COMPUTERIZED PROCESS FOR DIFFERENTIAL INCENTIVES BASED ON PAYMENT MODES

Related Applications

The present PCT International application claims priority to the US application serial number 10/919,108 filed on 16 August 2004 (Publication No. US-2005-0021405-A1 of 27 January 2005), as a continuation-in-part application of and claiming priority to PCT International Application No. PCT/IN03/00026 filed February 14, 2003 which claimed priority to India Application No. 94/CAL/2002 filed February 19, 2002.

Introduction to the Field of Invention:

The present invention relates to a computer-implemented process for effecting incentives on payments, through incentive points, stamps and coupons interchangeably.

From another angle it relates to an improved financial process for payment cards technology enabling accrual and disbursement of incentives through a payment card, even on merchandise not bought against the card but in cash.

Abstract

A computer-implemented process is presented for issuing different levels of incentive rewards depending on the mode of payment. An improved payment card enabling accrual of incentives even when the payment is not through the card but with cash is disclosed. A novel configuration of incentive points, trading stamps and coupons is presented with interchangeability at the time of issuance and redemption, in the computerized process.

Prior Art and Drawbacks:

Consumer rewards, incentives, premiums and cash discounts are a historically known practice of sellers to achieve the objectives of maximizing sales, loyalty and liquidity. Merchants are known to award incentives to the consumer patronizing them, by various ways like gifts, discounts, reward coupons, and collectibles. It is well known to prepare gift coupons and stamps also known as trading stamps, for promoting sales and customer loyalty. These gift stamps or coupons have no value to anybody after redemption. This type of trading stamp is cumbersome, as it requires a lot of monotonous and manual handling. Handling and disposal of trading stamps after the redemption has been a major technical problem, which has even led to patented inventions and use of specialized incinerators and the likes.

Due to the above drawback, computer implemented automated incentive programs became increasingly popular. Most of these programs involve an accrual card issued to the customer, linked to customer's purchase history recorded in a computer, to apply reward logic.

The common drawbacks of the card-based incentives are that they require the consumers to keep and track a plethora of cards. As a result, a large percentage of these rewards are never redeemed or cannot be meaningfully redeemed due to small fragmentary values. Moreover, there are studies that show these programs are disproportionately costly to maintain and hence remain outside the reach of relatively smaller sellers. This has led to a number of merchants coming together to form an alliance, for example Airmiles of Canada, whereby the consumer can earn and accumulate rewards across a number of establishments like airlines, hotels, clubs, restaurants etc.

Another drawback of card based points schemes is the exclusive dependence on electronic and computer technology, rendering it ineffective if the required infrastructure is not available. Yet another drawback is faced when the consumer fails to produce the card. Moreover, these points are not transferable and can not be combined with other's points. Further drawbacks of the point systems in vogue are that they require the consumer to go through some procedure of enrollment into a program and identify at the time of each transaction by way of some kind of a magnetic card or indicator of identification. Apart from such procedures being time consuming, the reward points so awarded are not in a transferable instrument for redemption. In all such programs, the privacy of the consumer is invaded several times due to compulsory identification at each level.

Yet another drawback of the prior art electronic point systems it that the same points cannot be readily put in or on the package by the manufacturer or an intermediary in the supply chain, leaving these programs limited in application at the last point of sale only.

The latest variety of incentive programs includes a computerized network wide or Internet based points or tokens or mileage programs, which provide benefits on purchases made through the network. They have similar disadvantages as above. Moreover, no exclusively computer dependant program teaches how to integrate a wide variety of establishments including smaller merchants who would not like to provide for computerized gadgets, into the program. Moreover, in Internet based program there is little possibility for those who prefer to pay in cash.

There are huge numbers of other incentive cards affiliated to one or more of specified merchants that allow for rewards irrespective of mode of payment. Many of these are exclusively based on computer networks

for incentive accrual and thus suffer from some of the similar drawbacks explained above. As these are not linked to mode of payment, most of the other discrepancies discussed below remain.

The most popular practice amongst many sellers is to administer frequent buying programs that offer monetary awards or incentives in the form of points or miles. For example 'frequent flier' programs that most airlines offer or 'points' schemes, generally linked to plastic payment cards and the likes. There are some incentive programs linked to payment by cards whereby a monetary credit is awarded, by way of 'cash-back' discount or credit for future purchase or a deferred payment as retirement benefits etc. These are generally funded by an affiliated sponsor or merchant or financial service organizations like card issuer banks, singly or jointly

The biggest drawback of incentive programs linked to payment cards is that the incentives can be availed only if the card is used for payment, because these are primarily funded out of the interchange discount levied by the card network entities. As a result, a customer having a payment card linked to the incentives or otherwise being eligible for incentives can not avail the benefit if the payment is made with cash. Moreover, a vast body of consumers and organizations, which pay with cash instruments, remains out of the reach of such incentives programs. Thus there is a disincentive for the payer to pay with cash instruments. For this reason one is likely to pay with a card linked to incentive program even when one has cash or checkbook. However, this is possible only up to a limit imposed by the card issuer. Any payment beyond the limit has to be paid with another instrument like cash or check on which the buyer will not receive the incentive that was linked to the card payment. As a result, the buyer may be reluctant to buy or defer his purchase or defer his payment if the seller agrees. On the other hand, the

seller shall prefer cash, as there is no deduction or no possibility of a chargeback from the amount he receives from a cash instrument. In case of payment card transaction he loses a percentage as interchange fees generally ranging from 1.65% to 2.75% or even more in typical cases, and there may be a chargeback in case of a transaction disputed by the cardholder. For the same reasons some of the establishments especially Government bodies like the US federal tax collector levy a surcharge on payment card transactions. However, in general establishments are contractually bound to not restrict use of cards honored by them, by levying any surcharge or putting any limits other than those imposed by card issuer, or otherwise not to discourage use of the card. In many countries and states like in India and USA it is illegal to discriminate with buyers with accepted cards, though in exceptions like Australia it is now allowed to levy a surcharge equivalent of the interchange fees.

Nevertheless, issuing special benefits to those paying with cash may be legally allowed, but there is no established process for this within the existing payment card networks linked to the Point of Sale (POS) transactions. Neither is there any known financial process for automatically allowing the incentive a cardholder is eligible for if he pays with card, but instead pays with cash.

Due to the foregoing drawbacks of the incentive programs exclusively linked to payment by cards, and other reasons like perceived convenience of plastic payments and inconveniences of paper transactions like possible delay at the checkout counter, there is a gradual substitution of cash by card payments. This is undesirable for the public economy as per many Economists. The money supply in the economy may be unexpectedly buoyed, due to the artificial credit created by multiple cards an increasingly large number of individuals hold. There may be perverse implications in the interest rate policy also due to this.

Overemphasis on plastic payments also leads to swelling of individual debts. These are also prone to kind of frauds less likely in paper transactions.

Moreover, a huge expense is incurred by the sellers as interchange fees and the like, which is saved in the case of cash and other cash based paper transactions like through checks, which together account for more than half of the total value even in the most developed countries. This creates an inequity in effective pricing applicable to those transactions paid for with cash, as the present processes of payment card networks do not teach how to apply the interchange fee etc. saved, fully or partly, to provide incentives on cash transactions of a card member on non-member.

Various forms of Payment Cards like, Credit Card, Debit Card, Charge Card, Stored Value/Cash Card, Commercial Card, Purchase Card etc., sometimes collectively referred to as Plastics, are known. Many of these cards have in-built incentive programs linked to the use of card, as mentioned above. Often these payment card networks claim that streamlining of Point of Sale (POS) accounting is an advantage, for both the seller and buyers, while justifying their high interchange fees. In reality, all of these fail to take into account cash based transactions through the same apparatus and networks, to present an integrated account of both, card and cash transactions of a consumer. As a result, inconvenience and incidence of accounting costs for paper transactions still remain on the sellers and buyers enrolled with the card. Likewise, the card networks claim increased spending likelihood to justify their interchange fees. As shown in the foregoing paragraphs, a drawback is encountered in terms of this attribute too, when there is an incentive on purchase through card only and a limit imposed by card issuer is reached.

Thus a need exists for a broad based, cost-effective, improved process for financial and incentive system that will be more equitable, convenient, meaningful, and interesting for the consumers including for those who prefer to pay with a cash instrument like currency notes or checks. Further a need exists for applying such a program universally, catering a wider range of buyers and sellers with varied interests and preferences.

Objects of the Invention:

The object of this invention is to present an improved computerized process for implementing a global incentive reward system wherein those who use paper cash instruments do not miss out on the incentives generally available to those who pay by plastic payment cards.

Another objective subsidiary to the above is to enable holder of an existing payment card linked to an incentive program, accrue the incentives through the same payment card, even when the payment is not through the card but with cash.

Another objective is to enable a vast body of consumers paying through paper instruments like cash and check, avail a different and higher incentive than those who pay by plastic cards.

A wider objective of the invention is to meet long standing process needs of POS cash registers, financial systems and incentive programs by introducing an integrated computerized process with universal application and with benefits to various interest groups including buyers, sellers and various intermediaries.

Other objectives to be achieved are to promote small savings in masses, to add value to the existing purchasers, to increase purchasing power in general, to promote use of cash and cash instruments to help public economy in general, to promote sales, to promote communication of information, and to promote other public causes and legitimate private interests.

Yet another object of present invention is to present an improvement in the known payment cards, by enabling its use as an incentive accrual card, even when another means such as cash is used for payment.

Another object of the present invention is to provide and improved incentive coupon and trading stamp that has numerous value additions including interchangeability with electronic points, for implementing the present invention.

These and other objects will be apparent from the following.

Brief Statement of the invention:

In brief, a computerized incentive reward process is disclosed, with an added emphasis on purchase of merchandise with cash and other such instruments on which there is no deduction by way of interchange fees and the like, from the net amount the seller eventually receives, rather than by plastic instruments like credit/debit/stored value payment cards on which there is such deduction. By avoiding a percentage of the purchase that would be received by the payment card organization in response to a card purchase, the merchant can fund an incentive to those

who pay with cash instruments, the quantum of which can be preferably greater than that in case of card transactions. Thereby, two key advantages are achieved. The probability of more business from the customers paying with cash increases as-well-as use of cash and other such instruments on which there is no outgo of interchange fee etc. from the merchant to an intermediary is promoted.

A unique payment card and points accrual card is proposed, as a device for effecting the present invention through a dedicated as well as existing payment system networks, whereby an existing payment card holder is also enabled to pay with cash without losing the incentive linked to the card purchase. In addition a unique point, coupon and stamp configuration is also provided for redemption purposes against specified gifts or for the future payment of merchandise, in a computer implemented process. The stamps provide for a collection hobby. A possibility of interchange of coupons, stamps and points has been provided.

Brief Description of the Drawings

For a more complete understanding of the present invention, reference is now made to the following description, taken in conjunction with the accompanying drawings, wherein like reference numerals represent like parts, in which:

Figure 1 is an example of a philatelic trading stamp coupon configuration

Figure 2 is another example of a philatelic trading stamp coupon configuration

Figure 3 shows an example method for issuing the incentives;

Figure 4 shows a simple issuance and redemption scenario;

Figure 5 shows another example scenario for the issuance and redemption of $mile rewards that includes the entities for conventional credit card processing;

Figures 6A, 6B and 6C show the issuance of rewards in different buying circumstances;

Figures 7A-7B show two examples of computer networks for implementing an incentive program.

Figures 8A, 8B and 8C respectively shows substitution of Stamps by coupons, stamp cancellation on redemption and an accrual card independently and in combination with a payment card.

Detailed Statement of the Invention with reference to the Accompanying Drawings:

Figure 3 shows an example method 200 for issuing the incentive. A customer pays for merchandise from a merchant at block 202. A determination is made as to whether the customer pays by cash or by card at block 204. In one scenario, the customer pays with cash, such as $100. Since the customer has used cash instead of a credit card to pay for the merchandise, the merchant has no obligation to pay to or get deducted by the credit card company a certain percentage of the purchase price as would be the case if the customer paid for the merchandise with a credit card. As a result, there is an incentive for the merchant to receive payment in cash rather than by credit card. To provide the incentive for customers to use cash instead of a credit card, the merchant can issue an incentive to the customer at block 206 that may be redeemed towards the purchase of other merchandise from the merchant at a future time. If payment was by card, the merchant may still issue a lesser reward at block 208. The merchant may then promote the use of cash rather than a

card to potential customer by advertising that greater reward offerings may be obtained if cash is used for payment instead of with credit cards. In another situation an incentive may be exclusively offered if the payment is through a cash instrument.

In a simple scenario, customers may enroll in the proposed incentive program for a fee or as a result of some other performance criteria. He may be issued a card that will entitle him to get an incentive directly from the merchant by way of a rebate, credit, or gifts, when he pays with cash. A customer may have a non-affiliated payment card and a proposed incentive membership card. If the customer buys with the payment card, the merchant loses a percentage to credit card administration. However, if payment is made with cash, the merchant can let the customer have that percentage with the net being the same to the merchant. Likewise, if the merchant offers an incentive to all customers from a specific group such as the incentive cardholders, he can afford to give a higher incentive to those who pay with cash, compared to those who pay by card.

In another scenario, there can be a payment card affiliated to the proposed incentive process that can cover both the situation i.e. payment with cash or card in the above example. The merchant may disburse the rewards on a different and preferably higher specified rate to those consumers who pays with cash rather than through the card that may be a credit or debit card or the like on which there is a deduction from the amount the merchant eventually gets. Though the payment may be in different modes like cash, check or card, and a different level of incentive may be applied based on mode of payment; such incentives may be applied and delivered through the same payment card affiliated with the proposed incentive process, as explained in the following paragraphs.

The incentive may be issued in the form of points, stamps, or coupon. The common currency unit of the incentive is stylized as $mile. Thus, the above may be referred to as $mile Points, $mile Stamp and $mile Coupon, Each of these may denominate an exchangeable numerical value such as 5.00 $smiles. For example, 2 $mile points will also mean 2 $miles. Likewise, a $mile coupon or stamp may be of 5 or 10 $miles. To further explain in terms of an analogy, if the $miles are like a currency such as dollar; points, stamp and coupons are interchangeable instruments like coins, notes and checks.

Each Point represents on $mile unit that can be awarded and handled electronically. Stamp is an improved trading stamp with philatelic configuration and electronic codes on it preferably. The coupon is basically a substitute for points and stamps. The coupon may be configured as a known manually imprinted draft in the conventional offline credit card processing. The coupon may also be issued if the merchant is out of stock of a specific or non-specific stamp the buyer is looking for, because the buyer can always exchange one form of incentive into another, before or at the time of redemption. Occasionally, an online merchant may also use the coupon, for reasons like an interruption in the network. Moreover a coupon may be printed in an advertisement or inserted in or on a package label that does not allow for insertion of stamps or electronic points.

An incentive accrual card may be issued against a fee and/or on the basis of certain performance criteria, with or without a certain amount of credit and/or points applied thereto in accordance with the customer's purchase. An incentive may be applied by the merchant directly in various other forms like a gift, rebate or deferred cash-back. Alternatively, the customer has an amount of credit in an account that can be used towards future purchases. Alternatively, a credit can be issued to

a customer with an existing card and/or account. The credit may be in the form of actual dollars or points that represent some sort of value for later use towards future purchases or gift redemptions. The card may be a simple accrual card or could be a combination accrual card and payment card, like credit card, as shown in Figure 8C.

The $mile rewards may include an expiration date upon issuance as desired by the merchant. The merchant may pay an existing or a different clearing house acquirer for processing of the $mile rewards, probably at an equal or different rate than that charged by the existing credit card entities as interchange discount. If the acquirer is in an existing payment card network, the payment from the merchant may be notified in the existing clearing mechanism of the card. Depending on the other entities involved in the transaction, the payment due from merchant may be effected at the time of settlement by the acquirer and/or funding by the issuer, through a debit like in case of a chargeback or transfer of funds through ACH, from the existing deposit account of the merchant, or a net settlement after reconciliation.

In another variation, there may be a different level of rewards on transactions where the deduction from the merchant is lesser, like a PIN based debit card payment. This reward can be lower than in case of paper transactions but greater than conventional signature based payment card transactions.

Though the term credit card and card is used herein, the present invention contemplates the use of any type of payment card to include credit card, charge card, debit card, stored value cash card, commercial card, purchase card and the like. Likewise, payment in cash or with cash is taken to mean payment by currency notes or checks including travelers check, wire transfers or any other payment means where there is no deduction from the amount the merchant eventually receives.

The customer can redeem the $mile rewards in a variety of ways. For example, the $mile rewards can be redeemed at the merchant towards the purchase of additional merchandise at a future date. The $mile rewards may be redeemed at a different merchant that also participates in the program. The customer may also be able to accumulate $mile rewards from various merchants within the program for redemption at one of the merchants in the program. Alternatively, the customer may redeem the $mile rewards through the clearing house issuer using a catalog or website that offers merchandise for sale. $mile rewards may also be redeemed into dollars or other currency and deposited into an account for use by the customer.

Figure 4 shows a simple issuance and redemption scenario. In this example, the customer has purchased merchandise from the merchant using $100 cash. The merchant issues $mile rewards to customer pursuant to the cash purchase. The merchant pays the clearing house for the processing of the $mile rewards. The customer redeems the $mile rewards through the clearing house issuer towards the purchase of merchandise provided by the clearing house through catalog or Internet offerings. The clearing house issuer will provide the merchandise to the customer upon verifying that the $mile rewards is valid for redemption. There may also be an intermediate entity, an acquirer that is in the processing loop to interface between the merchant and the clearing house issuer for the issuance and use of an Accrual Card with or without added features of a payment card. The acquirer may be an existing merchant acquirer in the payment card processing networks.

Figure 5 shows another example scenario for the issuance and redemption of $mile rewards that includes the entities for conventional credit card processing. In this scenario, the customer pays for the merchandise using cash instruments $100 and submits the accrual card.

The merchant issues additional $mile rewards preferably by swiping the accrual card, the processing of which being paid to the merchant acquirer as discussed above, based on merchant agreement and the amount of cash submitted by the customer for payment, exemplified here as $2. The acquirer in turn pays to the card exchange after deducting acquirer's fees, shown here as $1.98 for example. The card exchange such as a bankcard association deducts an interchange fee and transfers the balance, $1.95 for example, to the card issuer that may be a bank in partnership with $miles administration. If a card is used in paying for the merchandise, the merchant will interface with the other entities as discussed above in a conventional way. A similar or lesser reward may still be issued on card transactions affiliated to $miles, fully or partly funded from a portion of the interchange and other fees deducted from the net payment to the merchant. The merchant may also provide additional funding even on the card purchase. In case of the credit card purchase, processing includes submitting the transaction through the credit card interchange to the issuer bank that will fund the credit. When both types i.e. cash and credit card transactions are encountered, the accounts may be reconciled and settled in a conventional way with the only difference that the amount payable from the merchant for funding the incentives are debited to him like in case of a chargeback or through net settlement technique..

In one scenario, the merchant may pay a different or similar interchange discount to existing payment network entities, on cash transactions of the card member and non members, that he gets deducted on the credit transactions, and the existing card entities themselves dispense with the amounts so collected a portion of which is preferably used to fund an incentive different from or similar to that applied on card payments, as explained above. This way, the existing payment network preferably becomes the sole outsource for all POS transactions in a

merchant establishment, including the accounting, handling and rewarding various plastic and paper transactions. This may avoid bulk of the accounting management costs and free many other resources of the stores. It will be another direct benefit to the merchant, against the additional cost in interchange discounts that may be paid on non-card purchases as well, apart from all other benefits like increased patronage of cash buyers.

In a typical situation, apart from the merchant and any other sponsor, issuer bank may also contribute in funding the $mile rewards from its interest earnings. As a result, in case of a typical customer who makes use of extended credits, the rewards on credit transaction may exceed those on cash transactions, due to the funding provided by the acquirer bank from its interest earnings.

In yet another scenario, the card interchanges such as a bankcard association like Visa or Mastercard may give a filtered list of transactions pertaining to $mile members, in the form of a computer file sent to the rewards server that applies logic through data processing, for authentication, calculation and feedback to the other entities for eventual reconciliation, clearing and settlement.

Figures 6A-6B show the issuance of $mile rewards in different buying circumstances. In Figure 6A, a customer has paid for two items using cash. The merchant issues $mile rewards in accordance with the cash purchase for a certain number of points associated with the transaction. In the example shown, $mile rewards was issued to the customer as represented by the point values 9.0 and 7.0 for each item purchased. The customer may then redeem the $mile rewards associated with these point values for specific gifts or for future merchandise purchases as described above. Figure 6B shows the circumstance where the same two items were purchased differently. As in Figure 6A, the first

item was purchased with cash and thus has the same 9.0 point value associated therewith. However, the second item in Figure 6B was purchased by credit card. The processing of the credit card portion of the purchase is performed in a conventional manner with the credit card company receiving a percentage of the purchase price. As a result, a lower point value of 3.5 has been awarded for this purchase as compared to a similar purchase using cash. Therefore, a bigger reward is received by the customer if payment is made by cash instead of by credit card. Figure 6C shows an example scenario of redemption and interchange of Stamps and Points.

Figures 7A-7B show two examples of a computer network for implementing an incentive program. In Figure 7A, the incentive program is implemented within an existing payment system network 700. Network 700 includes merchant terminals 702, acquirer servers 704, card exchange/interchange servers 706, issuer servers 708, redemption server 710, and redemption terminals 712. Terminals and servers may be linked by any of various network access technologies including wire-line, wireless, and fiber optic connection links. Information within databases of the terminals and servers may be shared and distributed across the network according to the desired network implementation.

In Figure 7B, an incentive system network 750 may be established between the merchant terminals 702, the redemption server 7010, and redemption terminals 712. In network 750, the acquirer, card exchange, and issuer servers may be bypassed, if so desired, in order to establish a merchant only issuance and redemption process when the other entities are not needed to participate. Alternatively, one or more of the existing entities of payment networks may still be retained, for example the acquirer, as shown in figure 4. In one scenario, the acquirer may provide

the POS terminal at merchant and or an issuer bank server may also act as the central rewards server, in which case the redemption may also be carried out by the issuer bank server preferably when the redemption is in monetary terms. In any of the above combinations, a card exchange such as a bankcard association may still be in the network, if desired. Redemption server 710 includes one or more databases that store information related to the program. For example, redemption server 710 may include a customer PNR database 752, a customer purchase history database 754, a rate of incentive database 756, a $miles points database 758, a monetary database 760, a conversion database 762, and a account reconciliation database 764. Customer PNR database 752 includes information pertaining to the customer. Customer purchase history database 754 includes information pertaining to the customer's buying habits. Rate of incentive database 756 includes information pertaining to the type and amount of incentive to be applied for a particular purchase. $mile points database 758 includes information pertaining to an amount of $mile points that have been credited to the customer. Monetary database 760 includes information pertaining to a currency amount available to the customer. Conversion database 762 includes information pertaining to a customer's ability to exchange certain incentives for other incentives. Account reconciliation database 764 allows redemption server 710 to apply incentives within the existing payment system network of payment cards as sown in Figure 5. Though shown as separate databases, the above-described information may be stored in fewer or more databases and can be accumulated together in one or more databases as desired.

As shown above, an incentive point service process may be implemented through the Internet. On a computer server, accounts of each customer may be kept in a one database and the customer record

with a unique Person Name Record (PNR) linked to a unique Personal Identification Number (PIN). PNR and PIN are kept in a same or different database. The server is linked to a Point of Sale (POS) terminal of the merchant by means of the computer network and related software. An incentive may be applied at the POS terminal upon a customer buying merchandise associated with the incentive. The incentive may be maintained in a same or different database. As before, a first incentive may be applied if the payment is made through cash currency notes and a second incentive may be applied if the payment is made through a payment card. The incentive may be offered in the form of coupons or stamps of innumerable designs of philatelic value. Alternatively, the incentive may be credited as $mile points in a same or different database linked to an accrual card with PIN, with or without the added features of a payment card. The incentive may be applied interchangeably regardless of form at the option of the consumer. One form of incentive can be exchanged for another, at the option of the consumer. A customer, who has been awarded incentives in the form of points, stamps or coupons, may present them for redemption at a terminal linked to the server through the computer network and related software. The redemption terminal may connect to the server and check the customer's identity in the database and update the account in the database while awarding the incentive. The stamp may be cancelled like a used postage stamp and returned to the customer for collection purposes. The incentive applied may also be converted into monetary terms and credited into the database in the server and represented as a monetary account of the customer. This process may be carried out through existing payment system networks of payment cards. A new form of payment card may be introduced for facilitating the accrual of points as above, with or without in combination with a conventionally known payment card like a credit, debit, charge, or

stored value card. This may be achieved by collaborating and co-branding the card with an existing entity in the existing payment systems, including a Merchant, an Acquirer, a card Exchange including a bankcard association, and an Issuer. The merchant may be an online merchant with Electronic Data Capture apparatus or an offline Merchant using manual Imprinters.

The merchant and/or redemption terminal may connect to an Internet server provided by an ISP, intermittently or continuously, through e-commerce software. The consumer can access his account on the server connected to the Internet, through his computer terminal that also connected to the Internet, through a browsing software means. The consumer may transact some of the features mentioned above on his computer terminal connected to the Internet. The consumer may order for those transaction features that cannot be completed on the Internet for delivery through other available means. For example, the consumer may, after browsing through the available options as above, order over the Internet through email or an e-commerce software a particular variety of gifts or stamps in exchange of accumulated points, after deducting a delivery charge from the incentive itself, and the same be delivered through post or a specified courier service.

The present invention can be implemented as an incentive point service process through computer network hardware and related software means wherein, on a computer server, accounts of each customer are kept in a database whereas the customer record with a unique Person Name Record (PNR) linked to a unique Personal Identification Number (PIN) is kept in the same or a different secured database. The server is linked to the Point of Sale (POS) terminal of the merchant by the means of a computer network hardware and related software. An incentive is applied through data processing means at the POS terminal, upon a customer

buying merchandise associated with the incentive, as per a database. A first incentive is applied through data processing means, if the payment is made through cash currency notes and a second incentive is applied through data processing means, if the payment is made through a payment card including a credit card, a debit card, a charge card, or a stored value cash card.

The incentive may be offered in the form of coupons or stamps of innumerable designs of philatelic value, with a unique number or an electronic code or is credited as $mile points in a database linked to an accrual card with a PNR and PIN number, with or without the added features of a payment card such as a credit, debit, charge, and a stored value cash card.

A customer who has been awarded incentive as points, coupons or stamps may present the same at a redemption terminal linked to the server through a computer network and related software. The redemption counter terminal connects to the server and through data processing means checks the customer's identity in the first database and updates his account in the database, while awarding the incentive voucher as per a conversion table in the database. The coupons may be retained for vouching. If desired, the stamps are cancelled like a used postage stamp through application of a mark by manual or mechanical means and returned to the customer for collection purposes.

The incentive is applied as above in the form of points, stamps or coupons or a combination thereof interchangeably, at the option of the consumer, as per a conversion database created through data processing means. The consumer can also exchange one form of the reward for another, at any stage including at the stage of redemption. For example, before the redemption, the stamp can be exchanged for points credited in the accrual account linked to a card. Alternatively, at the redemption

stage, the customer may demand cancelled stamps for points or coupons redeemed. Likewise, the customer may demand the coupons or stamps be retained and exchanged for $mile points credited in his account. The conversion may be demanded fully or partly.

This conversion may be effected utilizing a conversion table in the database through data processing means. A conversion chart with various options for the consumer, presenting a particular quantum of points or coupons or stamps or all, may be generated and communicated to the consumer through hardware means including a printer and an electronic touch-screen. The consumer may use the chart to select his options and the same may be serviced through data processing means and computer peripheral hardware and software means like a Touch-screen Kiosk and Optical Character Recognition (OCR). At the option of the consumer, the incentive applied may be converted into monetary terms as per a conversion table in the database and credited into a database in the server consisting of monetary accounts of customers, through data processing means.

The above may be implemented through existing payment system networks and payment card means including a credit card, a debit card, a charge card, or a stored value cash card, wherein reconciliation accounts of merchant, acquirer, card exchange, and issuer is stored in a database. The incentive converted into monetary terms may be credited into existing payment system accounts of the consumer.

An Accrual Card with a memory chip or a magnetic strip, with or without in combination with one or more of existing payment card devices including credit card, debit card, charge card, and stored value cash card, is additionally provided for implementation in the computerized process. The card as described above may have the full PNR details or only the number to protect the privacy of the consumer.

Added incentives may be applied through data processing means, on reaching predetermined thresholds in terms of quantum of incentives collected and/or redeemed. Offline merchant and redemption terminals may be provided for implementing the process through batch data processing.

The PNR linked with a unique PIN number may be kept secured, through computer encryption or other hardware and software security means, in a separate database accessible only to a designated part of system administration. All the other transaction data may be processed on the basis of such unique PIN numbers accessible to the other part of system administration, while the detailed PNR may remain in encrypted form to protect the privacy of the customer.

Likewise, the above process may be modified for application through the Electronic Fund Transfer at Point of Sale (EFTPOS) payment networks wherein the incentive payment is transferred from merchants' deposit accounts to the customers' savings account and/or the incentive program administration account. Alternatively, where available, the Automated Clearing House (ACH) of the Central Bank may be used for the clearing and settlement, through a transfer of funds from merchant's deposit account.

The process for issuing and redeeming a different and preferably higher $mile rewards that encourages purchase of merchandise with cash will serve many needs. For example, by avoiding a percentage of the purchase that would be deducted as interchange fees by payment card network in response to a card purchase, and by plough back of this saving fully or partly to reward the cash customer, the merchant can increase the business from the customer paying with cash, through this process.

$mile stamps may be printed in the form of attractive stamps of infinite variety in various denominations like postage stamps, with the

denomination and the city or country of issue and expiry date if any, with or without a unique serial number. These may be printed in a variety of shapes and sizes, using various material like paper, plastic, metallic foils, etc. and are dispensed in various ways such as perforated sheets, sealed envelopes containing specified variety and denomination, automated dispensers, and on-line printing option via internet, with or without a unique number or a barcode. The material printed on the stamps may include various themes of interest to various social strata. The themes may be printed in limited number to make them rare. In addition, the themes may be deliberately misprinted to make them rare. The back of these reward stamps may be used for printing any information. The reward stamps can be bought and sold for legal tender, at specified rates. The whole or the part of the information printed on or behind the stamp may exclusively or partly relate to a particular seller or a particular product. These may be printed with or without a unique number or a computer readable barcode or magnetic ink character recognition (MICR) for application in the computerized process. Additional information may be embedded on the stamp itself in the form of an optical image or electronic codes on a magnetic strip behind that can be read at a customer terminal with special devices like an electronic reader. For example in a series of stamps on specific encyclopedia items, the pictures can be on the stamps whereas the respective text entries can be read encoded therein electronically and read electronically by a customer terminal. These will provide for a collection hobby for the customer as a result of the issuance with value added features and subsequent cancellation and return of the coupon/stamp to the customer.

The consumer may set up a membership account by signifying an intention to set up a membership account of a particular type at the time of exchange or redemption. Such account may be of a Philatelist or

otherwise, signifying that whether the consumer would like to pursue collecting the reward stamps as a hobby or not. A unique account number is assigned to each of such consumers. There can be one membership account for a plurality of individuals grouped as a family, company, or a voluntary friend circle or several individual accounts may be joined by a code for such a group. The Philatelist account holder will be returned the reward stamps after redemption, duly cancelled like a used postal stamp, by application of a cancellation mark using cancellation dies or other such mechanical or hand-held devices, if so desired.

The Philatelist consumer can exchange other kinds of reward instruments like coupon or electronic points, for stamps, by signifying his intention for such exchange for a specific or non-specific stock of stamps in mint condition by surrendering other kind of instruments, before redemption. Likewise he may signify his intention for such exchange for a specific or non-specific stock of stamps in cancelled condition, from a centralized depository, by surrendering other kind of instruments, on or after redemption.

A Philatelic bureau may be provided for the members to offer the following services: issue of inaugural covers for new stamps, organizing exhibitions and contests, and education and promotion. Treasury or depository services to members may be provided by acting as a bank for safe custody of reward stamps. The cancelled stamps may also be bought and sold at specified rates by the bureau. An alliance may be established with postal services of various countries for reciprocal or one-way exchange and distribution arrangements of stamps in mint or cancelled conditions. Services and any aspects of the universal program may be administered through the Internet for global application.

The consumer can collect rewards without any need for identification or enrollment by making a purchase from a merchant enrolled in the program and signifying an intention to be rewarded directly without any identification or enrollment. The merchant calculates the value of the reward as per consideration received and issues the reward value by any desired transferable instrument such as a coupon or a stamp or an electronic code. A coupon with or without a computer readable code may be issued to a consumer in a pre-printed format or through a coupon generating machine such as franking machine or a digital printer, with alpha-numeric and or bar codes signifying its value that can be traded for any other instrument viz. reward stamp or points, or redeemed directly for consideration of such value.

The $miles reward points, stamps or coupons or points so awarded may be collected by consumers from a plurality of merchants enrolled in the program universally, without any need for the consumer to identify or enroll in any program. The reward instruments so collected are freely exchangeable and transferable like currency and are redeemed against consideration in kind or in cash as per catalogue published from time to time, from a centralized redemption office, or selectively at the point of purchase itself.

The computerized process may be implemented globally in combination with a Credit, Debit or other payment card networks. The rewards may be fully exchangeable, transferable and can be bought, sold, gifted, or bequeathed. The reward may have a specified tenure for redemption after which it is either forfeited or transferred to a specified account or donated to an approved charity.

Consideration is expected to be received from the merchant disbursing the rewards if administered by a clearinghouse separate from the merchant. The merchant may be presented with various options for

issuing rewards by way of a brochure. Online and offline merchants may be seamlessly enrolled in the universal program. The offline merchants may be authorized to issue points by way of imprinted coupons and/or pre-printed stamps only. The offline merchants may send a periodic account which is processed by the centralized system as a batch. The offline merchants may have the option of contacting a call center to obtain any information and voice authorization they may need. The offline merchants may log on to a website on the Internet through any computer including public networks, to do the same as above. If the offline merchant is authorized to honor the accrual card with or without the credit card features, he may use the known process of making a manual draft with imprinter and settling through batch processing technique. An offline merchant may choose the option or options most suited to its business and provide the consideration in return for the rewards disbursed. The merchant may replenish the stock of stamps by reordering and remitting consideration. Alternatively, the merchant may remit consideration through a deposit account established for this purpose, or an existing deposit account of a payment card may be used. The merchant may pay the consideration either in cash or in kind or a combination, in advance or on credit, depending on a merchant agreement with the $miles administration. If the offline merchant is exclusively offering incentives on cash purchases, there may be no need for him for any kind of interaction or authentication with any other entities, as he an simply award the incentives on cash purchases, through a coupon or stamps.

An item may be provided to the person redeeming the rewards instrument. The person presents the instrument for redemption at a redemption counter, in person at the merchant, through a courier, or through the Internet. The person may choose the item through a catalog

offering. The rewards instrument is cancelled and the desired item is provided. The person may choose to have the item delivered after deducting delivery costs from the reward itself. The merchant enrolled in the program can be at any level in the supply chain including: a manufacturer, an intermediary like a whole-seller or an agent, a retailer, or a member of a multi-level marketing chain. The incentive instrument may be put in or on the package of merchandise.

There may be a clearinghouse that can handle and integrate other incentive or loyalty programs. The clearing house may contract with other incentive or loyalty programs to join the universal program identified above by agreeing to mutually exchange each other's rewards at a specified rate. The consumer may opt for such specific joint or co-branded memberships in establishing the membership account. The so contracted joint party may eventually extinguish its own program and become s fully merged in the universal program. Reciprocal or one-way alliances may be made with other rewards programs, wherein the alliance partner agrees to issue and honor global rewards points or stamps interchangeably with their own points, on a reciprocal basis. The alliance partner may completely outsource their rewards program to the universal program disclosed herein. The alliance partner may also completely merge their rewards program to the universal program disclosed herein. The universal program may act as outsource for an existing or new standalone rewards program, with or without any reciprocal or one-way exchange of reward points. The universal program may be appointed as an outsourced third party contractor for running the existing program of standalone or limited alliance programs with all features intact, with or without an exchange arrangement with the universal program. The existing program operator transfers consideration as per reward points issued, in favor of the universal program. The consideration is used for

redemption by the consumers of the existing program, with or without an option of exchanging their points into global currency and thus claiming a different consideration. In the event of such an exchange taking place, the consideration issued by the existing program is used in the universal program if a two way exchange has been agreed upon by the standalone program. The final step is a complete merger of the existing program into the universal program if desired by the existing program. The instruments of reward points may be specially made for alliance or outsourced programs with or without specific declaration, pictures, or coding to this effect.

Based on the premise outlined above, a method and system of disbursing reward points and reward coupons or trading stamps as incentive for purchases made or for rewarding the loyalty of consumers may include having the merchant enroll in a global rewards program wherein the merchant funds the rewards by paying a consideration in cash or in kind or through an instrument of credit, to the incentive program administration. Alternatively, the rewards may be partly funded by an existing payment card entity to promote use of its payment card that also has a capability to accrue rewards even when the payment is made with cash or a different instrument. These points may be awarded in a variety of forms like a coupon or stamps or electronic points on a magnetic device, depending on the merchant's infrastructure and consumer's choice if any.

Separate check-in and checkout counters may be provided for consumers availing benefits under the present invention. The consumer may have a facility of depositing paper instruments like cash or check and obtain a receipt at the time of check-in if the amount of purchase is known in advance, for faster checkout through a common counter for all customers including payment card holders. Through the past records of

purchasing behavior including cash purchases of the customers in the database, the customer may be rated on various parameters including reliability of checks issued etc. and graded offers may be made. Additionally, the present invention may be used to track the cash purchasing behavior of a customer for offering him a credit line on conforming predefined parameters, to finance the past, present or future purchases. The incentive program administration may set aside a portion of the funds collected to insure against fraud in paper transactions. Preferably existing check authorization/verification and guarantee service outsource like the TeleCheck, and Nova Network based in USA may be contracted. Additionally, payment systems outsource like the Global Payments and the First Data Corporation may be contracted or partnered with. Alternatively, Electronic Check Conversion also known as Electronic Check Truncation services whereby the check is cleared instantly through the ACH by electronic means may be deployed.

The merchant may also enroll with the central rewards office for the redemption program, wherein a particular variety and quantity of gifts may be given for spot redemption by the consumer. On giving effect to such redemption the seller receives a consideration from the central redemption office.

The consumers who receives such points or miles may collect these over a period of time to redeem on the spot if the merchant has in stock the consideration desired by the consumer. The consumer may be offered options to take the point or miles either in the form of coupons or stamps or electronic points, depending on the availability of options with the merchant and preference of the buyer. The points, stamps, coupons, or miles so issued can always be changed from one form to another at the central rewards office. The consumer can collect these points or miles for later redemption from the central rewards office, against specified

consideration according to a threshold quantity or variety. The consumer can also approach the central rewards office for exchanging one form of reward instrument into another. Safe custody of the reward instruments may also be requested at the central reward office itself. The consumer who decides to collect these stamps as a hobby, apart from taking the benefit of redemption against a specified consideration, will signify so at the time of claiming redemption so that the stamps could be returned to the consumer after putting a cancellation mark on the same. There can be further rewards associated with collection of a particular threshold quantity or variety as announced from time to time. The merchant will preferably offer higher points or mileage for cash purchasers to compensate for the discount generally retained by the credit card companies on credit card transactions. Co-branded credit cards may be provided offering these global incentives at specified rates. Reciprocal alliances with other rewards programs, to issue and honor one another's points interchangeably, may be formed. The computerized process disclosed herein can act as outsource for administering an existing or new standalone program, with or without a one-way exchange. Such an alliance can take the form of complete merger with the universal program presented here.

The present invention is associated with computerized loyalty or incentive reward programs on a global scale, devising a separate and preferably greater benefit to cash buyers. Combining the points, coupon, and trading stamps concepts in the computerized program, and improving the trading stamps to philatelic stamps with computer readable information has a further technical effect. Far reaching benefits in consumer interest, aggregation of value, ease of operation, cost reduction and industrial application is achieved.

The present invention has, among others, the following unique advantages. There is no known payment card, device or process for accrual of benefits linked to the card even when the payment is not through the card but is with cash. Neither is any known computerized process of providing a different and higher incentive for those who prefer to pay with cash instruments like currency notes and checks at the Point of Sale (POS). Making philatelic reward stamps in different denominations, sizes and variety will add to ease of operations and joy due to variety for the collector. A tremendous increase in ease and value addition to receivers occurs due to the lack of any procedural hassle, better protection of privacy, aggregation and accumulation of incentives over a hugely wider base, joy of philatelic collection and greater accountability due to third party involvement. A further value addition occurs due to easy transferability of the incentive earned to whomever the original user wants to gift, bequeath, or sell. In the system presented, one can collect $miles in the form of coupon or stamps or points for redemption, each having the same currency value. Combination of incentive points or coupons or stamps freely exchangeable for each other is unique and has a dramatic effect of widest aggregation, application, and ease for both the merchant and the consumer. This can reinvent philately as a hobby as there is no other known system, except the post-office, that issues stamps in an infinite variety, bringing joy for collectors even after use. The conventional slow monotonous process of point collection is transformed into a meaningful, colorful, and enjoyable hobby of stamp collection. Alliances or merges can be readily formed with existing rewards programs in a seamless manner. The present invention can be used to streamline the cash register accounting and tracking of a customer's card as well as cash based purchases recorded in one place, through Electronic Data Capture (EDC) and such devices at

the POS. Likewise, it enables a consumer to have a uniform account of all transactions including plastic and paper transactions in one place. The present invention provides scope for universal application in terms of who can be a member establishment (giver) or user (collector), virtually without any limitation as to reach of computer networks or carrying electronic cards. It allows for joining both a manual and an electronic system seamlessly, cutting across geographical, technical, and size barriers for both giver and collector. There is ease and cost-reduction for establishments because the merchants will not have to maintain their own incentive programs, which require sophisticated systems and more manpower in administering the scheme. There is a further increase in application because of the fact that the reward Stamps or Coupons can be put in or on the package of various products (electronic points can't be).

Conversely, the technical problems of the prior art sought to be solved by the invention, among others, include enabling Cash purchasers to get back their legitimate discount considering that effectively all card purchases are discounted. A related problem solved is how to provide incentives on cash based purchases also, of an existing payment card holder who is eligible to receive incentives on card based purchases. Enrolling establishments and consumers with or without access to computer networks, in a global alliance program is made possible through the present inventions. Consumers find both the existing systems – points and trading stamps, mundane, as no immediate joy can be derived particularly from collecting these, except the imminent joy on redemption perhaps. As a result a many of them don't keep track and don't redeem. Sustained consumer interest is difficult to achieve in any loyalty program due to (a) monotony and (b) slow aggregation. There are always procedural hassles in present day loyalty programs, which expect consumers to compulsorily enroll. These hassles include the privacy of

consumers being frequently breached, the transferability of the incentive earned to whomever the original earner wants to gift, bequeath, or sell is suppressed, resulting in a limitation on currency. With the advent of franking machines increasingly used by the post offices and increasing use of private courier service, philatelists' delight in collecting colorful stamps with meaningful pictures of curios and educative value has become limited. A system for allowing existing loyalty programs to evolve into a global alliance is needed. Streamlining accounting process at the POS to include both, card and cash based transactions of a particular customer is another technical problem solved by the present invention. Establishments have to plan, configure, and implement their own incentive programs, which is costly and time consuming, due to uneconomic scale. There are infrastructure limitation on very small establishments who may not be able to afford the cost of instituting their own loyalty program or participate in a limited alliance program due to lack of resources. The reward points can't be put in or on the package of products that might be sold through merchants and at various levels of the supply chain.

Most merchants already pay several percentage points on credit card transactions. The present invention contemplates paying back to purchasers paying through a cash instrument, an incentive in lieu of this. In fact, most payment card companies and other establishments like airlines, retailers, etc. have their own incentive schemes, sometimes jointly, linked to payment through a particular card. These incentives are generally funded by the merchants and/or various entities of the payment card networks, to he extent of a certain percentage or basis points, from their various earnings on the transaction, like interchange fees, interest charged etc. For example, an issuer bank and/or a sponsoring company like an airline may provide incentives on certain transactions jointly or

independently, provided a specific payment card is used. The present invention proposes a process for accrual of same or a different incentive, funded preferably by the merchant, preferably on the same card, even when the payment is not through the card but with cash. The present invention also contemplates combining the concepts of points, stamps and coupons, bringing about unexpected benefits of application on a much larger industrial scale, through aggregation. The consumer derives much greater value by aggregation, ease of use, and protection of privacy by cutting down on formalities and enhanced delight for continued interest by bringing in variety and other intellectual stimuli. A wider area of application is provided by including relatively smaller entities that may not be able to afford their own programs or form a limited alliance program or join a computerized network. Value can be added to a vast body of general consumers by making them avail incentives on a larger scale, encouraging small saving in masses, and boost consumer demand. Through the present invention, a global business method can be established to promote the sale of merchandise.

Though the invention is titled as a Computerized Process for Differential Incentives based on Payment Modes, and indeed a computer network is central to implement the present invention, the nature of interconnected patentable subject matters described herein may relate to several fields such as payment card technology, automated cash registers, financial transaction systems, banking technology, printed material of incentive coupons and trading stamps etc. The computerized process described hereinabove can be programmed into computer readable instructions by a person skilled in the art, through various available computer languages and techniques. As a result, the, known devices of computer networks, the payment cards and the various printed forms etc. when associated with the invented process through a computer program,

will create an unexpected technical effect on the workings of these devices. This will enable the related apparatus for a hugely increased industrial and commercial application through the disclosed process, in a way not ordinarily expected or presently known.

Thus, it is apparent that there has been provided, in accordance with the present invention, a unique industrial process and various devices for issuing and redeeming $mile rewards that satisfies the advantages set forth above. Unless used in a different context or otherwise mentioned, terms like Clearing, Settlement, Reconciliation, Funding, Acquirer, Issuer, Card Exchange or Interchange, Bankcard Association, Trading Stamp, Imprint, Swipe, Card, Miles, Chargeback, Plastic and Paper transaction etc. and many other such words, phrases, expressions including acronyms refer to their technical meanings as per commonly used terminology of those skilled in the art. Although the present invention has been described in detail, various changes, substitutions, and alterations may be readily ascertainable by those skilled in the art and may be made herein without departing from the spirit and scope of the present invention as defined in the following claims. Moreover, the present invention is not intended to be limited in any way by any statement in the specification that is not otherwise reflected in the appended claims.

We Claim

1. A computer implemented process for a merchant funded reward program for awarding differential incentives based on payment modes comprising:

- enrolling consumers in the reward program operating on a computer network means comprising a rewards administration server, redemption terminals and merchant terminals;

- receiving payment from the said consumers for the purchases made from merchant offering the said loyalty program;

- determining reward incentives based on payment mode selected by the consumers, applying data processing program logic means;

- applying a plurality of different levels of reward according to a plurality of different payment modes selected by the consumers, the level of reward being inversely related to the merchant's cost of processing the payment in each mode;

- applying a first reward incentive if the payment is through cash and applying a second reward incentive if the payment is through a payment card;

- the first reward incentive is greater than the second.

2. The process of claim 1, further comprising;

applying a different level of rewards incentive if the payment is by a PIN based card and a signature based card.

3. The process of claim 2, further comprising;

the reward incentive is greater for a PIN based and lower for a signature based card.

4. The process of claim 3, further comprising;

the reward incentive is in the form of points redeemable as per a catalogue and issued in the form of a coupon, a stamp or points electronically credited in a loyalty point account of the purchaser, or a monetary value issued in the form of a voucher or electronically credited in a monetary account applying data processing means.

5. A computerized financial process for implementing a reward incentive program comprising;

- being presented with a card for payment by a consumer, on completion of purchasing from a merchant affiliated to the said reward incentive process;

- displaying enhanced reward incentives if the consumer paid fully with cash instead of card, in an electronic display unit including an audio-visual interface unit at merchant terminal, applying program logic means.

6. The computer network and software means used in the process of claim 1.