

Industry veterans form CardSmith to offer new campus card model

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A company called CardSmith is working toward a Fall 2004 launch of a new campus card offering. Though the company is new its management team is made up of campus card veterans. CardSmith's Founder and CEO, Jay Summerall, helped lead both AT&T and Student Advantage in the campus card arena. Co-founder and VP of Product Development, Taran Lent, created an off-campus card program at Dartmouth in the mid-1990s. He continued these efforts by leading Student Advantage's SACash development team after his company was acquired by Student Advantage in 1998.

Last year, Blackboard purchased the SACash product from Student Advantage. As a result, Mr. Summerall and Mr. Lent moved on to form CardSmith. Says Mr. Summerall, "because there was the change occurring with SA Cash, we had a choice to make. We decided to expand our scope and build a new kind of product targeted at an underserved segment of this marketplace."

"We really believe in the campus card phenomenon," he adds. "That it is a rare 'everybody wins' scenario. Our mission is to make it easier to afford, use and maintain so that the whole range of campuses can reap the benefits card programs bring to a campus."

"Today," says Mr. Lent, "there are literally thousands of campuses that have yet to deploy an effective card program. Many are too small or lack the resources to take advantage of current industry offerings. We plan to fill this void offering a product that requires no up-front capital investment and fits perfectly within institutions from 2,000 to 5,000 students."

The CardSmith product

CardSmith will be offering a product that powers core campus card applications, with a focus—at least initially—on enabling students to conduct financial transactions on and around campus. The core of the product offering is a hosted authorization system that utilizes open standards-based technology to facilitate transactions at university-approved locations.

But unlike more traditional campus card payment solutions, CardSmith leverages the existing national payment infrastructure and processing networks to acquire and route transactions to its centrally-managed host processing system. In essence, the campus card payment will function with the sophistication of a traditional point-of-sale debit card—but with the university still in full control of the card.

Says Mr. Lent, "We are applying the efficiency of bank industry processing knowledge to campus card applications, while maintaining the unique characteristics of the traditional campus card."

How do they do that? CardSmith's software and servers will be housed at a major, secure transaction processing company and the company will route campus card transactions to that server in the same manner that bankcard transactions are pointed to individual cardholder banks for authorization.





"This fall, we will support multiple accounts associated with an individual card," adds Mr. Lent. This can be accomplished because CardSmith has control of both the processing end and the merchant point-of-sale end of the solution. Based on the merchant terminal ID number, the processing server knows the specific account from which to access funds.

For example, imagine that a cardholder with card number 1111-2222-3333-4444 has funds in both an unlimited use account and a dedicated on-campus meal account. When the card is used at the on-campus pizza parlor, the pizza vendors terminal ID is sent along with transaction to the server. The server looks up the terminal ID and sees that the merchant is an on-campus food vendor and defaults to use funds from the on-campus meal account. If the cardholder has no on-campus meal

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account or there are no funds in the account, the funds are accessed from the unlimited use account. Transactions can be "split-tender" or paid partially from one account and partially from another automatically.

"We will also support point-based meal plans and board plans as well as time-of-day and merchant location discounting," says Mr. Lent. This, too, is accomplished by setting a priority ordering for the account to be used for a specific transaction originating at a specific merchant terminal. If a cardholder has a board plan, use that first at the campus dining hall but don't access this account at an off-campus retailer. And to enable total student control of these accounts, this default order can be overridden at the merchant terminal at the request of the cardholder.

"A real benefit of the system," says Mr. Summerall, "is that we have been able to leapfrog technologically. We are using IP-addressable terminals, 802.11 B wireless capability, and SSL encryption." Existing campus card vendors are working to catch up with emerging technology and standards, he added, while CardSmith is building upon them.

Total Program Management

The CardSmith service bundle is called Total Program Management (TPM). "We have designed the service to be fully outsourced," says Mr. Summerall. "We handle everything. What should my card look like? How do my accounts interact? How do I market the program?"

Additionally, all aspects of the transaction are handled for the client institution. CardSmith will setup, deploy, and support the terminals; process transactions; settle between campus and merchant accounts; and provide reporting to each party along the way. They also provide a full-featured cardholder website to enable account management and revalue.

Paying for the system

"Our goal," says Mr. Summerall, "is to make it easier for campuses to get into the business. In essence, we offer a no money down situation. You need no servers on campus, no technical support, and there is no software licensing for our program."

The company will charge a fee for the management services, Mr. Summerall says, based on the number of students and number of transactions. He adds that the lack of capital expense for servers, hardware, and software will make the system far less expensive both initially and over time. "On an all-in basis we are going to be dramatically less expensive. We expect our solution will be 50% of the cost of current systems and card program operations."

The company plans to target an unspecified number of campuses in the Northeast U.S. for Fall 2004 installations. Though he is quick to stress that the system works equally well for both large and small institutions, Mr. Lent notes that, "initially we are focused on the 2,000-5,000 student institutions." He adds, "there are a lot of smaller private schools in the Northeast region that are not served by card systems from bigger vendors. Often they lack the headcount to warrant buying a whole system and running it on their own."

Both Mr. Summerall and Mr. Lent concur, "we want to get a handful of customers for this first year, show them how well the system and our service operates, and then build from there." Certainly, they have the experience to do just that. We look forward to keeping tabs on the initial installations of this new campus card innovator.

To learn more, visit www.Card-Smith.com or contact Jay Summerall at jsummerall@card-smith.com or Taran Lent at tlent@card-smith.com.