When Seconds Mean Dollars

IP-based **check verification** system saves a commodity as precious as money: time

BY M.V. GREENE

Toot'n Totum is a venerable convenience store chain on the High Plains of the Texas Panhandle. Established in 1952 as a mom-and-pop store in Amarillo, the chain now has 67 stores in the historic railroad town of 171,000.

Throughout its history, risk-taking has been second nature for the family-run firm. Convenience store behemoth 7-Eleven rode into Amarillo in the 1970s and steadily grew to 23 stores in the market. By 1988, however, that total had dropped to 15 locations — and then one-town Toot'n Totum bought them out.

In the convenience store business, speed of service is the foundation for a lasting customer relationship — and becomes the competitive equalizer for a chain like Toot'n Totum. The idea is to get customers in, get them buying and get them on their way. And in this segment, success is measured in seconds.

> **Instead of taking 12 to 15 seconds, check verification is now accomplished in less than one second.**

Despite dominating its market, Toot'n Totum is always pushing to stay abreast of innovations that will help maintain its market edge, Hudson says.

Check verification at its busy store counters became a thorny issue for the chain. For an operation dependent on speeding customers through, it became apparent that this method of payment — still a significant part of its business despite the proliferation of debit- and credit-card use — simply was taking too long.

A necessity to protect against fraudulent check writers, verification is achieved through use of a check reader at the payment terminal. But in an age of emerging broadband-based, Internet-enabled technology, Toot'n Totum was verifying checks on tortoise-like dial-up connections.

Customers, says Toot'n Totum special projects manager David Hudson, "don't want to be camped in line. They don't want to be third in line at the gas pump. It's all about convenience and speed. If you do that, they'll come back tomorrow. That's the big thing."

With dial-up access through ordinary telephone lines, verification tended to take 12 to 15 seconds to complete — and that clock didn't start until the customer finished writing the check and the modem stopped screeching.

"When you're checking checks, you've got so much information to get that that speed is slow compared to cash or a credit card transaction, and you've got to speed that check up," Hudson says.
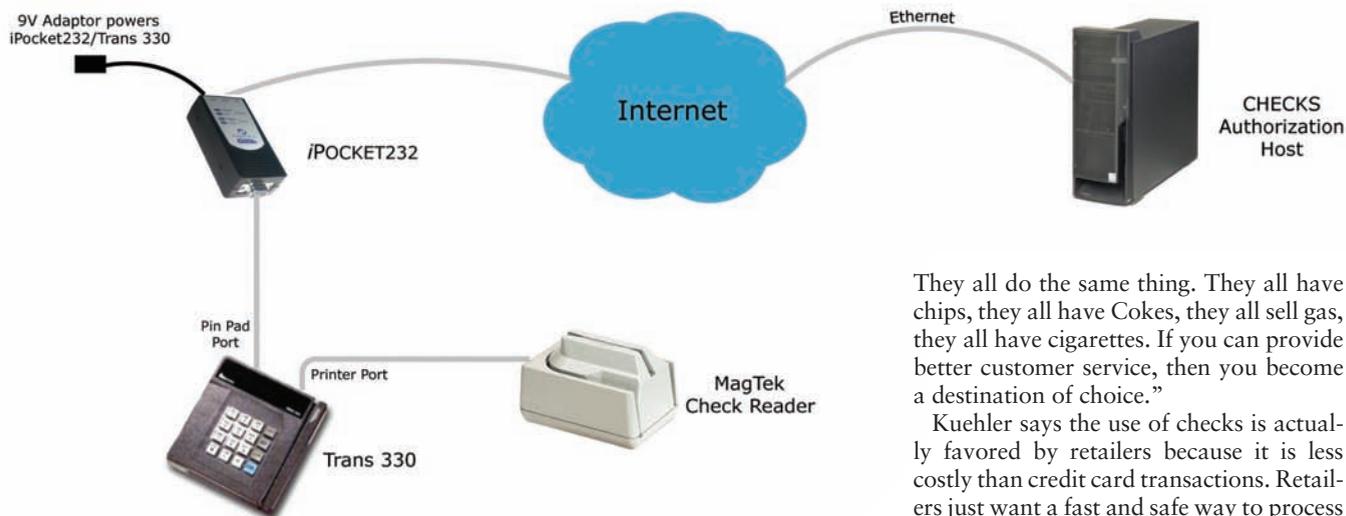
Cost-effective, quickly achievable

For Toot'n Totum, the solution to faster verification in a dial-up environment needed to be cost-effective and quickly achievable. Its check management vendor, Odessa, Texas-based CHECKS, joined with Precidia Technologies, an Ottawa-based provider of Internet protocol access devices, on a solution that would lay IP-based technology over retailers' existing equipment.

For years, convenience store retailers like Toot'n Totum have used the Verifone

They all do the same thing. They all have chips, they all have Cokes, they all sell gas, they all have cigarettes. If you can provide better customer service, then you become a destination of choice."

Kuehler says the use of checks is actually favored by retailers because it is less costly than credit card transactions. Retailers just want a fast and safe way to process them, he adds.

Hudson says Toot'n Totum beta tested the system in one low-volume and one high-volume store before becoming convinced to roll it out to all locations. Feedback from its 500 employees was overwhelmingly positive, and the chain did not have to invest time in training because clerks were using the same terminals and check readers for verification.

"Minutes to us are important," Hudson says. "Any time you can get the customer in and out a little quicker, you can spend those minutes doing other things — stock and cleaning, fixing things up. Any time you gain minutes in your work schedule, that's good."

Kuehler says the solution is quickly gaining favor with retailers in the convenience store market because they are able to realize an immediate cost benefit without a massive capital investment. To replace the dial-based Trans 330 terminal with a Verifone IP-based terminal would cost about $600 per unit; the adapter card reduces that cost by about 75 percent.

Hudson says Toot'n Totum is also using the investment to expand other product offerings, such as phone cards, gift cards and pre-paid credit cards. **STORES**

Trans 330 payment terminal, considered a durable workhorse for processing payments in restaurants and retail shops. Precidia president Deepak Wanner says companies employing dial-up-centric payment terminals don't necessarily want to replace them with newer, more expensive IP-based POS terminals.

The idea, then, was to increase the functionality so that these terminals would work more efficiently for applications like check verification.

CHECKS and Precidia developed a solution that placed Precidia's iPocket IP adapter at the payment terminal. The iPocket adapter, about the size of a credit card, functions as a serial port to the terminal to divert payment traffic from a dial-up to IP.

The adapter provides two dial and two serial interfaces that can connect POS dial terminals with other devices like automated teller machines and check readers. Connecting to the public broadband Internet networks creates service affordability, and the system uses encryption to ensure security.

CHECKS modified the software application for verifying checks so that the Precidia adapter that pushed data directly through to an the IP network made a faster connection with CHECKS' computer servers which, as part of a network of 30 check firms, houses a database with information on about 10 million check writers. Each night, the check firms exchange data, keeping the database updated with people who have a history of check-payment problems or of writing hot checks.

Instead of taking 12 to 15 seconds to achieve, verification is now accomplished in less than one second, says CHECKS president Wade Kuehler. The solution also

If c-stores provide better service, they can become a destination of choice.

eliminated the need for dedicated phone lines for verification and rid the stores of power adapters because the iPocket232 simultaneously powers the payment terminal.

High-volume boon

"Basically, when that check reads through that check reader and they pull it out of the machine, the authorization code is already displayed," Kuehler says.

Saving a few seconds isn't much in many businesses, but the solution has been a boon to a high-volume operation like Toot'n Totum.

"If they can take 10, 12 seconds off of the transaction in the busy convenience store environment, it makes a world of difference to them," Kuehler says. "It also distinguishes them from their competition.

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