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**Firm expands e-commerce's potential**

**Saf-T-Pay has devised an online payment system that aims for an untapped global market -- the millions who don't have U.S. credit cards or fear sharing financial information with anyone but their bank.**

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As an American Express executive in Spain and Latin America, Manuel Montero came to realize the e-commerce failings of the almighty credit card.

He heard the complaints about consumers unable to shop online because they didn't have U.S. credit cards, or who couldn't buy from a foreign merchant because American Express' computer systems wouldn't "talk to each other" from country to country. And some consumers who did have U.S. cards were turned off by sites requiring them to share financial data.

"If you've been in the [credit card] payment system for years, you realize its limitations," said Montero, who now lives in Miami Beach. "Credit cards were made for physical purchases, not the Internet. No one could have thought about that back in the 1940s."

Montero considers that problem solved. He and a group of fellow ex-American Express executives have created Saf-T-Pay, an online payment system they believe is tailored to the Internet era and will resolve the e-commerce obstacles that have kept millions of consumers from buying online.

It's a grand vision for a 12-person company operating in part out of a South Beach condo. While still in the pilot phase, Saf-T-Pay expects to be profitable by 2006 and, by 2008, handle \$500 million in transactions and employ more than 100 people in South Florida.

For a company that sees the whole world as its niche market -- and believes that claiming just 1.5 percent of global Internet transactions would make it "very profitable" -- ambition comes easy.

For all its futuristic focus, Saf-T-Pay is built around the oldest of financial institutions: banks. Saf-T-Pay's success relies on the idea that Web-anxious consumers, especially those overseas, trust their local bank more than Internet merchants such as Amazon.com, and that they would buy online if they didn't have to share personal financial information.

So Saf-T-Pay plays the role of invisible middleman, allowing consumers to order goods online and then pay for them the way they feel most comfortable -- through their local bank and in their local currency.

**EXTRA STEPS**

Here's how the system works: First, banks and online merchants must adopt the Saf-T-Pay service, incorporating it into their websites. Then, customers of those banks, when shopping at participating merchants, can indicate they want to purchase through Saf-T-Pay, rather than via credit card or PayPal. The merchant issues a transaction number, and the buyer goes to his bank -- electronically speaking, but this can be done in person as well -- to settle the bill.

A fraud-worried buyer gets peace of mind, bank partners tap into a new revenue stream (by sharing in Saf-T-Pay's 2-3 percent cut), and online merchants expand their customer base, more easily selling abroad without the corresponding foreign exchange exposure.

Seems like a win-win.

But it's also complicated, and Saf-T-Pay acknowledges the cumbersome process is both a curse and a selling point. The company knows the service won't appeal to most U.S. online shoppers. But, Montero said, foreign consumers are more accustomed to interacting with their bank online -- he points to research that shows 60 percent of Swedes use electronic banking vs. 15 percent of Americans -- and Saf-T-Pay's market research indicates many consumers are willing to take the extra steps to feel safe from fraud.

"Our people don't trust anyone other than their banks," Montero said.

**CHALLENGES AHEAD**

For Montero, the firm's 55-year-old CEO, the challenge now is getting banks to trust Saf-T-Pay and incorporate it into their online offerings.

But Ken Thomas, a Miami banking analyst, said such convergence is unlikely. His view: Banks won't sign on because there's no value-added incentive, and consumers won't buy into it because it complicates online purchases and makes them more vulnerable to fraud, not less.

"When I'm dealing with a major purchaser like Wal-Mart . . . I don't have any problem giving them my credit card," Thomas said. "The only reason I might consider using a service like [Saf-T-Pay] is if I'm using a small-time company. Then I realize I have protection from my credit card -- no liability if something goes wrong.

"To me, the ultimate danger is giving access to my bank account."

### **WORK IN PROGRESS**

To find how it resonates with banks and their customers, Saf-T-Pay is in the pilot phase now, testing with a few banks in Mexico and Spain. (Confidentiality agreements prevent Saf-T-Pay from releasing their names at this point.)

Montero estimates the service will need to be adopted by at least five banks in six countries -- particularly in Europe, Asia and Latin America -- for the company to reach the critical mass necessary to turn a profit. Then there's the task of convincing major merchants such as Amazon.com and eBay to build the Saf-T-Pay option into their checkout process.

Saf-T-Pay enters an online payment market that is unkind to upstarts and one increasingly controlled by the eBay-owned PayPal. But Saf-T-Pay is unfazed, and even PayPal welcomes the newcomer: "I think services like this are complementary to ours," spokeswoman Sara Bettencourt said.

After all, PayPal and services like it are "secondary systems," Montero said. They were built on a base of Web-savvy consumers already making Internet transactions.

"We're a primary system. We're bringing people to the Internet," Montero said. "In principle, we're solving a larger problem."