Notable Quote:

It is almost impossible for many of my friends to fall asleep at night without wondering how much their portfolio is worth. The fact is that portfolios have become valuable and liquid properties.

SPECIAL REPORT

How to Hook into ATM Revenue

Remember when conducting your banking business was limited to only a few hours a day and meant a special trip to a fixed location? The term "banker's hours" was coined to reflect the abbreviated day bank presidents and tellers enjoyed – and bank customers had to work around. Long lines out the doors on paydays or Friday afternoons were an irritating fact of life.

But the advent of Automated Teller Machines (ATMs) changed all that, providing banking options to suit our schedules and activities. Now we have access to cash at all hours, from locations numerous enough to make it seem odd if there isn't an ATM around when you need one. A full range of banking transactions can be completed by pushing a few buttons, without any human interaction, from just about any sidewalk, shopping mall or foreign country.

An entire industry was born and has been flourishing since. For ISOs and others involved in that industry, this is a mixed blessing. Easy ATM accessibility means that salespeople have been busy and successful. But ATMs on every corner also means there's nowhere else to place them.

To ensure the revenue stream doesn't become a dry creek bed, ATM manufacturers, service providers and processors are looking for new directions in which to point their industry. Adding bells and whistles – features like color screens, audio, the ability to purchase movie or plane tickets – to machines might seem the logical tack to take. Some in the industry feel otherwise.

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KNOWING WHEN TO MOVE ON

**Sometimes in the sales process
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Many thanks,
Greg Bliven

Dear Greg,

Please visit our Web site (www.greensheet.com), click on SERVICES and then RESOURCE GUIDE. We have numerous leasing companies listed with contact information, some with links to their Web sites.

The Green Sheet, Inc. does not endorse or recommend any one company or program. However, you can register online at the ISO Forum to network with other sales professionals in the industry and ask for recommendations.

*Good Selling!
The Green Sheet Staff*

Back, Back, Back ... Grand Slam!

I can't say enough about the profile of our company in your Dec. 24, 2001 issue (01:12:02) of The Green Sheet. Most of all, I thank you for being accurate and I thank you for being informative. Those are always my chief concerns when working with the media – and I was quite relieved and delighted that you and your entire staff care about the details and professionally communicate them to our industry.

FORUM ◀ ◀ ◀ ◀

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As the wireless middleware provider breaking new ground, we are playing a challenging and dynamic role in an evolving marketplace. Of all the struggles we have experienced in defining this new industry, educating people about what we offer always seems to be the toughest. Whenever we reach the industry with a clear and well-communicated message, we feel like we've hit a home run. Reading your article felt like a grand slam.

Please extend our thanks to Lisa Dowling, who did an excellent job, and to your entire team for continuing to provide a valuable informational resource to the payment industry.

Very truly yours,
Dean M. Leavitt
Chairman and CEO, U.S. Wireless Data

Carolina Leads?

I am an ISO in western North Carolina. Do you know of any reputable company that sells new business sales leads in the Asheville/Hickory area?

Thanks,
Stewart Neiman
First Financial Corp. LLC

Dear Stewart,

I am sorry to say that I do not. Do our readers have any suggestions? If so, e-mail us and we'll pass it on to Stewart.

*Good Selling!
Paul Green
Editor in Chief*

Send your Questions, Comments and Feedback to us today!
6145 State Farm Drive • Rohnert Park, CA 94928 or
greensheet@greensheet.com
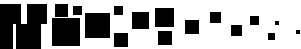
Over the past 20 years, the prime locations for ATMs have been taken. Finding new ways to keep the industry growing is the new focus for everyone involved, from manufacturers and service providers to transaction processors ... and ISOs.

One side of the ATM coin says slicker machines with added services and features is the best way to sell new machines. The other side says that until the systems necessary to keep the added services working properly are in place, old-fashioned customer service – for merchants and ATM customers – is the way to go.

Consumer dependence on cash is up following the events of Sept. 11, and people are definitely using ATMs to withdraw money from accounts. While the number of ATMs placed throughout the country has never been higher, though, the average number of transactions conducted at each machine is down.

Keeping the revenue stream running, or adding services to increase per-transaction fees, makes good business sense for deployers/providers/processors but can frustrate customers with software compatibility glitches or can overload them with unwanted information.

Anyone who uses a lot of ATMs in various locations has experienced how different the machines can be. Older machines are big and noisy, even dark and dingy, with simple screens projecting information in monochrome displays, clunking and whirring as they spit out the cash.

Technological advances have resulted in sleeker machines providing options like four-color touch-screen operation. New ATMs run the gamut of styles, sizes, service capabilities and price range.

Smaller, inexpensive models fit easily in tight spots and allow merchants to purchase or lease machines giving their customers access to cash – almost a necessity in operating a retail business – without mortgaging the farm. Larger, Web-enabled ATMs let customers access the Internet or check e-mail while they get cash, but with hardware costs of $40,000 and additional costly software expenses, these machines are out of reach for most merchants.

Delone Wilson, Vice President of Financial Technologies Inc. (FTI), an ATM ISO that sells, leases, distributes and supplies complete service packages for 3,200 ATMs in 49 states, said most of the company's salaried salespeople and independent distributors are not selling or leasing less, but the amount of new business they're generating is not growing the way it used to.

FTI represents several ATM manufacturers, including Triton, Cross, Tidel and NCR, and installs the machines, sets up service, handles processing and trains merchant customers.

Wilson said the industry has more components than just the manufacturers, and in order to concentrate efforts on increasing the number of transactions at ATMs, there needs to be cooperation among everyone involved. He feels as if the attitude among sellers, ISOs, processors and manufacturers is more conducive now than it has been to creating a unified overall product and making an impact on public awareness.

"We need to coordinate the processors and manufacturers, creating a model by consensus of all in the industry," he said. "There is some interest in new ATM features because people want to generate more income from ATMs. Some pie-in-the-sky promises have been made that really haven't come true. Physically, and technically, we can offer the bells and whistles. The problem is the back-end part, like problems with systems not interacting."

Wilson said that trial-and-error is all part of the process, and FTI is developing new services to generate real income. He cited efforts to sell prepaid phone cards through ATMs, which were hampered by not knowing who was going to handle and load the money-shaped cards into the machines, and the fact that ATMs don't accept cash – most people buying prepaid cell phone or long-distance time want to use cash. FTI came up with a solution that uses receipts printed by the ATM, with information provided by the host.

Michael Fuoco of ATM Enhancement is a consultant who works with ATM distributors to develop revenue-generating solutions and strategies. He believes that because transactions per ATM are dropping, the ISO distribution channel needs to work harder at creating better relationships with merchants and integrating complete product lines.

"The ATM business is driven by volume, and revenue is based on a per-transaction basis, Fuoco said. "We need to build a better business base, with fewer but more productive machines, and with happier retailers. There is a definite need for better service and strong customer support for the retailers.

"There needs to be more effort made in support and service rather than emphasis on selling or leasing more machines. Issues like ATM maintenance – who will be responsible for providing the basics like paper and loading the money – need to be addressed."

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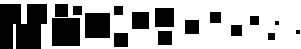
ATMIA Responds to ISO Audit Request

Visa International's request for audits of ISOs and independent contractors and the registration process has spurred ATMIA to address the concerns.

As part of its conference on Feb. 19-22 in Hollywood, Fla., "ATMs Hit The Big Screen," the association will include a presentation focusing on the responsibility of VISA members to manage agent relationships, the integrity of the Visa payment system and important PIN security issues.

A question-and-answer period will follow the presentation and panel discussion.

In a time when resources are stretched, ATM industry members are concerned with the possible long-term effect of an audit, especially on smaller, independent companies.

Conference organizers hope the meeting will increase understanding of the audit's full context and allow a forum for industry members to discuss the issues.

Fuoco believes people always will want convenience, and developing better ways to deliver services through ATMs makes sense as long as basic customer-service issues are addressed. He agrees with Wilson that adding features like the capability to buy movie tickets or check e-mail at an ATM doesn't mean a lot to customers if the applications don't work correctly.

"Manufacturers are getting more sophisticated in creating arrangements to enable successful software applications," Fuoco said. "There have been problems with slow response times, connectivity issues and incomplete transactions."

When problems associated with the customer service provided to merchants by ISOs are kept to a minimum, Fuoco said, business will improve.

"The first-contact ISOs may have a better handle on that than others who serve as middlemen," he said. "The reps dealing directly with the retailers at the first level seem to provide the best level of service to their merchant customers."

Rather than focusing on selling glitzy ATM features to boost revenue, Fuoco recommends creating opportunities for ISOs based on customer satisfaction. One way his company does this is by marketing value-added services for bank-issued credit and debit cards, like ATMsafe's insurance program.

ATMsafe is transaction insurance for the consumer. Kate Gillespie, Associate Product Analyst for the four-year-old company, said the service allows ATM owners or lessors to provide a sense of safety and peace of mind to the people who use their ATMs.

"Most of our clients are in Latin American countries, where safety concerns while using ATMs are very real," Gillespie said. "We have clients in South and Central America, Mexico as well as in Canada, and we will be expanding into Hong Kong, India and Indonesia. We are also growing here in the U.S."

She said that cash usage is way up since Sept. 11, and she expects the idea of transaction insurance to catch on accordingly.

"Although ATM owners and merchants can participate in the program, most coverage is through banks for their customers and covers any ATM they use worldwide," she said. "The insurance covers the amount of cash lost and medical expenses resulting from injuries incurred if the customer is robbed at an ATM.

"It's a flexible program that adds value for customers while adding a new revenue stream to each transaction conducted at the ATM. We can structure the premiums to be reflected as a surcharge per transaction or otherwise. There are ways to add new revenue streams for the ATMs out there."

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KNOWLEDGE IS POWER

BY ROBERT CARR
chairman/ceo, heartland payment systems inc

Getting the Best Price When Selling Your Portfolio

Bob Carr spent the first half of his career as a software developer, as a provider of data-processing services, as Director of Computer Services for the Bank of Illinois and for Parkland College in Champaign, Ill., and as a college-level instructor of mathematics and computer science.

In 1987, he started CCSS, which developed custom software and created a portfolio of merchants in excess of $400 million. In 1997, he started Heartland Card Services in a 50-50 partnership with Heartland Bank of St. Louis. In 2000, Heartland bought out the interest of Heartland Bank.

Since 1997, HPS has grown from a small ISO with less than $500 million of process volume to become the ninth-largest acquirer in the U.S. with a portfolio approaching $14 billion and more than 50,000 merchants, mostly restaurants. Bob served as Vice President of the Bankcard Services Association (now the ETA) from 1988-1990.

Bob's goal is to turn HPS into a public company and one of the top five acquirers in the industry before he retires.

When many of the industry veterans began in this industry in the early to mid-1980s, we had no concept of the value or liquidity of the portfolios we would be building. Portfolios had been traded between different banks and public companies for years, but there were no significant non-bank portfolios to buy or sell in those days.

Rich Roberts and Greg Daily changed all of that when they took PMT Services public in 1994. Rich and Greg were aggressive in buying small and large ISO portfolios. In the early days, PMT telephoned ISOs and offered 20 to 24 times monthly residuals to purchase a portfolio. As PMT grew, its acquisition approaches became more sophisticated and the multiples skyrocketed.

PMT did quite well for itself, increasing its market cap to about $1.2 billion before merging with the equally valued NOVA in the fall of 1998 to create a new NOVA with a market cap of about $2.4 billion. The course for portfolio purchases had been set – temporarily.

Almost two years later, NOVA disclosed certain facts (well-known by then within our industry) about the actual results of the PMT merger. NOVA disclosed that the attrition of PMT merchants was enormous, that some portfolio purchase prices had been inflated and that merchant losses were running high.

This disclosure dropped the market cap of the new NOVA back to its pre-merger valuation of about $1.2 billion, wiping out all of the value that went to pay for those ISO portfolios. (NOVA was able to recover some of that value back, however, and was acquired by US Bank for about $2.1 billion last year.)

I think it is fair to say that PMT changed the bankcard-acquiring world in several ways.

First, it is almost impossible for many of my friends to fall asleep at night without wondering how much their portfolio is worth. The fact is
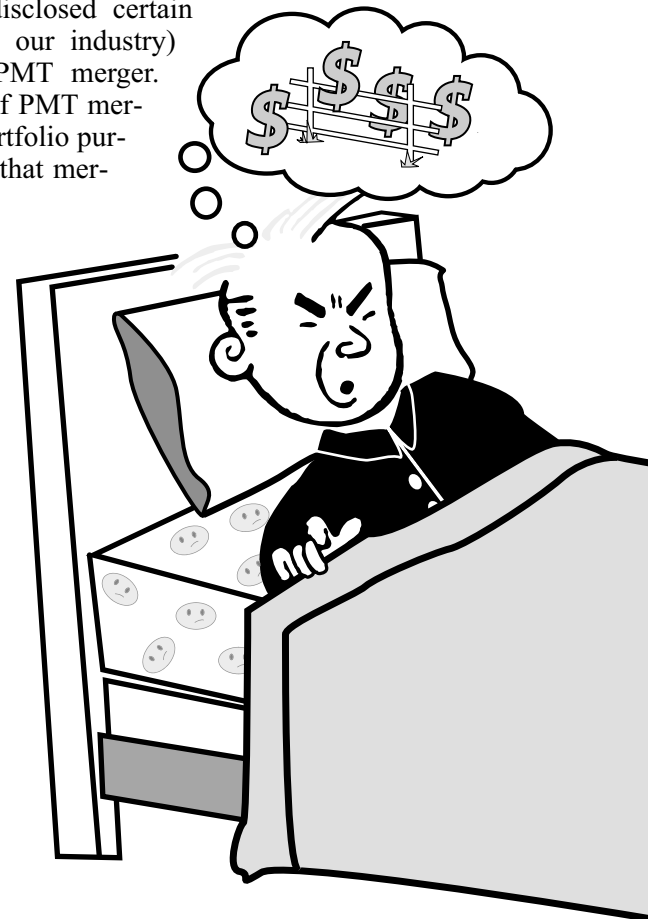
that portfolios have become valuable and liquid properties. (But you might have trouble convincing a lender of that!)

Second, the PMT-NOVA merger also taught many buyers in the industry that consequences can be severe if portfolio transactions are not valued accurately and transitioned carefully after the purchase.

To sell an ISO business is different from selling an ISO portfolio. This article is about the value of a portfolio absent the rest of the ISO's business enterprise. Some industry experts call this a "static pool portfolio."

contracts. Many ISO businesses have been sold with huge benefits to both buyer and seller. Look back to the acquisition of Card Payment Systems by Concord EFS in January 2000 to see how best to model selling your ISO business. It helps to have two guys as smart as Larry Stone and Ed Labry negotiating a merger of two great businesses to maximize returns for all parties.

To define my words, when I discuss "portfolio" in this article, I mean a set of merchant contracts that the seller has the right to sell in the clear without claims made by former salespeople, sub-ISOs or others. I assume that the business and the salespeople who originated those contracts are not part of the sale. To sell an ISO business is different from selling an ISO portfolio. This article is about the value of a portfolio absent the rest of the ISO's business enterprise. Some industry experts call this a "static pool portfolio."

Obviously, selling an ongoing business is going to bring a different value than selling a "static pool" of merchant

Another transaction that helped all parties tremendously was the sale of the First Union portfolio to the pre-IPO NOVA in 1995. First Union converted its entire portfolio and a contract for future bank leads to pre-IPO NOVA stock and benefited in the hundreds of millions of dollars upon the IPO of NOVA. Clearly, First Union and NOVA knew how to craft a merger that benefited all parties.

On the other hand, some other sales of ISO businesses have been nightmares for the buyers. Many of you are familiar with one well-known ISO who sold his business for a huge multiple without an adequate non-compete and

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had 50% of his business back in less than two years – good for the seller, but a very bad transaction for the buyer. I doubt too many ISO businesses will be sold profitably without protective non-compete agreements in the near future.

In deciding to sell a "static pool," one of the first decisions is whether to sell to a financial buyer or a strategic buyer. I have been involved in both kinds of transactions. A financial buyer is one who will be focused on the value of the revenue stream alone. I have seen financial buyers pay anywhere from nine to 58 times monthly revenues. Obviously, there is a huge difference in these valuations. I will try to explain some of the variables below.

A strategic buyer is one in our industry who will move the merchant contracts to its own processing platform in the belief that the earnings from merchants processed on one's own platform will be higher than by leaving the merchants on a foreign platform. Strategic buyers are looking at all of the same factors important to financial buyers, but their approach to valuation adds the complication of portfolio conversion and the opportunity for lower processing and servicing costs.

Also, strategic buyers are focused on Net Revenue as opposed to the existing revenue stream. Net Revenue = Gross Fees charged to merchants (exclusive of leases, rentals, supplies, chargeback fees and other miscellaneous items) less the interchange, dues and assessments paid to the issuing banks, Visa, MasterCard and Diners Club.

I have seen transactions to strategic buyers in the range of 15 to 26 times Net Revenue. This variance is narrower than for financial buyers, but strategic buyers normally only look at larger portfolios that can be moved profitably to their platforms.

In order to sell a revenue stream and/or merchant contracts, buyers almost always will require such things as releases from the current processors, contractual rights to assign the contracts and/or to move the merchant to the buyer's platform and non-competes from the seller. These and other factors are part of almost every portfolio transaction and, for the purposes of this discussion, I will assume they are part of any transaction.

The three key words in portfolio valuation for financial buyers are IRR, Attrition, and Risk. For strategic buyers, add the additional key words of Conversion and Size.

IRR (Internal Rate of Return)

Every buyer of a portfolio has ideas about the desired return on an investment relative to the risk of that investment. I think it is safe to say that there aren't too many buyers out there looking for any size of a portfolio with goals of less than a 20% return. Many are looking for more than 20%, and many are looking in the 30%-35% range.

To calculate the IRR, you need to know the purchase price, the cost of money, the cost of conversion, the monthly revenue stream, the cost of maintaining that revenue stream, the attrition rate and the anticipated losses. If you have all of this information, you can use the IRR function in your Excel spreadsheet to play with these variables to calculate the value of your portfolio based upon different IRR factors.

My experience is that the buyer always is looking for a much higher IRR than he is willing to disclose to the seller! Bottom line – calculate the IRR for yourself! Figures don't lie, but …

Attrition

The PMT-NOVA merger demonstrated that high attrition can destroy the value of an acquired portfolio. If you want to sell your portfolio at the highest price, you will want to offer some type of attrition guarantee to the buyer, either in the form of replacing lost merchants in excess of the attrition target or in the form of a holdback of part of the purchase price.

Obviously, buyers would prefer a non-recourse transaction. Those are certainly available, but they do not provide the best price to the buyer. The highest values are received by sellers who are willing to protect the attrition of the buyer.

Risk

I believe the average losses in portfolios in the U.S. today run in the range of one basis point. Buyers are going to look carefully at the historical losses in your portfolio and calculate an anticipated loss ratio. The more card-not-present business and high-risk business in your portfolio, the less you will be offered.

Buyers will look at the chargeback and credit percentages of your portfolio. The higher these percentages, the lower your valuation will be. To maximize the value of your portfolio, you might consider offering to pay any losses over a certain threshold during a fixed period of time after the sale – perhaps one or two years. It is almost certain that the seller will believe the portfolio is less risky than the buyer will believe.

Merchant losses are real to buyers of portfolios. If you have experienced no losses in the past, to get top dollar you will need to protect the buyer from losses in the future.

Other risk factors include top-heavy portfolios with a high percentage of large merchants. If losing a few of the largest most-profitable merchants would seriously impact the revenue stream, the buyer will haircut the valuation.

Also, heavy concentrations in certain kinds of cyclical industries (such as travel business and furniture stores) will hurt the valuation. Again, the best way to maximize value is to protect the buyer in advance with a holdback or a guarantee to replace excessive lost revenues.

Since many ISOs have no risk on their existing portfolios, they do not understand merchant losses except on a philosophical level. A formerly well-known ISO financial institution – one of the best-known institutions in the country a few years ago – took such large losses on its portfolio that it was taken over without receiving any money for its portfolio.

Merchant losses are real to buyers of portfolios. If you have experienced no losses in the past, to get top dollar you will need to protect the buyer from losses in the future. If you do not have hard facts about the loss experience in

your portfolio or the chargeback and credit history of your portfolio, you will lose the benefit of the doubt because the buyer will assume that the history is not good.

Size of Portfolio

The larger your portfolio, the more prospective buyers exist. If your portfolio has fewer than 1,000 merchants or less than $100 million in annual volume, it may be difficult for you to find a strategic buyer, but there are always financial buyers who will buy any portfolio if the price is low enough.

The best advice is to get professional help in selling your portfolio. If you have a large portfolio, you will want to work with an investment bank or consultant who has done this many times before. If you have a small portfolio, your options are more limited. A few of the seven companies listed in the Resource Guide of The Green Sheet under "ISOs/Banks Purchasing Merchant Portfolios" are interested in buying portfolios in any size range. A suggestion for the owner of a small portfolio would be to get bids from the folks listed here.

If you have a larger portfolio, there are a significant num-

ber of additional prospective buyers. The larger your portfolio, the better valuation you will receive. It is always best to build a bigger, well-diversified portfolio with low attrition and low losses than to sell a small portfolio with poor attrition and loss profiles.

Conversion to Buyer's Platform

Strategic buyers of portfolios want the merchants processing on one of their platforms, and that means a conversion. The merchants will be moved to the buyer's BIN and back-end settlement platform. Often the merchant also will need to be moved to a different front-end processor.

Moving merchants is ALWAYS a huge problem. There rarely is an incentive for a merchant to move. The merchant must learn new procedures or call different people for help or have a different monthly statement or billing method. A portfolio sale is always a negative for a merchant, and notification that a merchant's contract has been sold is often reason for a merchant to look for a better deal with another processor.

To maximize the price of your portfolio, you should offer to move it to the buyer's platform at your cost. If you do

not do this, the buyer will build in a huge haircut in value (as much as 25%) under the assumption that a high percentage of the purchased merchants will not convert to the buyer's platform or stay very long after the conversion. In addition to the perceived attrition that will occur, the buyer also will have costs of conversions that will be subtracted from the price you are offered.

In summary, the best buyer is the one who has the most to gain from an acquisition.

Here are three transactions that appear to have been huge winners for all of the parties involved.

• First Union found a company that was ready to go public and converted portfolio to stock that made a fantastic return for the First Union stockholders in the early days of NOVA's post-IPO valuation.

• Concord EFS was looking for a management team and found Larry Stone, who could fulfill that need as well as anyone in our industry.

• NPC was looking to expand into the regional account marketplace, and SalomonSmithBarney found NPC to help Heartland's management team raise the funds to buy out its bank partner.

If your portfolio is too small to have significant impact to a potential buyer, you are not going to get great valuations. But you can maximize your valuation if you will protect the buyer from the unknowns with a recourse sale. If you want to take your money and not look back, you will take a significant haircut on valuation, but you will be able to find a buyer unless your merchant base is loaded with risky merchant types.

One of the experts on valuation of merchant portfolios is Marc Abbey of First Annapolis Consulting (410-855-8521). Marc and his associates have made presentations on portfolio valuation at industry meetings throughout the country. If I wanted to sell a small, midsize or large portfolio, I would call Marc and ask him to sell it for me. He knows the buyers, and he knows what they are looking for. Another expert focused on very large portfolios (billion dollars plus) is Robert Hyer of SalomonSmithBarney (212-816-8703).

There are a lot of experts, but these are two I can recommend based upon first-hand experience. If you are looking to sell a portfolio for the first time, I promise you one thing: You will be a lot more knowledgeable about a lot of things after the process is completed than when you started. Good luck maximizing the value of your portfolio!

GS Announces Advisory Board Changes

A few changes have been made in our Advisory Board. We are introducing our newest member, Joyce Leiser, Director of Strategic Sales & Emerging Markets, U.S. Wireless Data, Inc.

Joyce is a long-term wireless player who has been selling wireless point-of-sale since 1995. Her current focus is on developing large-business opportunities in emerging markets for wireless.

In this capacity, she works closely with the card associations: She is U.S. Wireless Data's relationship manager for MasterCard, Visa, American Express and for the wireless carriers. Joyce also is one of the company's liaisons with ETA and is a participant in the New Technology Forum.

When asked why she chose to join our Advisory Board, Joyce replied, "I have been involved in the transaction-processing industry for many years, with a special concentration in the wireless POS industry. I would like to make sure I can help with education on this segment of the business for both wired and wireless processing."

Each member of the Advisory Board was asked what he or she thought we could do differently to better serve the ISO community. Joyce's response was insightful:

"My personal suggestion is to make sure that the agents who work for ISOs have access to this publication. It is one of the most widely read publications; however, I know that in some organizations, only the officers/owners receive this and do not always make the information available to the agents, their help desk and others in the back office who consider their part in running the ISO a career.

"It would certainly help them to better understand the importance of their role and how it affects their company as a whole. Also, it may educate them and encourage them to take more pride in their work and even give them an incentive to grow and learn other aspects of our industry and move on to other jobs related to this industry."

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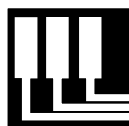
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New Standards for Payment Acceptance

A five-year agreement to develop, manufacture and supply a new generation of electronic funds transfer/point-of-sale terminals was reached recently by Ingenico Corp. and First Data Corp.

While terms of the agreement were not disclosed, it brings together two global leaders in payment services and technology, combining experience, perspective and areas of focus in one EFT/POS solution.

Officials for both companies expect the relationship to create a new standard for payment acceptance and value-added service delivery at the point-of-sale.

Plans for the first-of-its-kind terminal include building flexibility into it for adding future applications. The EFT/POS terminal will incorporate both present and future First Data subsidiaries' requirements for providing transaction services at the point-of-sale.

The terminals will be smart card-enabled and signature capture-enabled and will have the capacity to accept virtually all forms of payments.

Using this jointly developed technology, First Data subsidiaries, including Western Union and First Data Merchant Services, will be able to further reduce costs, hardware requirements and training time as well as free up retail counter space for their merchants with the new terminals.

Jean Jacques Poutrel, Chairman of Ingenico Corp. and Chairman and CEO of Ingenico S.A., said, "Our agreement with First Data is an acknowledgement of Ingenico's global leadership in payment terminal technology and clearly demonstrates Ingenico's total commitment to the North American market."

"Our relationship with Ingenico creates the solid base of technological and industry expertise we need to make this project a success," said Michael Yerington, President of Western Union America.

"The resulting terminal will address the needs of First Data subsidiaries, enabling us to improve payment and service delivery efficiency while greatly improving our ability to cross-sell services, resulting in a stronger brand identity and increased profitability. This device will be a powerful addition to an already robust product line."

The terminals will feature a single, easy-to-use interface to support a wide range of First Data products and services, for many types of clients and businesses.

Around the world, First Data Corp. provides approximately 2.6 million merchant locations, 1,400 card issuers and millions of consumers with a full spectrum of electronic commerce and payment services.

These include credit, debit, smart card and stored value card-issuing and transaction services, Western Union money orders and transfers, and check processing and verification services in North America, Europe, the Middle East and Australia. The company, headquartered in Denver, has 28,000 employees worldwide.

Ingenico Corp. is the North American division of the global provider of smart card transaction products and systems in 70 countries, Ingenico S.A. Ingenico Corp. provides hardware, software, services and solutions for the growing transaction needs of the North American marketplace.

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GSQ November 2001 Update: Finding The Missing Lynk

Lynk Systems Inc. was omitted from our November 2001 GSQ report, "Credit Card Acquiring in America." Based on 2001 acquiring volume, Lynk ranks 21st overall and 16th in relation to the First Data Alliance.

Founded in 1991 and headquartered in Atlanta, Lynk is a national provider of electronic payment, cash dispensing and e-commerce services.

The company processes transactions initiated by credit and debit cards, checks and other cards from merchant point-of-sale terminals, ATMs and Web sites. Lynk also provides related payment services such as the issuance of stored-value cards that facilitate electronic funds distribution.

Lynk controls the entire processing sequence, including sales, merchant payment equipment, design and hosting of Internet storefronts, transaction authorization, capture, settlement and customer service.

Lynk provides payment services to 65,000 merchant POS terminals and cash-advance services at 11,000 locations nationwide, representing 17 million transactions a month. Lynk employs 450 management and technical personnel at its headquarters and 435 sales associates who market products and services across the United States.

...BY THE NUMBERS — LYNK SYSTEMS INC. ACQUIRING VOLUME

	1998	1999	2000	2001	Growth 2000-2001
Merchant Sites	30,376	42,868	47,633	53,390	12%
Acquiring Volume	$1.9 b	$2.9 b	$4.6 b	$6.3 b	37%

Checking In at the BAI Show:
Fraud Statistics are Alarming

During a December afternoon at the Bank Administration Institute (BAI) Show in the Anaheim (Calif.) Convention Center, I learned a number of interesting things about check fraud. For example, the latest American Bankers Association survey, conducted last summer, showed that check fraud had increased 20% at community banks and 27% at regional banks since the previous survey two years earlier. Check fraud at large banks has doubled in the last two years!

Large bank losses are increasing 17% annually. Banks experienced an estimated 447,342 fraud cases, with an average gross loss of $1,518. The most common source of check fraud was checks written against consumer accounts. The most common type was forgery, followed by NSF and closed accounts. About a quarter to a third of fraud is linked to new accounts.

Visa

Visa has two initiatives. One is called Smart Visa. Issuers mail a Visa card with a chip and then mail a card reader to the consumer. The consumer puts the card in the reader and downloads software to integrate the reader to the browser, and then when buying something the consumer has to fill in a password in a special box on the screen.

There are eight financial institutions enrolled and four pending (out of more than 20,000 financial institutions), and not all Visa cardholders are eligible. Further, it does not support Apple users and supports only certain browsers.

The second initiative is called "Verified by Visa." The consumer applies to his issuer and is given a password, which is entered or given for mail order/telephone order purchases. Again, not every card is eligible, and there are a total of 17 merchants registered (with 12 pending).

In short, these two initiatives have virtually no impact in the marketplace.

Visa also is showcasing its POS "Check Service," which it is marketing to its DPS clients. (Visa says that in 2000 consumers wrote 19 billion checks at POS, valued at $3.5 trillion, representing 51% of personal-consumption expenditures for the year.)

Visa gives the merchant a choice of routing an Electronic Check Conversion (ECC) transaction through VisaNet or through the ACH. Visa incents merchants to use VisaNet by paying them revenue for each check, whereas if they are using the ACH they are getting billed by their Originating Depository Financial Institution (ODFI).

Getting set up requires that the FI link the service through Visa DPS. Visa suggests that the FI hire a consultant called Paragon Applications Systems to develop interface software that formats POS check service transaction messages exchanged between the bank and Visa.

One bank said that using Paragon saved it six weeks of internal programming, so you can see what an effort this is and why banks will not be quick to adopt it. Currently, only one bank (BB&T) is using this service.

The Visa program offers the bank three products: conversion only (merchant retains the risk), verification with conversion (merchant retains the risk), and guarantee with conversion (bank accepts the risk and puts a hold on the funds).

> **One bank said that using Paragon saved it six weeks of internal programming, so you can see what an effort this is and why banks will not be quick to adopt it. Currently, only one bank (BB&T) is using this service.**

Finally, Visa has another program called Visa E-Pay, which allows the FI to bill consumers via their Visa debit card.

The appeal to a financial institution is that if it is a biller (i.e., it bills its own credit cards, installment loans, mortgages, car loans, leases, etc.)

and it is getting paid by a "Check and List" arrangement, the staff has to manually review, sort and post items.

This may be 10 times as costly as standard lockbox processing and might introduce errors and delay crediting of funds. As far as I can tell, this would involve getting the consumer to agree to have a check converted to a debit card transaction.

MasterCard

I asked about MasterCard efforts regarding its pilot for authentication for card-not-present purchases. Its representative said that 80 to 85% of credit card fraud occurs in card-not-present situations, with half because of "friendly fraud," (i.e., the person makes the call and subsequently denies it).

They said that MC is trying to shift liability for chargebacks in the MOTO world from the merchant to

the issuing banks, but the banks are refusing to support this move (obviously).

Other news was that the pilot program to authenticate credit card transactions that was supposed to be a joint venture between MasterCard and Visa has been scrubbed because Visa withdrew from the program. This makes it unlikely that a true authentication program will be widespread because the consumer would have to register multiple times.

SafeCHECK

This is an ECC product that FDIC-insured FIs are eligible to use. The FI connects via the SafeCHECK switch or through its current processor. The purpose is to create an "industry-owned" (as opposed to non-bank owned) ECC and verification service. It uses the existing ATM infrastructure.

Merchants are told that only a bank-

owned service can actually look into the DDA on a real-time basis. It is sold as either a "guarantee" or "non-guarantee" solution. Presumably, when the drawee bank puts a hold on the funds, it can guarantee that the funds will be there.

SafeCHECK is owned by three major ATM networks (NYCE, Pulse and STAR) and 11 large FIs. It is a subsidiary of SVP Corp.

Primary Payments Systems

PPS is designed for FIs but is available to retailers, credit card issuers and others. It consists of a common database of user-members, currently 160 million DDAs. FIs use it for teller inquiry, opening new accounts, deposit processing, fraud detection, check capture reject and repair operations. All they need is a Primary Payment Systems MICR reader and a phone line. It has 28 response codes, including account present,

new account, closed for cause and NSF.

SQN Systems

SQN is the largest provider of signature verification software and serves half of the largest banks in the U.S. Its software/hardware captures and stores signatures. All signatures can be immediately shared with all branches worldwide.

Tellers can review a check in three seconds and no longer need to look at checks or signature cards. The system also retrieves exception items and pairs them with appropriate signatures for electronic inspection at the rate of 900 checks per hour. It flags suspected stop payments, exceptions, etc.

Carreker-Antinori

This company is basically a consultant on float management. However,

it does have a check fraud prevention product. It is a parameter-based system that evaluates each check based on predefined parameters against an account history file.

It looks for duplicate check numbers, missing serial numbers, check numbers that are out of the range of what is currently being written by the account holder, and an amount that exceeds the previous highest amount of a check from that account, lack of account history, a low dollar check pull, lowest check number, and invalid routing and transfer numbers.

Carreker-Antinori has a similar product to catch deposit fraud (a crook deposits fake items and then withdraws the money before being caught). That product looks for deposits that exceed the account's average balance as well as invalid routing and transit numbers.

This system is designed to be sold exclusively to FIs.

Smart Auto Accessory Could Drive Sales, Service

Here's a really smart way to use smart card technology – the kind of obvious application that makes you think, "Why didn't I think of that?" AutoSmart Inc. has been working on a way to bring smart card technology to the automotive industry for five years and has just recently released the AutoSmart Card.

One little chip-embedded card has the potential to change the relationship between new and used car dealers, service centers and their customers – in other words, anyone who buys and drives a car.

The AutoSmart card soon might become an indispensable, wallet-sized auto accessory, offering a unique range of benefits, services and informational resources.

All pertinent information about a vehicle's repair history can be stored, accessed and tracked. New and used car dealers can add special customer-incentive programs to the card for customer-retention purposes.

AutoSmart card will help harried drivers keep track of scheduled maintenance, manage repair records and provide them access to repair histories – no more looking through the glove compartment, under the car seats or in various file folders for receipts of work done.

AutoSmart provides car buyers, sellers and owners with permanent, updateable, mobile, secure and, most important, certified records of a car's operation, repair and service history.

The AutoSmart program also will help dealers retain customers by allowing them to develop their own loyalty programs to add to the cards and create long-term relationships with their customers after the initial purchase and expiration of factory warranties.

The AutoSmart card stores virtually everything about a vehicle, including manufacturer and technical specifications; roadside service plans and extended warranties; registration and insurance; safety and emissions test results and manufacturer recalls; repair and service costs; and debit/credit and other financing information.

Many of the uncertainties associated with buying a used car could be eliminated with the AutoSmart card. The fear of not really knowing what you're buying and the risk of repair fraud could go the way of the Edsel

because the AutoSmart card stays with the vehicle when sold or traded.

The AutoSmart card uses the same technology used in other cards embedded with mini-processing chips, but it is the first patented application to record maintenance, operation, service and regulatory compliance of machines and the first patented automotive application. The information stored on the chip is read with a specifically configured reader/writer.

Although the AutoSmart card's first application will be specifically with new car dealers across the country, the card also will accommodate the needs of companies involved in leasing, vehicle rental, shipping, trucking and freight as well organizations like school districts, governmental bodies, airlines and utility companies.

The AutoSmart system also includes features for vehicle fleet management.

Bill Kelly, Chief Operating Officer of AutoSmart, estimates the cards will be used by more than 175,000 new car buyers nationwide by the end of 2002.

New car dealers in New York, Chicago, Los Angeles, San Francisco, Houston, Seattle, Buffalo and Washington, D.C., are already using the AutoSmart card.

By the end of the first quarter, Kelly also expects the cards to be adopted by dealers in Georgia, Tennessee, Mississippi and Alabama.

AutoSmart Inc. is based in Northern Virginia. Information about the AutoSmart card program is available online at www.autosmartcard.com.

COMPANY PROFILE ◄ ◄ ◄

Merchant-Pay.com

ISO contact:
Robert Hughes
Phone: 770-754-6457
E-mail: sales@paymentclearing.org

Company address:
2503 S. Padre Island Drive
Corpus Christi, TX 78415
Phone: 361-654-1481
Fax: 209-671-8201
Web sites:
www.merchant-pay.com
www.paymentclearing.org

ISO benefits:
- Works solely through ISOs.
- Shopping cart is fully integrated e-commerce solution, not an add-on.
- Competitive prices.
- First-tier merchant support.
- Extensive support system for ISOs.
- No long-term commitment required.

An Evolution of E-commerce

"We started as Web developers in '94, wanting to get into e-commerce for small ma-and-pa stores. We discovered early on that it was hard to find a reputable and knowledgeable merchant account provider to partner with for e-commerce solutions. A lot of ISOs could resell gateways, but their expertise was not in implementation and maintenance. Agents would sell services and then be gone. We cared. We had to. Our clients were the merchants. We had to answer to them."

— Robert Hughes, Co-Founder, Merchant-Pay.com

And answer Merchant-Pay.com did. By 1998, Robert Hughes and his two partners had become extremely knowledgeable about products and services that met merchants' e-commerce needs. All the pieces came together and an integrated product was created, combining an efficient and user-friendly shopping cart in conjunction with an effective gateway to support the service. Merchant-Pay.com was born as an Internet payment gateway and third-party transaction processor all in one.

Today that gateway is integrated with nine different processing networks, including such major players as NOVA, VISANET (Vital Processing), Concord/BuyPass Terminal ID (TID), FDR/FDC, GENSAR, MAPP, CES/4 (CardNet/First Data/FDMS), NABANCO (FDMS/First Data) NDC/CNET/N (GPS), PaymentTech and Global Pay. What does this mean for ISOs? Plenty.

For starters, Merchant-Pay.com works solely through ISOs. The primary benefit to ISOs is the fact that the mechanism by which the merchant connects to the gateway – the shopping cart – is a fully integrated part of the e-commerce solution. It's not an add-on feature that the merchant has to search for on his or her own.

Second, the merchant support is provided by Merchant-Pay.com, not the ISO. Merchant-Pay.com doesn't require the reseller to provide it unless the reseller wants to. And the bow on the Merchant-Pay.com package is that it comes completely branded as the ISO private label. Is there an ISO out there who doesn't want to increase the value of their brand?

Pricing levels are designed to offer greater profit potential to ISOs based upon their monthly account volume (see chart below).

"The profit point is also pretty great with our system," says Hughes. "Competitive, if not less."

Merchant-Pay.com Pricing Levels

Tier	Users	Setup Cost	Monthly Cost
1st	0 to 24	$50	$16
2nd	25 to 49	$35	$13
3rd	50 to 99	$25	$11
4th	100-plus	$15	$9

But, according to Hughes, that's where the competition ends.

"Our competitors' shopping carts are not truly integrated with an online system," he says. "And don't forget our unique support. We've not come across any gateway that provides first-tier merchant support. We offer support directly to the merchants either via telephone or e-mail, just as if they were our clients and not those of ISOs – because they are."

Merchant-Pay.com wants ISOs to focus on their core competency – sales. Merchant-Pay.com believes ISOs should be selling accounts, not supporting them.

"If our ISOs want to be hands-on, great," says Hughes. "We provide the mechanism. They don't have to use our support services."

But it would seem foolish if ISOs didn't take advantage of those heavily invested support systems that provide exten-

> **"If our ISOs want to be hands-on, great. We provide the mechanism. They don't have to use our support services."**
>
> – Robert Hughes

sive technological expertise in a timely and efficient manner. The systems are constantly being surveyed, monitored and upgraded to meet the ever-changing e-commerce needs of the marketplace.

Merchants get a live person 24/7 through Merchant-Pay.com's Real-time Ticketing System. In each merchant interface, there is a support icon that the merchant need only click to automatically send a request, question or problem to the Ticketing System as a priority request.

Within one to two hours, that "ticket" is assigned to a technician who responds to the merchant via e-mail or telephone with the solution. The system is live 18 hours a day with after-hours response handled through paging of the technicians.

Merchant-Pay.com believes just as strongly in ISO support on an ongoing basis. Branded user manuals are provided to each partnering ISO. Online ISO training is scheduled at the convenience of the ISO to educate agents on the benefits as well as the features of Merchant-Pay.com's products and services.

"We believe in this market it is getting so tight, and merchant services are a commodity," says Hughes. "Rates are getting cut. You must increase the value of your brand and your product and services. Your merchant has to buy value, while the better rate will get the business. We can't be the end-all solution, but we can definitely help."

By providing a Internet gateway system with the merchant vested in the solution in terms of time and results, Merchant-Pay.com believes the merchant will be less likely to drop the providing ISO for a couple of basis points.

It would appear that belief is ringing true. More than 6,000 merchants are utilizing the Merchant-Pay.com transaction processing system, and more than 250,000 shopping cart solutions have been downloaded, though the process for the shopping cart has changed. No longer downloadable, it is now in an online version, form-driven with the merchant configuring it via the Web. The technology is the same best-of-breed shopping cart solution, according to Hughes.

Merchant-Pay.com's shopping cart solution isn't all that has evolved. According to Hughes, its business model is changing as well.

"If the market constantly evolves and you don't, it is only a matter of time 'til you are out of the market," he says. "Our biggest challenge is the same as everyone's – the economy. We haven't seen it affect us greatly because e-

commerce is still going strong. And we will continue to service that market."

Hughes says the biggest challenge facing ISOs today is being able to create enough value in their own organization and product/services so as not to get gauged by the ISO next door. He believes ISOs need to do everything they can to retain their merchants.

What Hughes hopes ISOs will realize is that Merchant-Pay.com is not only offering them Internet services for new accounts but for old merchant accounts as well, thus strengthening the bond with those existing merchants.

From its beginnings as a Web-development business, Merchant-Pay.com has become an e-commerce service provider for ISOs. Where is Merchant-Pay.com heading in the near future? "Up!" Hughes says. "We are planning on welcoming 50 to 60 new ISOs annually."

His message is simple: "Do what you can to strengthen your brand, whether through us or another provider. We would love to be hooked up with every ISO, but that is unrealistic."

So which ISOs is Merchant-Pay.com looking to hook up with? "I hate to sound cliché, but we want to work with the ISOs who are fair," says Hughes. "There are a lot of ISOs who want to make 95% of the money and split the rest between their providers. We don't want to work with those. We want to work with those who are fair to their merchants, themselves and to us."

Merchant-Pay.com's corporate headquarters are located in Atlanta along with its billing, accounting and technical-development divisions.

"Development is half our business," says Hughes. "If we didn't develop and research our products, we wouldn't be Merchant-Pay.com."

All work, both software and tech development, is done in-house. As for the general day-to-day operations and the all-important technical and sales support departments, they are located in Corpus Christi, Texas.

Merchant-Pay.com offers its e-commerce transactional processing on a month-to-month basis – no long-term commitment is required. Even though there is not a free trial period implemented yet, Merchant-Pay.com is staging a seven-day trial for an ISO's merchants. Merchant-Pay.com puts its product capabilities onto the ISO's interface, and the ISO then creates a demo for the merchants.

ISOs interested in what could be a lucrative demo should visit www.merchant-pay.com.

NEW PRODUCT ◀ ◀ ◀

Sleek and Speedy Solutions

ThruComm Inc., an integrator and provider of "always on" networking services in the EFT marketplace, recently introduced the ThruComm Integrator Solution, a flexible, managed enterprise network solution that promises a faster, more reliable and less costly way to support payment transactions, back-office applications and corporate data communications.

ThruComm's Integrator offers network options that are backed by common technology, performance guarantees and support services and are specifically suited for the Electronic Funds Transfer (EFT) industry. This array of options uses fixed wireless, terrestrial frame relay and VSAT technology to connect merchants of any size to ThruComm's enterprise network and the Internet.

"No matter how large or small a merchant may be, they must be able to support fast, reliable, secure electronic transactions at the point-of-sale, including debit, credit and popular loyalty applications like electronic gift cards," said Mark Gianinni, CEO and President of ThruComm. "Larger businesses also need to support back-office enterprise applications that can cut their costs and streamline operations.

"The old way, which uses multiple slow and costly dial-up lines, simply can't meet today's merchant requirements. We're making it easy for processors, merchants and ATM network providers of any size to migrate from dial-up connectivity to an 'always on' network that completely supports their growing payment transaction and data communication needs."

At the heart of ThruComm's Integrator Solution is the Customer Interface Device (CID). Common to all ThruComm Integrator options, the CID enables existing POS, ATM and other communication devices to achieve connectivity to ThruComm's IP frame relay network.

With the CID installed on location, connected devices achieve three- to five-second network-response times and

99.9 percent guaranteed network availability, important benchmarks for merchants who have seen the number of electronic transaction authorizations rise over the last 10 years from one in 18 to one in four.

Because Integrator uses existing ATMs, electronic cash registers, PCs and POS systems, it protects merchants' investments in terminals, training and systems integration. In addition, Integrator eliminates the need for multiple dial-up lines, instead providing connectivity for multiple devices at one monthly cost.

All Integrator customers receive 24/7, end-to-end network monitoring, 99.9 percent network availability and four-hour network restore time between 8 a.m. and 11 p.m. daily. Because ThruComm has more than 2,800 field technicians across the country, its customers receive end-to-

end service support, including network design, installation, proactive network management and field maintenance, making ThruComm's Integrator a complete managed enterprise network solution.

"When each authorization you perform through traditional dial-up lines takes 30 to 60 seconds, you get poor productivity, loss of potential revenue and unsatisfactory customer service," says Gianinni. "ThruComm's

The ThruComm Integrator TFR Solution

Integrator TFR supports both POS and enterprise applications using a terrestrial frame relay connection. Integrator 900 also supports both POS and enterprise applications but at a slightly lower cost than Integrator TFR because it uses a spread spectrum, digital RF connection – in effect, wireless frame relay. As the areas within reach of this wireless solution increase, Integrator TFR customers easily can switch to Integrator 900.

Integrator Solution works with merchants' existing equipment to eliminate these dial-up deficiencies, replacing them with 'always on' network connectivity that improves customer service, delivers faster transaction speeds and optimizes terminal functionality at the POS."

Integrator 800 supports POS applications only using a digital wireless connection. This service is designed for merchants with low to moderate transaction volumes.

For remote customer locations, Integrator VSAT establishes a connection with a host processor via a Ku band VSAT link. Integrator VSAT supports POS and enterprise applications.

ThruComm's Integrator Solution is installed in more than 2,000 locations and is sold through ThruComm's direct sales force as well as reseller partners. Sales professionals looking to add ThruComm Solutions can visit its Web site at www.thrucomm.com or call 727-821-2300.

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- Minimum Fee Income
- Bundled Rates
- Debit Income
- Transaction Fee Income
- Equipment Warranty Income
- Check Guarantee Plans
- Check Conversion Income

★ **CUSTOM PROGRAMS:**
- We can customize your income streams to suit your needs!

- Tell us what you are looking for and we can make it happen!

- No one in the industry offers this!

★ **NO APPLICATION FEES**
★ **3 HOUR APPROVALS**
★ **FAXED APPLICATIONS OKAY**
★ **E-COMMERCE SOLUTIONS**
★ **WIRELESS SOLUTIONS**
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- On-line real time account status

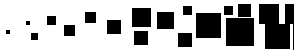Call Clayton Howard today at **(800) 748-6318 ext. 2319** or Steve Stoffel at **ext. 2292** or email agents@ecx.com to learn more and take the first step towards a more rewarding financial future!

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APPOINTMENTS

ETA President Changes Companies

James Plappert has joined First American Payment Systems as Executive Vice President. He will use his 19 years of industry leadership experience to develop new business strategies and head First American's efforts to actively pursue mergers and acquisitions within the bankcard industry. Plappert is the current President of the Electronic Transactions Association. He has served on ETA's executive board for nine years and has served on ETA's industry relations and executive committees.

FYISOs

New VP of Sales at The Horizon Group

POS equipment and service provider The Horizon Group has named Michael A. Weigel as Vice President of Sales. Weigel will be responsible for directing Horizon's national sales efforts. He has 25 years experience in the electronic payments, soft drink and leisure time industries. Before joining Horizon, Weigel served as Vice President of Marketing Development at electronic payments processor Concord EFS.

First Annapolis Announces Changes

First Annapolis Bank of Maryland has announced four promotions within its senior management staff. Jill Stierli, who has been with First Annapolis since 1998 in financial management and information technology, has been promoted to Chief Financial Officer. Robert Lime was promoted to Principal and will focus on the firm's retail services, including advising on financing and payment strategies.

Frank Martien also was promoted to Principal; he specializes in mergers and acquisitions, and his area of focus will be on the firm's card-issuing practices. Ray Chinn has been promoted to Senior Consultant and also will focus on the bank's card-issuing and electronic-banking practices, advising banks and non-bank financial services providers.

First Annapolis is a management consulting and mergers and acquisitions advisory firm with a primary focus on the financial services industry.

ACQUISITION

First Data Expands Gift Card Business

First Data Corp. has acquired Gift Card Services Inc., a provider of stored-value gift cards to small and midsize retailers. The acquisition will add to First Data's gift card business by accessing a new segment of the market; its ValueLink stored-value cards currently serve large national and regional merchants. Gift Card Services has provided a wide range of gift card services, including 24-hour client support and proprietary software, since 1984.

ALLIANCES

STAR System Signs with Billion-Dollar Bank

Star Systems has signed West Suburban Bank to a long-term processing and network participation contract. West Suburban Bank is a commercial bank with $1.3 billion in assets, based in Lombard Ill. Star, a subsidiary of Concord EFS Inc., was selected by West Suburban for both its PIN-secured debit network and full range of ATM products and services.

Joining the STAR system will give West Suburban's customers coast-to-coast access at 180,000 ATMS and 750,000 POS locations nationwide as well as new transaction- and payment-services options. West Suburban anticipates it will issue 200,000 cards within the first year.

Private Label for Citi Commerce Solutions and First Data

First Data Corp. signed a long-term agreement with Citi Commerce Solutions to provide transaction-processing services for its private-label accounts in the U.S. and Canada. Citi Commerce Solutions is Citibank Card's private-label credit card division servicing large merchants. First Data Resources processes 312 million accounts, including some Citibank accounts.

That's Not Peanuts

NOVA Information Systems has a new contract with Union Planters Corp. to provide payment-processing serv-

ices to its 12,000 merchant customers in 12 states, valued at $1.7 billion in charge volume.

Union Planters is a multistate bank holding company offering banking, investment, mortgage and insurance services to more than 2 million individuals and businesses. Based on total assets, UPC was the 28th-largest bank in the U.S. as of June 30, 2001.

Mosaic Software and Retail Decisions Prevent Fraud

Mosaic Software's electronic funds transfer clients can now utilize Retail Decision's card-based transactions services to help prevent payment fraud. The partnership benefits financial, telecommunications, retail and e-commerce businesses.

Mosaic Software clients can now route card authorizations through ReD's ebitGuard service for analysis before the transaction is complete. It gives merchants the information they need quickly and customers a smooth shopping experience. The service provides access to a full portfolio of tools and technologies, such as databases of known fraudulent cards, lost or stolen cards and shopper habits.

NCR To Support Windows XP Professional

By midyear 2002, select NCR POS workstations will support Windows XP Professional, Microsoft's premier operating system. Windows XP provides improved security, reliability and usability, increasingly critical requirements for the retail industry.

NCR's support for Windows XP will include open POS retail and application programs and will integrate with NCR's current portfolio of retail peripherals. Operating-system recovery and systems-management tools are also part of the package.

NCR also is planning on incorporating Windows XP Embedded and is collaborating with key retail customers on installation.

Bigger Brother

Accurint's comprehensive skiptracing tool can be accessed by Ontario System's clients through OSC Link, an interface connecting independent service providers with users of Ontario's FACS and CT Vision products. OSC Link, FACS and CT Vision connect several companies offering collections-related services, such as credit reports, letters, skiptracing and bankruptcy reports.

By searching a database of 20 billion records from 400 sources within seconds, Accurint lists debtors' phone numbers, addresses, SSN numbers, birth dates, and all known addresses and contact information on relatives, associates and neighbors.

Check Adjustments

The Western Payments Alliance (WesPay), which serves more than 1,100 banks, thrifts and credit unions in the western U.S. and Pacific Region, has selected an electronic check adjustments platform from Thompson Financial Publishing. TFP's Adjustments Community is an exchange system for adjustments processing and settlement.

Inter-bank check adjustments remain a largely manual process and are among the costliest payment expenses incurred by financial institutions. Millions of checks written in the U.S. require adjustments to correct processing errors and settle transactions accurately. Electronic check adjustments reduce costs by enabling financial institutions to send and receive information over the Internet in a secure, authenticated environment.

The Western Payments Alliance serves as a cooperative, non-profit organization enabling member financial institutions to efficiently process paper-based and electronic

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financial transactions. It is the first regional payments association to deploy TFP's Adjustments Community. Thomson Financial Publishing provides regulatory compliance solutions to financial institutions worldwide.

NEWS

Pennsylvania Merchant Sues Visa and MC

Based on the recent antitrust ruling in New York Federal Court, a class-action suit brought on behalf of Stephen L. Flood alleges that Visa and MasterCard conspired to monopolize the market for credit card services. The suit seeks unspecified damages for all businesses forced to pay higher fees to accept Visa and MasterCard.

The Wilkes-Barre, Pa, businessman charged that Visa, MasterCard and the banks that issue the cards illegally agreed the banks would not issue cards from American Express or Discover. Flood said he brought the suit to underscore his belief that competition in the marketplace results in lower prices for consumers. Flood's business, AAG International Inc., sells military and other antiques.

Blackstone's POS Patent

The United States Patent Office has granted Blackstone broad rights to protect its exclusive POS technology, including hardware, software and methodology. Blackstone's innovative system utilizes custom applications and software supported on Hypercom's ICE 5500 platform.

The terminal will integrate the processing of all major credit cards (Visa, MasterCard, American Express, Discover), ATM/debit/EBT cards, and the sale of prepaid products and bill payment services. This is the first patent granted for the POS system; more are expected here as well as abroad. Blackstone provides prepaid telecommunications products and services and is based in Miami, Fla.

Build Better Sites

Microsoft has released a test version of its latest software for building e-commerce Web sites. Commerce Server 2002 offers several new features and will integrate with Microsoft's Visual Studio.Net suite. Used together, the software packages will enable programmers to create custom features for their e-commerce Web sites.

Commerce Server allows Web site operators to tailor and manage catalogs of products and services based on their customers' preferences. It also provides developers with the tools for building online buying and payment processes.

BREAKING NEWS

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INSPIRATION ◄ ◄ ◄

You've Got a Friend

It used to be easy doing business in the old economy. You walked into an actual building, sat down with an actual person and had an actual conversation. Now it's a virtual storefront, clicking keys instead of conversing, closing deals with an electronic handshake. The customers may be coming aboard morre quickly, but without the proper support and service they can just as quickly jump ship.

What steps can you take to maintain customer loyalty in an environment where information is so easily accessed and everyone's products look the same on a screen? The basic steps: Bond with customers, partner with prospects.

The American Heritage Dictionary defines a partnership as "two people associated with one another in a common activity; an alliance." Creating that alliance involves more than e-mails, cell phones and Web sites. It involves combining old-economy business practices with new-economy tools.

While the Internet and advanced technology can facilitate account-processing and order-taking at heretofore unseen speeds and levels of accuracy, they cannot and should not replace the personal aspect that is paramount to selling.

What makes a merchant choose one ISO's payment-processing solutions over another may boil down to the basic and often overlooked value-added service of a personal touch, a sincere interest in that merchant's preferences, a smile that can't always be seen but is always heard in the tone of a voice or felt by an unexpected act of friendship.

The following checklist can help you define how much of a partner you are to your customers:

• I always return customer calls the same day. If I can't personally return the calls, I make sure someone else calls them to explain why.
• When initiating calls, I first ask if it's a good time for my customer to talk.
• I call my customers at least once a month just to say hi.
• I keep myself informed about my customers' businesses – i.e., reduced or increased sales volumes, change in inventory, new neighbors, etc.
• I keep my customers informed about the latest equipment and services that are relevant to their business.
• I encourage my customers to share their opinions and attitudes ... and always take them seriously.
• I anticipate my customers' needs and act on them.
• I don't oversell products and services.
• I know the names of each customer's spouse and children.
• I know my customers' birthdays and anniversaries ... and send appropriate greetings on those dates.
• I've taken my customers out to lunch, dinner or drinks within the last three months.
• I show respect for my customers at all times.

Reaping What You Sow

Have you ever heard selling compared to farming? Both involve long hours and seasonal fluctuations. Both are directly affected by market climate and conditions. But, by far, the biggest similarity is that both farmers and salespeople reap what they sow. For an abundant harvest, you must sow many seeds. In other words … prospect.

It's a word that strikes fear in many ISO hearts. Fear of rejection is powerful, but overcoming that fear promises productivity of great proportions. All that is needed is an attitude adjustment. Prospecting is the key to making money.

Prospecting is imperative to increasing sales. Why? Because prospecting helps you identify potential customers. Does this merchant need service? Does this prospect have the authority to make the decision for service? Can this prospect sign not just the contract but the check as well?

Prospecting is to be welcomed, not feared. It will allow you to control your financial destiny. Consider the fact that the size of your residuals is directly related to the number of prospecting calls you place.

Since prospecting is a goal, treat it as such. Praise yourself for setting up that appointment or completing that initial
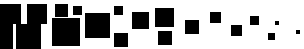
DATEBOOK

ETA 2002 Annual Meeting & Exposition

Highlights: This is the show dedicated exclusively to the acquiring industry. People from all sectors of the electronic transactions industry will attend, including CEOs, sales and marketing reps from ISO programs, service providers, processors, e-commerce companies, debit networks, ATM providers, financial institutions, credit card companies and associations, and equipment/software manufacturers. More than 2,000 attendees are expected at this not-to-be-missed event. Meet, greet, learn, strike deals and solidify partnerships. ETA will present its largest trade show yet, with more than 50,000 square feet of exhibit space featuring the industry's top companies showcasing state-of-the-art products and services. Workshops and keynote addresses will focus on all areas of operation in the industry. Former Speaker of the House Newt Gingrich is scheduled to be a featured presenter.

When: April 10-12

Where: Marriott World Center, Orlando, Fla.

Registration Fees: Vary by ETA membership status, workshop selections, activities and registration date. Registration discount for reservations before March 18. Complete details on Web site at www.electran.org

How to Register: Download information and forms from www.electran.org. Contact the ETA at 800-695-5509; fax 816-472-7765; mail to 14 West Third Street, Kansas City, Missouri 64105

CTIA Wireless 2002

Highlights: CTIA Wireless 2002 brings together the companies that helped lay the foundation for the wireless industry and the newcomers that are expanding this industry into new market segments. "Wireless Lifestyles" represents the next step in the evolution of the wireless industry, broadening the marketplace where wireless figures into everything we do – at work, at play and everyday living. The largest and most highly attended wireless show in the telecommunications and computing industries will cover all areas wireless is manifested beyond the cell phone or PDA and will encompass new and emerging technologies, such as telematics, WLAN, home RF, bluetooth and fixed wireless. Mikhail Gorbachev, former president of the USSR, is scheduled to be the keynote speaker on Day 3.

When: March 18-20, 2002

Where: Orange County Convention Center, Orlando, Fla.

Registration Fees: Vary by CTIA membership status, conference package preference and registration date. Special-interest seminars and Wireless Gala also are available for extra fees. Get complete details at wireless2002.ctsg.com.

How To Sign Up: Online at http://wireless2002.ctsg.com. Phone 301-694-5243.

call. You've achieved a goal, and the elation from that achievement translates to excitement and enthusiasm, not just for you but for your prospect as well.

On the flip side, there will be disappointments while prospecting, but they don't have to mean discouragement. Sales is a process, not an event. By making sure that process ends only when you've converted that prospecting into a paying client is the difference between being a good salesperson and a great one.

Don't Take It Personally

The childhood nursery rhyme – "Sticks and stones may break my bones, but words will never hurt me" – holds value in today's tough sales arena. Who doesn't know that sellers need a thick skin to make it in sales? For those professionals not born to sell, maintaining a tough exterior is not always easy.

We all want people to like us. We all want people to want to do business with us. We all want people to approve of us. If a sensitive salesperson can't find a thick-skinned suit to wear, does that mean they won't be successful? No! They just haven't been shopping in the right place.

When a prospect rejects your proposal, it is a reaction to your product or service, not to you personally. An indifferent attitude doesn't mean you're boring. It just means the prospect doesn't find your services appealing. You represent your product. You are not the product.

The rejection is aimed at the service. Remember, the services you offer may not be for everyone. It's no reflection on you individually. Offer your thanks and move to the next prospect. Don't dwell on rejection. Set your sights on the next "acception."

If a merchant appears disinterested, it may just be the presentation and not the person who's presenting it. You're very interesting. Why not make your presentations just as exciting? Refining your presentation and selling skills is the solution. You, personally, are not the problem.

Don't ever let rejection be the schoolyard bully that keeps you from making calls or going back out on the field for the next pitch. The best way to deal with rejection is facing it head on and remembering that it's not personal.

Good Selling

Paul H. Green

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Since its inception in 1991, Certified Merchant Services has grown to become one of the largest companies in the electronic transaction processing industry.

This is in large part because of the ISO's and Independent Agents who have submitted business through the years.

THE PROGRAM FOR *NOW* AND THE *FUTURE*

To show our appreciation to all the ISO's and Independent Agents, CMS is pleased to present the following:

• NO RISK   • NO LIABILITY   • NO GUARANTEED INCOME TO CMS

LOW RISK RETAIL

	CMS			Competition		
	CMS 1-9	CMS10-19	CMS 20+	Program A	Program B	Program C
Buy Rate	1.49	1.49	1.49	1.4966	1.4966	1.49
Trans Fee	0.099	0.095	0.089	0.10	0.16	0.25
Application Fee	0	0	0	0	0	0
Statement Fee	$5.45	$4.95	$4.95	$5.50	$7.50	$7.50
Minimum	$0 100% above $10			$0 100% above $10		
Mid Qual		.40% of 1.20%	.45% of 1.20%	1.69% + .10	.30% of 1.39%	
Non Qual		.40% of 1.50%	.40% of 1.50%	1.69% + .10	.30% of 1.39%	
Debit	0.24	0.23	0.22	0.28	0.25	0.30
Amex	$25	$25	$25	$25	$25	$25
	24 times*	25 times*	26 times*			
	*Residual buyback per agent agreement					

MOTO - E-COMMERCE

	CMS			Competition		
	CMS 1-9	CMS10-19	CMS 20+	Program A	Program B	Program C
Buy Rate	1.99	1.99	1.99	2.25	2.25	2.29
Trans Fee	0.19	0.18	0.17	0.30	0.30	0.30
Application Fee	0	0	0	0	0	$25
Statement Fee	$5.45	$4.95	$4.95	$3.50 of 12	$3.50 of $12	$10
Minimum	$25 100% above $15			$25 100% above $15		$25
Non Qual		.40% of 1.50%	.40% of 1.50%	.15% of 1.39%	.30% of 1.39%	
Amex	$25	$25	$25	$25	$25	$25
	24 times*	25 times*	26 times*			
	*Residual buyback per agent agreement					

LEASING PROGRAMS

WE OFFER:

Check Conversion with Guarantee
Realtime Status Reports
Wireless Solutions
Electronic Giftcards
Online Application
Universal Application
Guaranteed Lease
Faxed applications

CMS	Other		CMS		Other		CMS
0.0288	.0295	$49 =	$1,701	vs	$1,661 =		$40 more + No 1st & last
0.0314	.0315	$49 =	$1,560	vs	$1,555 =		$5 more + No 1st & last
0.0394	.0399	$49 =	$1,243	vs	$1,228 =		$15 more + No 1st & last

"The Innovators of Electronic Transaction Processing"

Certified Merchant Services
Call 877 • 309 • 1099

www.certifiedmerchantservices.com