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Latin America Embraces IP Technology to Advance

POS Capabilities

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Bringing the speed, reliability, affordability and versatility of IP based technologies to the point of sale is arguably one of the most important technological advancements to touch the payments industry in Latin America and the Caribbean (LAC). Retailers and processors that are quick to embrace IP-enabled POS terminals will gain the greatest market advantage.

Take for example Petrobras and Varig. Their implementation of a co-branded loyalty program hinged on two objectives: achieving quick time-to-market and reducing communications infrastructure costs. To meet these requirements, VeriFone deployed terminals using IP-based technology to transport data serving more than 210,000 subscribers. They were able to connect the terminals to existing IP networks to access Petrobras's central application server in Brazil.

What is IP Technology?

IP is the underlying technology used to move data across today's modern networks. It relies on standard-based networking protocols such as TCP/IP on which the Internet was built. TCP/IP was designed to make it easy to communicate across different networks (i.e. PSTN, LAN or WAN) using different platforms like computers, cell phones, cable topboxes, etc.

It is now possible to connect VeriFone IP-enabled payment terminals to existing IP networks including the Internet, corporate networks, retail LANs, wireless packet networks and satellite networks.

Because IP-enabled payment countertop terminals can connect to existing retail LANs, IP connectivity can be used in place of dial-up lines to link retailers with processors. Processors can connect to their gateway from an IP-enabled POS terminal via cellular, ISDN, Ethernet and even high-speed dial.

Wired IP: Wired IP comes in two forms: (1) the traditional method of a dial environment using a high-speed modem, and (2) Ethernet connectivity that enables POS devices to link to a company's existing Ethernet LAN. That latter is ideal for large malls, Quick Service Restaurants or chain stores.

Wireless IP: Wireless IP-enabled POS terminals can link to wireless IP based networks, enabling retailers to perform transactions using cellular voice or data packet technology. These terminals are ideal for mobile merchants including taxi drivers, distribution companies and resorts.

◆ **Speed** – The bandwidth available to an IP terminal using a LAN connection is typically 10 times greater than the bandwidth of a standard PSTN dial-up. VeriFone's wireless Omni 3600 CDMA 1XRTT terminals use an "always on" IP data packet network to achieve average transaction times of 3-5 seconds compared to 30 seconds or more for traditional dial-up. Faster IP based networks are ideal for data-intensive applications like electronic signature capture.

◆ **Versatility** – IP-enabled multi application terminals that use the thin-client browser with SSL for data communication have the speed and bandwidth to support a variety of different applications at the POS, such as prepaid telco cards, gift cards, loyalty programs, and utility payments.

In the LAC region, 15-20% of merchants have terminals. Wired and wireless IP technology offers a tremendous opportunity for acquirers to expand the number and type of retail locations accepting electronic payments, including remote and mobile points of sale, high fraud areas and applications requiring 100% on-line activity, that were previously considered out of reach.

Great Expectations

VeriFone reports that several of its customers in Brazil, Uruguay, Jamaica, Mexico, and Peru have installed wireless IP-enabled POS terminals for taxicabs, resorts, distribution companies and even lottery applications. Other retail and hotel customers in Mexico, Brazil, Dominican Republic, and Peru are using VeriFone wired IP-enabled POS terminals in various LAN environments with thin-client applications.

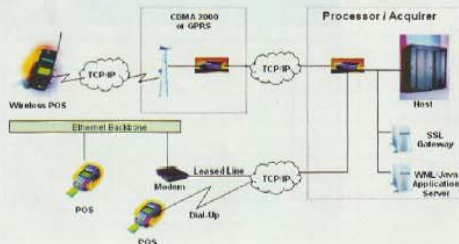
"VeriFone has the most complete line of wireless and wired IP technologies in place today," said Bill Nichols, VeriFone Market Director, Latin America and the Caribbean. "We expect IP-enabled terminals to represent a 10-20% growth in our terminal sales over next two to three years."

The strong business case that IP-enabled POS solutions are already offering to mobile payment environments and large retail chains in the region are just a taste of great things to come.

Using a wired IP or wireless IP-enabled POS terminal to route POS data offers important benefits, including:

◆ **Lower Costs** – In LAC, IP connectivity can be as much as one-tenth the cost of a dial-up environment. Most ECR's are already connected to a LAN, while the POS terminal is connected with a dial-up line. Retailers can increase transaction speed, improve employee productivity and decrease communications costs by using their existing LAN to provide direct "always-on" IP LAN connectivity for their POS terminals.

TCP/IP Solutions Architecture



VeriFone IP-enabled POS Terminals

Omni 3600 Portable	Omni 3750 Countertop
Enables transactions using GSM/GPRS and CDMA2000 1XRTT wireless technologies	Supports both dial-up high-speed modem, Ethernet, ISDN connectivity and DSL
Both VeriFone IP-enabled terminals run with TCP/IP and a standards-based WAP browser that acts as a "thin client" and provides access to centralized applications so processors can offer vertical application services that can be deployed quickly and managed centrally. SSL is utilized as one form of security.	