradable to accommodate color images, multimedia, etc. Greenlink's lightest version CD, which is modularly designed, can be delivered by United Parcel Service. There is no cost for installation or on-site maintenance. A new model will have level one security. Modules, which can be mailed to Greenlink for repair, are easy for employees to unplug and replace. The difference in unit cost depends on the number of cassettes (one, two, three, or four). All models already have wireless (CDPD) capabilities that use cellular phone technology. Greenlink predicts shipments will exceed 1,000 in North America this year. Lyle Elias is President at Greenlink Technologies, Inc. in Hurst, Texas, (817) 284-2878, fax (817) 284-0699. Prior issue: 687 □



**GREENLINK
T1000
ATM**

DataCard (from page 1) ... to common stock, which would give DataCard a 6.5% interest in IVI. POS terminal manufacturer Ingenico of France owns about 9% of IVI.



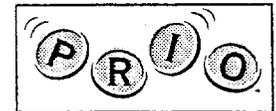
Glenn Highland is CEO at DataCard Corporation in Minnetonka, Minnesota, (612) 933-1223, fax (612) 988-2895.



IVI Checkmate's strength is in providing terminals that handle card and check payments for multilane retailers such as supermarkets and discount chains. Last year, it shipped 260,000 units in the U.S. and Canada. DataCard clients, which are gasoline retailers, smaller specialty shops, and T&E merchants, shipped 64,000 POS terminals in those markets. IVI revenues for calendar year 1998 were \$107 million, up 16% over the prior year. Net income (before one-time merger costs) totalled \$6.1 million, up 189%.

Barry Thomson is CEO at IVI Checkmate in Toronto, Canada, (416) 245-6700, fax (416) 245-9896. □

Prio (from page 1) ... DataCard). Prio uses the Internet to promote merchants that offer rebates to cardholders who buy either at retail stores or on-line. Both the rewards and the participating merchants are featured at portals to the World Wide Web including CitySearch and Knight Ridder Real Cities. Cardholders can register one or more card accounts with Prio. Prio confirms that a cardholder has met the criteria for earning a rebate by receiving data from the merchant's acquirer, and then notifies the card issuer who credits the cardholder's account as a line item on their monthly statement.



Prio clients will be companies that acquire card transactions and want to sign merchants to the program in return for a per-transaction fee. Card issuers may also be clients if they choose to market the rebate program to their cardholders as a means of increasing spending and retaining customers. Other companies offering Internet rewards programs include Netcentives in San Francisco, California, ebates.com in Menlo Park, California, and E-centives in Bethesda, Maryland. Prio, formed in 1997, wants its brand to have an international identity similar to Visa's and MasterCard's. Ashok Narasimhan, formerly a senior executive at VeriFone, is CEO in Mountain View, California, (650) 567-1234, fax (650) 948-7637. □

Payment Gateways (from page 1) ... (U.K.), Discover (U.S.), Cartes Bancaires (France), Bankcard (Australia), Fuji Bank (Japan), Laser (Ireland), and some private label cards. Commercial cards including small business, corporate, and purchasing cards accounted for 40% of total card volume. By 2003, card volume is expected to reach \$252.03 billion (66% in the U.S.) with commercial cards accounting for 52% of the total.

Processing card transactions from Web storefronts involves Internet payment gateways which reformat data and deliver it to the same authorization networks that handle card payments at merchants' check-out lanes.

Hardware and software from vendors such as Trintech, IBM, GlobeSet, CyberCash, VeriFone, and ClearCommerce can be used by large merchants and acquirers to perform gateway functions in-house. Third party gateway services can also be obtained from the service bureau providers profiled here, all located in the Americas. Gateway service bureaus in Europe and Asia/Pacific will be covered later.

IN-HOUSE PROCESSING. Merchants using a Windows NT or Unix-based server need to spend about \$5,000 to set up a Web storefront holding their catalog of goods and services. They pay another \$1,000 to \$30,000 or more for custom configurations of electronic-commerce software needed to run the storefront. Setting up an Internet merchant account for settlement of card payments costs up to \$1,000 depending on a merchant's size. A dedicated leased line to connect to a processor costs \$400 to \$600 monthly, and a dedicated line to the Internet costs another \$1,200 monthly. Consulting fees to set up an on-line, real-time Web storefront range from \$10,000 to \$50,000.

SERVICE BUREAU PROCESSING. Merchants that use third party Internet payment gateway services are primarily small or midsized and cannot justify the cost of in-house processing. Having a service bureau host their on-line catalog costs from \$50 to \$300 monthly depending on storage space, data transfer requirements, use of a shopping cart system, and use of audio and other features. The card-processing connection costs another \$100

per month, and the cost per transaction ranges from 10¢ to 24¢ for card and check payments. Additional fees are assessed for fraud protection and other services such as full delivery-address verification, tax calculation, and digital-goods delivery. Since Web storefronts never close, the best Internet payment gateways supply superior reliability (24 hours a day, 7 days a week) and performance (delivery of card authorizations as fast as in the physical world) while integrating Web hosting and other services into the merchant's existing inventory control, call center, and other systems.

INTERNET CARD SALES WORLDWIDE (Billions)

Type	1998	2003
Commercial Cards Small Business, Corporate, and Purchasing	\$6.91	\$131.29
Personal Cards	\$10.20	\$120.74
TOTAL	\$17.11	\$252.03

©1999 The Nilson Report

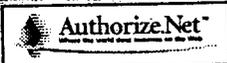
USE OF TAX HAVENS. Internet payment processing lets merchants operate offshore in countries that offer a tax haven. Cyber casinos, currently among the largest of all Internet merchants, were first to locate their servers offshore to overcome local and national governmental restrictions on gambling. Mainstream businesses will follow. MasterCard and Visa operating regulations currently let merchants keep their catalog of products on a server in one country, the actual inventory in another country, while card processing is handled from a third country and the company's headquarters is located in a fourth. The associations are analyzing this growing trend to see if they need to tighten controls.

FUTURE COMPETITION. The 31 third party processors listed here are the pioneers in an industry whose competitors will soon include more than 100 Internet service providers (ISPs), commerce service providers (CSPs), on-line malls, portals, and independent sales organizations as companies like Hewlett-Packard and Compaq begin to offer software that lets ISPs, CSPs, and others become turnkey e-commerce service providers. Market pressure has already driven down prices for payment processing, and consolidation will inevitably occur as this industry heads toward a commodity-pricing business. Companies that succeed will be those whose distribution channels give them direct access to the largest number of the world's 40 million merchants. □

\$5,000 REWARD... payable to the first person to notify The Nilson Report of anyone reproducing or allowing reproduction of any portion of this newsletter in a manner that constitutes a copyright violation and leads to a monetary settlement. Reproduction (with or without attribution) includes photocopying or duplication by any electronic or mechanical means for storage or retrieval and specifically prohibits exposure on the Internet or interoffice computer networks. DO NOT COPY THIS REPORT. Violation of copyright laws can bring penalties of up to \$100,000 per incident. ISSN 1087-8718

ACCESSPOINT products include: (1) Merchant Manager Express, which lets anyone build an on-line catalog Web site, (2) Merchant Manager Enterprise, which processes card transactions and adds site and business management/marketing tools, and (3) Transaction Manager Service, which functions as a stand-alone merchant-account management console and can be integrated into most shopping-cart software.

AUTHORIZE.NET is connected to nearly 30,000 on-line merchants. Its gateway service is distributed by more than 400 resellers with a combined 1,000 salespeople. Founded in 1996, Authorize.net



averages more than 99.9% uptime for payment processing and provides card and check authorizations within five seconds. Its Weblink works with all major browser products and is integrated into more than 100 Web site development and shopping-cart programs. e-Check.Net lets merchants accept payments from any checking account and can be used with shopping-cart setups. FraudScreen.Net claims to reduce risk to less than 1%. RiskManager.Net lets acquirers stop high-risk transactions before they are captured.

BCE EMERGIS, formerly Impact Immedia, is 65% owned by Bell Canada Enterprises. In addition to gateway services, BCE hosts Web storefronts and provides order management and other services by connecting on-line sales to a merchant's existing legacy system. BCE combines



e-commerce services, network infrastructure, security, and electronic payments through industry verticals, and offers a full suite of core technologies that are the essential building blocks for electronic commerce.

CHARGE.COM, an affiliate of list broker National Success Marketing, is connected to 500 merchants. It has been handling card payments on the Internet for four years. Some transactions are settled through Humboldt Bank.

CLEARCOMMERCE began as an Internet payment gateway in 1995 and continues to serve 100 merchants. In 1997, it changed its focus to selling software for fraud protection, storefront integration, real time payments, shipping/tax calculation, and electronic delivery of digital merchandise and on-line reports to clients including Chase Merchant Services, Cardservice Int'l, iCat, Orbit Commerce, and Sunset Direct. ClearCommerce

often acts as a service bureau for its clients (and their merchants). It no longer takes payment-gateway business that does not come by way of a software client.

CRYPTOLOGIC has handled \$2 billion in sales over the last two years, keeping fraud losses for the merchants it serves in the "card not present" industry to less than 1%. Among its clients are 12 offshore licensees who operate cyber casinos on the Internet from merchant servers located in the Caribbean. Cryptologic's server in Toronto bills credit card accounts for gambling wagers, and mails a check to pay off any winnings. Shares trade on the Toronto Stock Exchange.

CYBERCASH is connected to 12,000 on-line

merchants. Technologies range from InstaBuy, a one-click on-line payment service, to a complete line of e-commerce software that drives transactions for retail, mail order,

phone order, and Internet businesses, and lets merchants, billers, financial institutions, and consumers conduct transactions safely. CyberCash customers range from small stores with a single cash register to global financial institutions. Founded in 1994, CyberCash maintains offices and joint ventures throughout North America, Europe, and Asia.

CYBERSOURCE began as an on-line merchant in 1994, and now provides a variety of transaction services that let 400 Web merchants worldwide conduct e-commerce. The

company provides reliability and

real-time services that include: payment gateways, global tax calculations, fraud screening, delivery-address verification, export and territory management, fulfillment notification, and digital-goods delivery. It's linked to First Data Corp. and Paymentech networks. Visa and GE Capital are investors and partners.

DIGITAL COURIER/DATABANK can process, monitor, and

INTERNET PAYMENT GATEWAY

control transactions from their settlement into the account in real time. Acc with reporting and risk of Nevis and St. Kitts pro payments monthly handle member. Digital Courier SecureBank.com

E-COMMERCE EXCHANGE

merchants who are home-credit pre nesses, et company employee



Accesspoint Tom Djokovich is Chairman in Anaheim, California, (714) 781-2288, fax (714) 781-2299.

Authorize.Net John Bodine is Sr. VP in Provo, Utah, (801) 818-3311 x115, fax (801) 818-3312.

BCE Emergis Steve Bramson is VP Merchant Enabling Solutions in Montreal, Canada, (514) 868-2204, fax (514) 868-2322.

Charge.com Greg Danzig is President in Ft. Lauderdale, Florida, (954) 927-1299, fax (954) 923-5255.

ClearCommerce Robert J. Lynch is CEO in Austin, Texas, (512) 977-5528, fax (512) 832-8901.

Cryptologic Andrew Rivken is President in Toronto, Canada, (416) 545-1455, fax (416) 545-1454.

CyberCash William Melton is CEO in Reston, Virginia, (703) 620-4200, fax (703) 620-4215.

CyberSource William McKiernan is CEO in San Jose, California, (408) 260-6004, fax (408) 241-8270.

Digital Courier/DataBank Don Marshall is Dir. Off-Shore Division in St. Kitts, West Indies, (869) 465-6802, fax (869) 465-1561.

E-Commerce Exchange Darrin Ginsberg is CEO in Laguna Hills, California, (949) 367-1554, fax (949) 367-1172.

Econex Dave Scantling is CEO in Independence, Ohio, (216) 643-2970, fax (216) 643-2972.

offices nationwide. E-Commerce can have accepting card and check Internet in about a week.

ECOMEX is a new comp. investors incl. largest commercial bank Energy, an Ohio-based ut Nova Corp., 4th largest a

YS IN THE AMERICAS

their beginning to merchant's acquiring uirers are provided nrol modules. Bank esses \$30 million in d by one staff will soon acquire

IE specializes in nontraditional based, owners with blems, high-risk busi-c. Since 1989, the has grown from two s to over 200 in 15

payment card transactions in the U.S. Econex plans to offer its services to the one million small and mid-sized merchants served by its three principal investors. The company supports SSL and SET and operates both Hewlett-Packard and IBM platforms. Econex has designed its service to provide higher system performance to those who buy on the Web rather than those who simply browse.

ICOMS (Internet Commerce Services Corp.) uses Open Market software to provide order management and payment processing to more than 200 clients and has partnerships with MasterCard, First Data Corp., banks, Web developers, and ISPs. US West and First Union are distributors. ICOMS provides order

Payments coordinates the transfer of funds from a customer's financial institution directly into the merchant's account. The gateway operates in real time, meaning funds are captured immediately after goods are shipped. The system supports authorizations, captures, batch processing, and refunds. An address verification service helps prevent fraud.

MASTERCARD established a gateway to support SET protocol two years ago. Most clients are in Latin America and Asia/Pacific. Mellon Bank is a U.S. client for the gateway, which links directly to Banknet.

MERCHANTONLINE, a one-stop e-commerce provider offering real-time credit-card processing, checks on-line, shopping-cart services, and secure hosting, has filed for an initial public offering of common stock. It has entered into partnerships with CrossCheck, Inc. (check guarantee), Ziplink (Internet access provider), Bank of Bermuda (international banking services), and First Bank of Beverly Hills (U.S. bank card settlement).

NDC eCOMMERCE is a newly formed business unit of National Data Corporation which combines Global Payment Systems and Integrated Payment Systems.

The company's iGlobal Gateway provides secure, real-time card authorization, capture, and settlement/reconciliation services, while supporting both SSL and SET transactions. NDC eCommerce also offers iGlobal Banker, an electronic portal that lets financial institutions collect, manage, and distribute information by using Internet and data warehouse technologies. NDC provides card processing services to CyberCash, CyberSource, and BCE Emergis.



iCat Doug Schulze is CEO in Seattle, Washington, (206) 505-8800, fax (206) 505-8810.

ICOMS Cliff Conneighton is CEO in Nashua, New Hampshire, (603) 598-6500, fax (603) 598-1226.

iMail Jeffrey Lipp is VP in Los Angeles, California, (310) 309-4000, fax (310) 309-4100.

MasterCard International Joseph Haspiel is VP Internet Development in St. Louis, Missouri, (314) 275-3650, fax (314) 523-2878.

Merchant Online Tarek Kirschen is CEO in Boca Raton, Florida, (561) 395-3585, fax (561) 395-4241.

NDC eCommerce Kevin Freeman is Director of Information Services in Atlanta, Georgia, (404) 728-2027, fax (404) 728-3525.

Orbit Commerce Paul Reilly is President in Chicago, Illinois, (312) 670-0040 x210, fax (312) 670-0030.

Paybyweb.com David Weiss is President in Largo, Florida, (727) 588-4333, fax (727) 559-0286.

PaymentNet Philippe Courtot is CEO in Pleasanton, California, (925) 225-1670, fax (925) 225-1680.

Priority One Electronic Commerce Tom Goldman is President in Akron, Pennsylvania, (717) 285-9040, fax (717) 285-3865.

Secure-Bank.com Steve Cannon is CEO in Tampa, Florida, (727) 562-0009, fax (727) 562-0107.

SecureNet John Vandette is President in Montreal, Canada, (514) 744-4242, fax (514) 744-1552.

Skipjack Merchant Services Brian Griffin is VP Bus. Devel. in Cincinnati, Ohio, (513) 563-2907 x30, fax (513) 563-9790.

Sunset Direct Jeff Turner is President in Austin, Texas, (512) 464-8442, fax (512) 502-9692.

UniTransact Business Solutions Mike Frankenberger is Dir. Bus. Devel. in Vancouver, Canada, (604) 647-0223, fax (604) 684-4452.

VisaNet do Brasil José Sylvio Simoes Pinto is Exec. Dir. of R&D in Sao Paulo, 55 (11) 304-87409, fax 55 (11) 304-87353.

Visa Colombia Carlos Filipe Rosas is VP Systems in Bogota, 57 (1) 312-4400, fax 57 (1) 212-5201.

Visa U.S.A. Steve Ryan is Sr. VP Electronic Commerce Infrastructure in Foster City, California, (650) 432-7447, fax (650) 432-7896.

Vital Processing Services Donna Embry is Sr. VP in Tempe, Arizona, (602) 333-7645, fax (602) 333-7675.

WebCash Ted Wong is President in Santa Clara, California, (408) 727-4530, fax (408) 496-6110.

mercer Exchange's a new merchant payments over the

any whose principal de KeyCorp, 19th n the U.S., First lity company, and quirer of merchant

processing and payment-gateway services to clients that operate their storefronts in-house or through a third party regardless of where the server is located.

iMALL'S payment gateway, Pure Payments, is the personal interface to the world's on-line banking network. Pure



ORBIT COMMERCE creates and manages fully integrated, brandable, interactive on-line marketplaces for ISPs, portals, telcos, publishers, and community sites. Orbit's server provides storefronts, merchant ID applications, merchant education, integrated payment processing, fraud detection, advanced services, and 24/7 service bureau management. Orbit can ... (turn to page 10)

AD REWARD ... payable to the first person to notify The Nilson Report of anyone reproducing, allowing reproduction of any portion of this newsletter in a manner that constitutes a copy. violation and leads to a monetary settlement. Reproduction (with or without attribution) includes photocopying or duplication by any electronic or mechanical means for storage or retrieval and specifically prohibits exposure on the Internet or interoffice computer networks. DO NOT COPY THIS REPORT. Violation of copyright laws can bring penalties of up to \$100,000 per incident. ISSN 1087-8718

STORE CREDIT CARD RESULTS 1998

Rank	Issuer, Headquarters	Out-standings (mil.)	% Chg.	Charge Volume (mil.)	% Chg.	Accounts		Cards Issued (000)
						Total (000)	Active (000)	
1.	Sears, Roebuck Hoffman Estates, Illinois	\$28,357.0	-2%	\$20,000.0	0%	65,500	32,000	90,000
2.	GE Card Serv. Stamford, Connecticut PL	\$14,104.5	-10%	\$21,805.3	-15%	71,000	23,000	60,000
3.	Household Retail Prospect Heights, Ill. (1) PL	\$8,356.0	+91%	\$8,568.2	+132%	17,453	6,642	19,300
4.	JCPenney Plano, Texas	\$4,550.0	-13%	\$8,563.0	-9%	54,000	14,000	99,412
5.	Dayton Hudson Minneapolis, Minnesota	\$2,496.3	+3%	\$4,540.0	+8%	29,378	8,212	38,191
6.	Associates Dallas, Texas (2) PL	\$2,353.5	+2020%	\$3,654.0	+1774%	14,700	3,900	9,700
7.	Federated Dept. Stores Mason, Ohio	\$2,243.2	+1%	\$4,880.3	0%	28,700	12,200	46,000
8.	Alliance Data Dallas, Texas PL	\$2,140.0	+16%	\$3,429.8	+14%	46,132	7,955	46,500
9.	May Dept. Stores St. Louis, Missouri	\$2,109.9	-2%	\$5,910.0	+2%	27,900	9,487	45,400
10.	Banc One Dayton, Ohio PL	\$1,865.4	-21%	\$1,929.3	-17%	5,198	1,799	5,958
11.	Circuit City Richmond, Virginia	\$1,810.0	+6%	\$2,620.0	+8%	4,900	1,810	6,100
12.	Spiegel Group Beaverton, Oregon	\$1,319.4	-4%	\$887.3	-7%	10,396	2,665	5,006
13.	Saks Jackson, Mississippi (3)	\$1,295.8	+62%	\$3,100.0	+82%	9,000	6,050	9,000
14.	Dillard's Phoenix, Arizona	\$1,240.6	+5%	\$2,740.5	+1%	13,000	6,150	24,600
15.	Army & Air Force Exchange Dallas, Texas	\$1,018.2	-6%	\$589.2	-3%	1,362	899	1,574
16.	Green Tree Financial St. Paul, Minn. PL	\$661.0	+132%	\$1,050.0	+243%	1,150	690	1,380
17.	Citicorp Retail Serv. Melville, N.Y. PL	\$658.4	-5%	\$1,547.0	-9%	8,536	2,250	12,000
18.	Nordstrom Englewood, Colorado	\$653.4	-11%	\$1,374.7	-6%	9,283	1,290	14,165
19.	Jewelers Financial Irving, Texas	\$645.8	+9%	\$686.1	+8%	2,544	846	2,544
20.	Neiman Marcus Group Dallas, Texas	\$584.0	+1%	\$1,592.4	+4%	5,500	1,222	5,500
21.	Bridgestone/Firestone Brookpark, Ohio	\$460.0	-4%	\$380.0	-9%	3,800	999	3,800
22.	Belk Stores Charlotte, North Carolina	\$411.0	-1%	\$861.9	+2%	3,366	1,568	5,013
23.	Kohl's Menomonee Falls, Wisconsin	\$399.0	-6%	\$595.0	-8%	2,400	936	3,300
24.	Transamerica Benton Harbor, Michigan	\$396.0	+4%	\$390.0	-28%	1,500	300	2,000
25.	Dial National Bank Des Moines, Iowa PL	\$354.0	+11%	\$201.0	-2%	390	321	508
26.	Stage Stores Jacksonville, Texas	\$325.0	+5%	\$585.0	+15%	8,100	2,300	8,100
27.	Sterling Akron, Ohio	\$299.0	+2%	\$505.0	-5%	775	508	1,150
28.	Charming Shoppes Bensalem, Pennsylvania	\$299.0	-11%	\$329.0	-11%	10,100	1,250	11,100
29.	American Gen. Fin. Salt Lake City, Utah PL	\$242.7	-5%	\$300.9	+11%	587	187	587
30.	American Retail Pembroke Pines, Florida	\$202.7	+5%	\$434.0	+5%	2,000	833	3,500
31.	Bosco's Laureldale, Pennsylvania	\$182.7	-3%	\$299.8	+5%	1,349	497	1,846
32.	The Bon-Ton York, Pennsylvania	\$181.7	+2%	\$350.0	-1%	3,312	1,226	4,705
33.	Navy Exchange Virginia Beach, Virginia	\$181.3	-8%	\$96.0	-34%	394	139	270
34.	Elder-Beerman Dayton, Ohio	\$168.1	+6%	\$276.0	+5%	2,800	555	4,165
35.	Shoppers Charge Mahwah, New Jersey PL	\$118.0	+30%	\$228.0	+17%	1,841	476	1,642
36.	Gottschalks Fresno, California	\$103.2	+18%	\$241.1	+11%	852	390	1,400
37.	Eaglemark Financial Chicago, Illinois	\$98.0	+72%	\$170.0	+127%	148	75	200
38.	Pier 1 Imports Fort Worth, Texas	\$92.1	-2%	\$276.1	+7%	3,486	1,033	3,915
39.	Cato Corp. Charlotte, North Carolina	\$53.0	+4%	\$76.3	+6%	1,260	411	1,210
40.	ZCMI Salt Lake City, Utah	\$47.3	-5%	\$87.9	-7%	227	115	282
41.	Samuels Jewelers Austin, Texas	\$40.0	NR	\$50.0	NR	878	71	800
42.	Jacobson's Jackson, Michigan	\$35.1	-9%	\$170.3	-12%	564	141	845
43.	Troutman's Emporium Eugene, Oregon	\$27.2	-6%	\$69.6	-1%	568	145	2,388
44.	CWT Specialty So. Attleboro, Massachusetts	\$23.3	+18%	\$55.4	+9%	560	221	1,000
45.	Gantos Grand Rapids, Michigan	\$20.0	-11%	\$55.0	-13%	1,000	140	1,300
46.	UMB Bank Kansas City, Missouri PL	\$11.8	-63%	\$62.9	-27%	136	54	159
47.	CrediCard Nat'l Bank San Antonio, Texas PL	\$7.2	+11%	\$23.0	+5%	40	15	40
	Other Retailers	\$406.6	-2%	\$844.9	0%	6,008	1,845	8,211
	Other Private Label PL	\$283.6	-6%	\$526.1	-8%	1,571	769	1,483
Total (4)		\$83,931.0	-3%	\$108,007.4	-4%	485,643	160,587	617,250

PL = private-label companies that own receivables generated by credit cards they issue on behalf of clients whose name appears on the cards, which are usable only at outlets owned or controlled by the client, including retailers such as Montgomery Ward, Macy's, etc. Excludes co-branded Visa and MasterCard cards

SEARS
GE Capital
Household
JCPenney
Services and Associates. Some prior year figures have been restated. NR = not ranked for 1997.

DAYTON HUDSON

(1) Includes Beneficial Corp.
(2) Includes SPS Payment Systems.

(3) Formerly named Proffitts.

(4) Totals do not include duplication from, for example, Citicorp as processor for Navy Exchange.

Fingerhut and other direct marketers are not included because cards are not issued to credit customers.

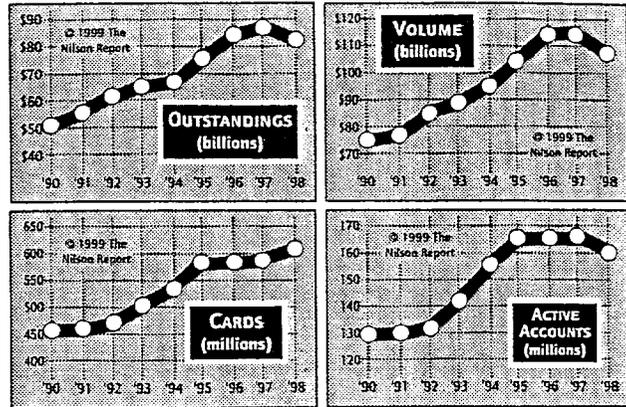
OTHER PRIVATE LABEL Bank of Raleigh Beckley, West Virginia Custom Data Baldwin, New York First Family Financial Atlanta, Georgia Fifth Third Bank Cincinnati, Ohio First Chicago NBD Troy, Michigan First Tennessee Memphis, Tennessee and others OTHER RETAILERS - Dunlap Companies Fort Worth, Texas Liberty House Honolulu, Hawaii Peebles South Hill, Virginia Swezey's Patchogue, New York and others

© 1999 The Nilson Report

Store Cards (from page 1) ... cards issued increased by 25.8 million to 617.3 million. Stores that issued their own cards accounted for 62.9% of outstandings for the second year in a row. The remaining 37.1% were owned by third-party private label specialists.

Retailers that operated their own programs owned \$52.78 billion in outstandings, down \$1.75 billion or 3.2%. Charge volume totalling \$64.68 billion represented 59.9% of volume on all store cards, up from 58.0% the prior year. The share of store cards issued by retailers declined from 76.3% to 74.2%. Ownership changes during 1998 included: Mercantile sold to Dillard's ... Saks sold to Proffitts which was renamed Saks ... Harris sold to Gottschalks.

Private label issuers that operated programs for retail clients owned \$31.16 billion in outstandings, down \$1.04 billion or 3.2%. Charge volume was down 8.7% to \$43.33 billion. Cards increased from 140.2 million to 159.3 million. Several private label issuers dropped out of the business by selling or shutting down their programs. These included Beneficial (acquired by Household), SPS Transaction Services (acquired by Associates), Travelers (merged with Citigroup), and NationsBank (no longer issuing). Prior issues: 672, 671, 668, 667, 666, 663, 662, 661, 647 □



Litigation (from page 1) ... examining documents and deposing potential witnesses. Although the federal court trial is scheduled to begin February 2000, the magnitude of the effort, including the huge amount of documents involved, makes it unlikely the trial will start before the end of 2000. The civil trial should also begin next year, and will be scheduled consecutively, not concurrently.

JUSTICE is seeking two things: (1) to force Visa and MasterCard to let their members issue American Express and/or Discover cards, and ... (2) to effectively (though not necessarily definitively) end duality by forcing board members of both associations, whose banks control 90% of all card volume, to avoid involvement in any governing issues at the other association.

RETAILERS are seeking to overturn practices that require them to accept Visa and MasterCard brand debit cards (those that display the association logo and hologram on the front) if they accept those same brands of credit cards. Later this year, the bank card associations will try to defeat efforts to have this suit labeled as a class action brought on behalf of all retailers in the country. Visa and MasterCard want to limit the suit to the five current plaintiffs — Wal-Mart, Sears, Safeway, The Limited, and Circuit City.

SHARED DISCOVERY? During resolution of several matters related to the discovery phase of the retailer's civil action, a protective order that had limited how documents could be used was modified to give Justice access to 2.2 million of them. Now Justice also wants access to work done by the retailer's attorneys in coding, editing, and analyzing those documents, a motion Visa and MasterCard will oppose. Attorneys for the retailers have filed a motion supporting Justice's request, even though Justice has twice denied the retailers access to Justice documents. □

\$5,000 REWARD ... payable to the first person to notify *The Nilson Report* of anyone reproducing or allowing reproduction of any portion of this newsletter in a manner that constitutes a copyright violation and leads to a monetary settlement. Reproduction (with or without attribution) includes photocopying or duplication by any electronic or mechanical means for storage or retrieval and specifically prohibits exposure on the Internet or interoffice computer networks. **DO NOT COPY THIS REPORT.** Violation of copyright laws can bring penalties of up to \$100,000 per incident. ISSN 1087-8718

Gateways (from page 7) ... implement any client's on-line marketplace in a matter of weeks. It does all work and shares in ongoing revenues.

PAYBYWEB.COM is a wholly owned subsidiary of Creative Payment Services that operates as a full service, secured, e-commerce provider. It offers live bank verifications, confirmation-notice mailings to comply with FTC's 16-CFR Part 310 "Telemarketing Sales Rule," data entry, Web hosting, site design, shopping carts, and more.

PAYMENTNET operates client-server transaction-processing architecture that sits on the Internet to receive card-authorization data in real time. It can support merchants that require recurring billing, installment payments, delayed product shipments, and immediate soft goods delivery. PaymentNet has just received a second round of venture capital funding from investors including Wells Fargo and AT&T. Convergence Partners was part of the first round. First Data Corp. uses PaymentNet for Internet card payments and its TeleCheck unit for Internet check payments. Business-to-business applications include SoftTerminal, PaymentNet's Web-based processing software for capturing Level II details from commercial card transactions.



PRIORITY ONE ELECTRONIC COMMERCE, soon to be acquired by CBQ of Dallas, focuses on business-to-business payment processing over the Internet through its Bill Collect system which integrates with a retailer's software, replacing paper-based mailing of invoices and remittance processing. CBQ, operator of a proprietary data-communication system and protocol which claims to provide secure business-to-business electronic commerce without the need for encryption, intends to merge with CitX, owner of Intrapay, a business-to-business system that collects and dispenses payments.

SECURE-BANK.COM, operational for over two years, currently handles 1.5 million transactions monthly over its gateway. The company integrates merchant reporting and account management systems, risk assessment and management systems, and fraud analysis and monitoring services. Secure-Bank.com has signed a letter of intent to be acquired by Digital Courier.

SECURENET offers small- and medium-sized companies a full range of e-commerce services using Open Market software. Cost of setting up a virtual store can be as low as \$500 not including per-transaction costs. SecureNet's speciality is network security.

SKIPIACK MERCHANT SERVICES is the service mark of Bradley and Madison Inc. which does business under the name Evolv Adaptive Technology. Skipjack has been selected by Compaq Computer to be the on-line card-transaction processor for the PC manufacturer's new turnkey Online Services Initiative called "ezStore." Skipjack is certified by Vital Processing, NDC, and Nova.



UNITRANSACTION BUSINESS SOLUTIONS provides a starter Web site capable of accepting product or service orders on-line for \$40 per month with no additional charges for volume or dollar value of transactions. Additional services include an image-rendering system, data banking, and email. UniTransact helps clients apply for merchant status and can process transactions through an alliance with Card Payment Systems, an ISO.



VISA USA is beta testing its gateway and will announce availability to acquirers next month. Each acquirer who signs up for the service will be connected directly to Visa for authorization and settlement functions and will be able to brand the gateway to support their own market objectives.

VISANET DO BRASIL, the only acquiring company for the Visa brand in that country, has 26 shareholder banks. Its Internet Payment System, developed in May 1998, is known as VisaMall. By December, it will have 500 SET (Secure Electronic Transaction) stores and about 1 million SET cardholders. VisaNet do Brasil uses Trintech's wallet software, merchant server, and gateway link. IBM and GlobeSet wallet software and GlobeSet's server POS will also be added.

VISA COLOMBIA began offering a Web service for Colombian merchants to introduce SET to the market. The company expects to link 20,000 of Colombia's 200,000 Internet users in a SET-compliant program by the end of 2000.



VITAL PROCESSING SERVICES, the Visa USA/

Total System Services joint venture, introduced VirtualNet last fall. The gateway, which uses IBM software, will be available in June. More than 50 ISPs have been certified. Marketing alliances are expected with Hewlett-Packard, CyberSource, and others.



WEB CASH, formed earlier this year, was developed by Galaxie-Net Telecom, a provider of high-end hosting and related Internet services. More than 300 Web storefronts have participated in the WebCash beta test conducted over the last 24 months. WebCash supports recurring billing and offers extensive management and monitoring tools. It requires no computer support from the business user other than a network browser. □

April 30, 1999

THE NILSON REPORT
NUMBER 590 APRIL 1999

H. Spencer Nilson
H. Spencer Nilson