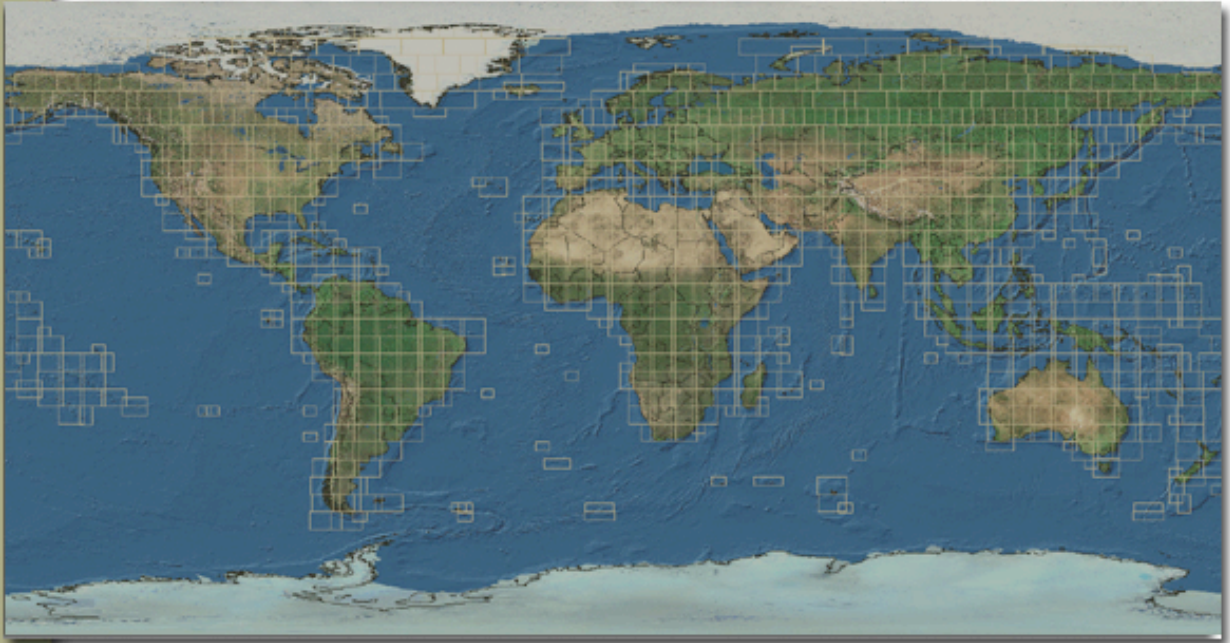


the future of ecommerce is here....



Direct Debit: Offline Trends + Online Trust = A Payment Solution for Web 2.0

“Due to the remarkable growth of e-commerce, consumers have *new expectations* - they have come to expect that services or products purchased over the internet will be provided or shipped *quickly & efficiently*.

The increasing demand for merchants to meet is *real-time payment processing.*”

Joseph Iuso, Founder,
UseMyBank

During its short lifespan, the Internet has become an undeniable presence in virtually everyone's life - the popularity and use of the Internet has changed the way we carry out even the most basic daily routines. We use the Internet to review the news, compare prices of consumer goods and services, make purchases, get directions, make travel arrangements, and manage our bank accountsand that is a short list.

This report will look at three things: 1) the dramatic growth of debit use in the brick and mortar retail world, 2) the online consumer's trust relationship with their financial institutions, and most importantly, 3) how one new payment technology has leveraged these trends to meet the demands of the new face of the Internet: Web 2.0

Web 2.0: The Web Experience Re-Defined: by the User

In the early days of the Internet, the structure and support systems were defined from the technology side first, with the web user expected to adapt to the web site. The early Internet applications were not overly user-friendly, as the primary use of the web was for research and communication - not profit.

Fast forward a decade - and the online landscape has changed dramatically. With the growth of E-Commerce, and the advent of Web 2.0, the online consumer has become sophisticated - and more demanding - and is no longer willing to settle for an online experience that is not tailored to meet their specific habits and needs.

This is clearly evident in the growth of social networking sites, online bookmarking sites, blogs and other forms of online user-interactive sites, such as Friendster, YouTube, MySpace, and FaceBook. The web is no longer simply a place for research - it is a place to shop, to socialize, to meet and interact with friends. In short... it is a part of the average person's daily life.

And the more comfortable the average person feels online - the more their web experience mirrors the patterns & habits of their offline daily routines.....the more online business will prosper.

Since it has had such a dramatic impact on virtually every aspect of daily life, the hows and whys of internet use has become the subject of many research projects. Studies have been conducted that categorize everything, such as, most likely users of the internet (by age, gender, income, educational level), the purpose and frequency of use, and how the user accesses the internet (dial up or broadband).

**Of Visa's three card types
(credit, debit & prepaid),
debit has grown most
strongly in the past
two years,
at about 15 % annually,
or
*almost three times
as fast as credit -***

*The Independent,
Nov 08 2005*

Sufficient data on internet use already exists and internet facts and figures continue to be a subject for research. This information is useful to any business that wants to capture its market share of internet users because the business can review the trends of past use, look at projections on future use, see what products or services are popular with internet users, and then specifically model its products or services accordingly.

ECommerce Defines The Path

According to statistics just released by Nielsen/NetRatings¹, a global leader in Internet media and market research, the total number of visits to the Holiday eShopping Index grew 20 percent this year over last year, from 459.5 million to 551.6 million in the week ending December 17th. (The Holiday eShopping Index is comprised of over 120 representative online retailers across twelve categories, and acts as a barometer to gauge the level of activity at online shopping destinations during the holiday season.)

The average consumer in the US reportedly budgeted \$700 for holiday shopping with nearly 50% of their budget being spent online!

Unfortunately, according to MarketingSherpa's "E-commerce Benchmark Guide 2006"², approximately 59% of all online shopping carts are abandoned, a situation that hits directly at the ETail Merchants' bottom line.

The reasons for shopping cart abandonment are myriad - but a leading reason is the simple fact that the merchant failed to offer the payment method the Consumer needed or wanted.

More than half of Visa's global card volume (USD 1.8 trillion) is on debit cards and.... this segment is growing by **20 per cent** year-on-year, versus 7 per cent for credit -
The Independent, Nov 08 2005

One of the key trends that we need to look at in developing payment solutions that meet the criteria of the Web 2.0 user, is what is happening offline - and how we translate the preferred offline payment methods to an online experience that will increase the completion of the transaction - without increasing the risk to the Merchant, or the Consumer.

Of particular interest to E-commerce Merchants are the studies focusing on the current trends of offline buyers, shopping cart statistics and trends in consumer use and acceptance of online payment solutions, including the expanded use of online banking services.

Offline - Debit Leads The Way.....

E-commerce, by the very nature of the industry, is a Global medium, selling services, information and products around the world, 24/7. By default, the payment method of choice has been, overwhelmingly, credit cards or credit card based solutions.

PayPal, Neteller and other similar payment methods assist in the processing of transactions by offering a central ewallet-style medium for the easy transfer of funds - but the main method of funding these various systems, to enable the eventual transfer to complete an online purchase - is still credit cards.

Unfortunately - outside of the US - most cultures are not credit card (Visa/MasterCard) centric. Research shows that if you are a web-based merchant accepting Visa & Mastercard as your primary payment mechanism - you are losing potential revenues of 30% to 60%.....

Further, based on studies in both the US and Internationally, offline spending trends show that debit transactions are rapidly becoming the preferred payment method around the world:

- For the US in 2003, there were 15.6 billion debit transactions

Debit transactions in the US are reported to be growing at **three times** the rate of credit card payments -

*Green Sheet ,
Dec 29 2005*

compared to 8.3 billion in 2000. The number of debit card transactions grew at an annual rate of 23.5 percent.

(Federal Reserve Payments Study, December 2004)

- Visa Europe's 282 million cardholders increased their total card numbers by 20.2 per cent in 2004, with card sales rising by 17.1 per cent to exceed USD 1 trillion for the first time.
(The Independent, Nov 08 2005)
- Of Visa's three card types (credit, debit and prepaid), debit has grown most strongly in the past two years, at about 15 per cent annually, or almost three times as fast as credit.
(The Independent, Nov 08 2005)
- More than half of Visa's global card volume (USD 1.8 trillion) is on debit cards and this segment is growing by 20 per cent year-on-year, versus 7 per cent for credit.
(The Independent, Nov 08 2005)
- Debit cards facilitate most of Europe's bank card transactions but as cash is displaced, Visa is advising its member banks to aim for debit cards to be used an average of 200 times annually, up from 60 times at present.
(The Independent, Nov 08 2005)

THE HARD REALITY
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And Online, Banking Is The Winner When It Comes To Consumer Trust.....

Additionally, all statistics point to the fact that although consumers are still concerned about online security - they are flocking to online banking services in ever increasing numbers but clearly one of the main reasons that online banking has seen such an incredible rate of growth is more than simply convenience..... it is trust.

Consumers trust their banks and their online banking centers far more than they trust the "average" website!

This “trust gap” was identified in a thorough study conducted October 26, 2005, by Princeton Survey Research Associates International and reported in Consumer Reports WebWatch³:

Approximately 1500 adult internet users covered a broad range of issues but focused primarily on security concerns of internet users. Bottom line: “...Internet users are more demanding of Web sites, less trusting and adjusting their behavior in response to what they see as very real threats in the online world.

Here are a few of those findings:

- 88% say keeping personal information safe and secure is very important for a Web site they visit.
- 80% are at least somewhat concerned that someone could steal their identity from personal information that is on the Internet
- A majority of Internet users (66%) say they have stopped giving out personal information on the Internet.

However, the survey also uncovers an important and valuable fact: many financial services websites have earned the trust of internet consumers.....

Banking sites are trusted by 68% of all Internet users and 55% of all Internet users trust sites where one can set up automatic payment of bills.

Turning Trust Into Growth

Based on the growth of online banking services, financial institutions are emerging as the winners in the “trust” category online:

- In the US, 43% of internet users, or about 63 million American adults, bank online - *up from 13% in 1998*
(Pew Research, June 2006)
- In the UK, The APACS⁴ figures for the first half of 2006 show that Web banking users have almost doubled since 2002 and

16.9 million adults - over a third of the adult population in the UK - now use online banking services.

(Finextra.com, January, 2007)

- Many banks report that online banking customers (especially those who pay bills online) are among their most loyal and profitable, and provide additional opportunities for cross-selling, thus adding additional revenue streams to the bottom line

(Pew Research, June 2006)

Online Direct Debit: Combining Offline Trends With Online Trust

So how exactly can we use the trends of debit growth offline and banking trust online to increase sales and decrease abandoned shopping carts? By following the trend of Web 2.0 and letting the consumer experience online mirror their habits and choices offline...

Introducing: Online Direct Debit From UseMyBank

Direct Debit by UseMyBank allows the Consumer to pay with the method they prefer offline in the secure environment of their own trusted bank.....

UseMyBank Services, Inc. ("UseMyBank") is an innovative company providing an alternative to the online payment processing marketplace. UseMyBank is the first Online Payment facilitator that uses existing financial institutions for the transfer of funds electronically in real-time.

UseMyBank's proprietary technology acts as a "bridge" between the merchant's site and the Customer's own bank's online banking center - enabling the consumer to pay for online transactions from the consumer's existing bank account, simply, efficiently and securely.

There is no need for your Customer to apply for a card, set up a new account, or go through multiple steps to fund an e-wallet. It doesn't even matter whether or not they have a credit card!

Customers just select "UseMyBank" at the Merchant's checkout page and they are then directed to their own bank's online banking center. The UseMyBank system will lead the Customer step by step through the process, as the Customer instructs their bank to send a payment to the Merchant, which is automatically sent and then deducted from the Customer's account.

All in about the same time that the usual credit card transaction would take!

The Merchant is notified within seconds of the transaction results; and since the funds have already been transferred from the Customer's bank account - the Merchant can safely complete the transaction.

"The key is to deliver all of the basic infrastructure components bundled in a way that is easy to use, with virtually zero risk of fraud or loss, integrated seamlessly with existing online payment technology, & delivered in a flexible, user-friendly manner.

That is our mission,
this is our commitment,
and here is our plan."

Jospeh Iuso, Founder
UseMyBank

UseMyBank's proprietary technology can be seamlessly integrated into virtually any existing banking or e-commerce platform, and requires little or no up-front investment or re-engineering by banks or merchants; it reduces fraudulent transactions, and Consumers find it easy to use.

- ▶ Unlike ACH or ECheck - the transaction is authorized in REAL TIME and funds are in movement from the Customer's account immediately - virtually eliminating NSF's!
- ▶ Allows Customers to use their preferred method for shopping and paying offline - ONLINE (finally!)
- ▶ UseMyBank's Proprietary AFS (Anti-Fraud System)--provides merchants with a good funds model of 99.9999%!!

- ▶ Broadens the E-Commerce Merchant's pool of Customers by providing a payment method that does not require a credit card
- ▶ The transactions are all INTRA-BANK transactions.
- ▶ UseMyBank works with your existing infrastructure to provide you key operations and client support, including training and risk aversion management.
- ▶ Fees are similar or lower than existing credit card rates
- ▶ UseMyBank retains NO sensitive Consumer data
- ▶ Certified Hacker Safe
- ▶ Fully automated online Merchant Reporting 24/7
- ▶ No Reserves - Low Rates - Virtually Risk Free!
- ▶ *Member of the NACHA Internet Council and Participants in the upcoming NACHA Direct Debit Pilot Program (Q3 2007)*

Online Direct Debit is safe for the Customer and virtually risk free for the Merchant, and it is being developed and tested by many banks and commercial enterprises around the globe.

A recent survey of UseMyBank Users showed that more than 25% had NEVER made a purchase online before using UseMyBank's service & our Merchants report gains in new business of 10% to 40%

But one fact separates UseMyBank from almost every other entity in this endeavor:

We have been doing this successfully since December of 2002.

Since that time we have served more than 1800 online Merchants, and have processed more than 1.5 million direct debit transactions online - *with a 99.9999% Good Funds Rate.*

It's as close as you can get to accepting cash online.....

To find out more.....

About the safe and cost effective way to grow your business globally with UseMyBank's Online Direct Debit or to learn more about participating in the NACHA Direct Debit Pilot Program as a UseMyBank Merchant Partner, please contact: Melody Wigdahl, at 513.288.6158 or by email at melody@usemybank.com

Resources

¹ About Nielsen//NetRatings Holiday eShopping Index

The Nielsen//NetRatings Holiday eShopping Index is comprised of over 120 representative online retailers across twelve categories, and acts as a barometer to gauge the level of activity at online shopping destinations during the holiday season. The Index illustrates increased shopping activity through category growth. For more information, please visit www.nielsen-netratings.com.

² Marketing Sherpa's ECommerce Benchmark Guide 2006

<http://www.sherpastore.com/e-commerce-benchmark.html?8930>

³ "Online Banking 2006: Surfing to the Bank" by Susannah Fox and Jean Beier, Pew Internet & American Life Project, June 14, 2006.

⁴ APACS is the UK trade association for payments and for those institutions that deliver payment services to customers. It provides the forum for its members to come together on non-competitive issues relating to the payments industry. APACS current 31 members account for approximately 97% of the total UK payments market. APACS forecasts payment trends, conducts market research, carries out lobbying activities, collates industry statistics, gets involved in developing industry standards and best practices.