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National Grocers Association Helps Independent Retailers To Control Costs of Electronic Payments

WASHINGTON – American consumers are relying more and more on electronic payments to pay for their purchases at supermarkets , and independent, community-focused retail grocers are faced today with a rapidly changing landscape of credit and debit interchange rates, emerging retail technology and new electronic payment options that can influence both customer convenience and the grocers' ability to control electronic payment costs, according to the latest industry research developed by the National Grocers Association (N.G.A.).

“Electronic payment transaction costs are the same order of magnitude as profits for many grocers,” said Stuart Zlotnikoff, Senior Vice President of N.G.A., who delivered a special briefing on the latest cost and technology developments in electronic payments at the N.G.A. annual convention in Las Vegas earlier this month. “Higher-cost transaction types, such as credit, on-line and off-line debit, are growing considerably faster than lower cost transaction types, such as cash and check. As a result, grocers need to find new solutions and strategies to bring electronic transaction costs under control,” he said.

Zlotnikoff's briefing, entitled “The Coming Revolution in Electronic Payment: New Cost Structure, New Technology, New Options for Grocers,” is available on the N.G.A. website at www.nationalgrocers.org. The comprehensive briefing details the topics of: Trends in Cash, Check and Card Use; Cost Components of Electronic Payment; Implications of VISA Check and Master Money Antitrust Litigation; Current Debit Challenge; Future ACH Opportunity; and Emerging Payment Technology.

“Supermarkets are the American consumer's favorite place to use their debit card – about one in four supermarket transactions are now done with a debit card,” said Zlotnikoff. “N.G.A. wants to make sure that independent, community-focused retail grocers have the knowledge they need to make wise choices in this new environment for electronic transactions.

“For example, with the changes brought about as the result of last year's settlement of the class-action retailer lawsuit against VISA and MasterCard, independent grocers now have greater flexibility in deciding which cards to accept and in steering transactions to less costly electronic payment options,” he said.

Under the settlement, retailers are now free to reject use of VISA and/or MasterCard off-line, signature debit transactions while continuing to accept VISA and MasterCard credit cards. The decision as to which cards and transactions to accept can be made at any time, Zlotnikoff said.

Importantly, merchants have the right to attempt to steer customers to the significantly less-costly and more secure electronic payment option of on-line debit that uses a personal identification number (PIN).and which also provides consumers with the popular, cash-back option. These PIN-based debit transactions are also attractive to retailers because they settle instantaneously, compared with a one or two-day delay for signature debit transactions.

In addition to the briefing from Zlotnikoff, independent grocers can receive information and analysis on the implications of the VISA/MasterCard antitrust litigation, and the new debit and credit card acceptance options now available to retailers, at N.G.A.'s website at www.nationalgrocers.org. Also available online are reports concerning the new interchange rates for Visa and MasterCard signature debit cards, which went into effect January 31, 2004.

N.G.A. is the national trade association representing the retail and wholesale grocers that comprise the independent sector of the food distribution industry. An independent retailer is a privately owned or controlled food retail company operating in a variety of formats. Most independent operators are serviced by wholesale distributors, while others may be partially or fully self-distributing. Some are publicly traded but with controlling shares held by the family and others are employee owned. Independents are the true "entrepreneurs" of the grocery industry and dedicated to their customers, associates, and communities. N.G.A. members include retail and wholesale grocers, state grocers associations, as well as manufacturers and service suppliers.