

## AT&T: Building the Foundation for a Cashless Society?

**A**T&T's reasons for wanting to acquire NCR may indeed be NCR's UNIX-based computer business, a natural fit with AT&T's computer architecture. This has been the general explanation in the press. But NCR offers other opportunities to AT&T that may have much greater promise than selling hardware. NCR's leading position in the point-of-sale and automatic teller machine business complements AT&T's other offerings in EDI and credit card services. Altogether, INPUT suggests, the expanded product line could position AT&T as a dominant systems and service provider for a cashless society.

In a spate of company acquisitions and product introductions begun 18 months ago, AT&T is piecing together a product and service offering that will support every kind of commercial transaction—consumer or corporate, cash, charge, check or EFT. With a meter running at every point of exchange, even a fraction-of-a-cent charge will give AT&T a locked-in revenue stream that makes lottery winnings look trivial.

On the corporate transaction front, AT&T—in addition to its own U.S.-based EDI network—bought the U.K. EDI VAN, Istel, then bought Western Union's EDI and E-mail network (due diligence pending) and has increased its stockholdings of its Japanese VAN, JENS. For corporate transactions that take place on these EDI networks,

AT&T gets a percentage of the income.

On the consumer transaction front, after only 11 months, AT&T has built the fifth largest credit card membership in the

sumers (who use their ATM machines for cash). And all these data services are in addition to AT&T's provision of voice and fax circuits, where substantial commercial exchanges are initiated and often

### AT&T's Reach in Supporting Commercial Transactions

- Credit card
- EDI—AT&T and Western Union networks (U.S.), Istel (U.K.), JENS (Japan)
- Automatic teller machines\*
- Point of sale\*
- Telephone
- Facsimile

\* Pending NCR acquisition

nation. For these consumer transactions, AT&T also has a piece of the action.

The acquisition of NCR would make AT&T the market leader in point-of-sale cash registers and ATM machines. With these acquisitions, AT&T has its fingers on the pulse of consumer money movements, whether card or cash facilitated. AT&T is involved at every point where commercial transactions occur: at the retail outlet (with POS machines and the Universal Credit Card), among corporations (with an EDI network), and among private party con-

settled. AT&T can collect its "tolls" for all this transaction traffic through one consolidated telephone bill. Ultimately, this bill can be paid for electronically and automatically using a preauthorized debit mechanism—a network service that AT&T may offer next if it chooses to move further into financial services.

Currently these points of exchange do not fully capture all transaction traffic in the economy. But they give AT&T a solid foundation on which to build the cashless society infra-

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structure. From these existing interfaces with consumers and corporations (the ATM, the POS outlet, the EDI network, and the credit card), AT&T can integrate new services and products.

It can convert its credit card members to debit card members. Consumer purchases, then, will directly move funds over an AT&T network. The POS machines at stores will facilitate not only the consumer EFT, but will drive the store's EDI systems and consumer profile data bases. EDI linkages originating in the store will be handled by AT&T's network. Also, AT&T can sell consumer purchase pattern data to manufacturers. The data can be delivered over the network, if desired. In addition to information services, AT&T could expand its offering by providing corporations the means for electronic payment and associated electronic banking services.

AT&T is potentially in the position of being the central clearinghouse for IOUs in the economy—IOUs between consumers and corporations, and IOUs between corporations. Through a debit card, the consumer makes purchases that are automatically debited from an AT&T account which is electronically credited periodically with income payments. Retailers, on the other hand, receive these consumer payments but make purchases from their suppliers using EDI. They pay

their suppliers also by debiting their AT&T accounts, crediting the AT&T accounts of their suppliers, and so on. Wherever exchanges take place, AT&T has a piece of the action. It uses its data and voice network to process and reconcile the IOUs. It provides a banking service as well as an information service. It clears/reconciles the IOUs between the several economic agents engaged in trade. It also has a record (which it can sell to interested parties) of what is selling, what is not, who is selling it, who is buying, the purchasing power of the people/corporations buying, etc. By virtue of owning the transaction-communication substrate in which all monetary exchanges take place, it becomes a bank and an information utility. It becomes a national account clearinghouse and a central bank.

Already in the EDI world, there are examples of companies' business changing as a result of information technologies. Sears, the retailer, becomes Sears, the network provider (as well as providing a host of financial services). APL the transportation conglomerate becomes APL the information utility. American Airlines sees its leading profit center shift from flying planes to selling seats on the planes.

If this scenario is correct, AT&T's next moves could be acquiring and/or offering banking services, market data base publishing services, or interactive voice response services.

**Editors's note:** This analysis is entirely the hypothetical speculation of INPUT and in no way should be construed as an official policy statement of AT&T. ■

