GS The Green Sheet

The Financial Services Industry Source for Education, Inspiration and Actionable Advice

Inside This Issue:

The Green Sheet Is Honored!

In writing this headline, I realize that this is true in a number of ways. Since late 1983, The Green Sheet has been a voice in the payment services industry, serving the exclusive interest of sales professionals. We have been honored to be able to grow concurrently with the industry and by being continuously encouraged from every corner that we were "making a difference" in the lives of ISOs.

It also might interest our readers to know that over the last 18 years I have kept the letters, e-mails and even handwritten notes of encouragement along with press clippings, industry stories and sales literature from industry players and the like in which The Green Sheet's material was used and/or quoted.

The staff referred to this as my "Atta-Boy File," but it often has also contained strong counsel from well-meaning detractors. In my mind, it has been the only real measuring stick along the way because for more than a decade we had neither subscriptions nor ad revenue, making The Green Sheet more a crusade than a business. As a whole, we have worked hard to listen to the industry and have tried to shape and reshape our efforts to better serve our readers.

Frankly, all of the staff that works so hard each week to produce The Green Sheet, The Green Sheet Online and the GSQ is honored by the simple fact that The Green Sheet is so well supported as we near the end of our 19th year and that we have continued to be able to grow.

But as in the entertainment industry, while the

Notable Quote:

The potential exposure in the Wal-Mart case alone is huge and growing each day. Do the banks that own MasterCard and Visa have deep enough pockets to foot that potential bill? Might they (can they) walk away from this liability, forcing one or both organizations into bankruptcy? Anything is possible in the payment business.

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"Relax, Mr. Edwards. Here at MegaCorp Financial Services, we believe that the separation of a fool from his money should be an enjoyable experience for everyone involved!"

What's the Deal with Debit?

I am currently doing research on the debit card market to identify how different consumer segments use debit, the penetration of debit by demographic group, and the opportunity for debit growth within those groups.

One element I wish to understand better is the ownership of financial products by demographic group, particularly the ownership checking accounts.

Do you have any research that indicates the percentage of the U.S. population owning checking accounts? Any data that describes the demographics of individuals with checking accounts and the average balance of these accounts would be appreciated; for example, "checking account ownership by age group, race, income, employment, education," etc...

I appreciate your time. Please don't hesitate to let me know if there is a cost for this data.

Thank you.
Sandra Lee-Soy
Director, Market Intelligence
Visa USA

Sandra:
Our most recent issue of GSQ (Vol. 5, No. 2, May 2002) is a report on the check authorization market. In this report we publish our most recent consumer survey data on check and debit card usage. On Page 10 we state that 59% of the participants reported having a debit card. This report is available to all subscribers.

FORUM ◀ ◀ ◀ ◀

All of our previous check studies reporting on paper check usage in the U.S. (some debit card data included) are available online at www.greensheet.com/gsqindex.html

Good Selling!
The Green Sheet Staff

Credit Cards vs. Checking Accounts

What is the approximate number of issued personal major credit cards in the U.S. and the approximate number of active personal checking accounts? I've come across these numbers in the past, but I can't remember where to research.
Thank you for your help.

David J. King
Via e-mail

David:
We do not collect data on the card- issuing side of the business. we suggest that you check with the Nilson Report or Credit Card Management for that data.

The November 2001 GSQ was our latest report on credit card acquiring in the U.S. marketplace. This report is available online in PDF format.

According to "Checks at the End of the 20th Century and Beyond," 88% of the adult U.S. population has a checking account (174 million). We do not have data on the number of DDA accounts in the U.S. This book by Paul Green is available for $19.95 + shipping. To order, please call 800-757-4441.

Our previously published check studies are available online at www.greensheet.com/checkstudy.html

Good Selling!
The Green Sheet Staff

CORRECTION

The phone number for Moneris Solutions was listed incorrectly in the July 22, 2002 (02:07:02) issue of The Green Sheet. The correct number is 1-800-462-7633.

box office and even the reviews may be good, it is also gratifying to hear from your peers. Such is the case with the receipt of three awards this year, which we wish to share.

The Green Sheet was recently honored with three "APEX" (Awards for Publication Excellence) awards. The winning submissions were in the Features Writing, Web/Intranet Site Design and Online/Electronic Newsletters categories. The awards are presented to recognize the quality of editorial content, graphic design and overall effectiveness of communication achieved by the publications.

APEX 2002 was the 14th annual awards program sponsored by Communications Concepts, Inc., which serves the entire publishing industry. For the 2001/2002 publishing year, Communications Concepts received 5,863 submissions from businesses, freelance communicators, professional organizations and

non-profit groups from across the country. With this vast amount of material to review, the judging was organized into 11 main categories.

Contributing writer Lisa Dowling's profile ("Success is All in the Family"), which appeared in issue 01:12:02, won in the Features-Personality Profiles category.

The efforts of graphic designer Troy Vera, Webmaster Kyle Rankin and the editorial staff were recognized twice for overall ease of navigation, layout and content of the material on www.greensheet.com – once in the Web/Intranet Site Design category and again in the Electronic/Online Newsletters category.

Over the years, The Green Sheet has continued to evolve from a photocopied four-page newsletter written by me in the crevices of the rest of my life to a professional publication. For the purpose of acknowledging the work of this wonderful staff, I am pleased to accept three APEX

awards, confirming what I already knew, that The Green Sheet has some of the brightest and most capable editors, writers, graphic designers, researchers, accounting specialists, circulation staff and Web design and technical personnel in publishing.

But the best proof of all for our 2001/2002 year is that our circulation is up and we've seen an increase in both quantity and quality of editorial content, with contributions from well-respected industry leaders and other outside writers. The magazine looks and reads differently, too. The Web site has become the most comprehensive source for industry information, averaging 37,000 visits per month.

The numbers speak for themselves, but we're so pleased our efforts have been recognized with these awards.

We really are reaching the right people with the right stuff in the right way.

Visa, MasterCard Face Many Challenges

The Visa/MasterCard Lawsuit

By Patti Murphy

Could the financial meltdown threatening Wall Street spread to the credit card sector? Some say it has already with the recent shutdown by regulators of NextBank, the dot-com credit card bank, and its NextCard portfolio. The greater threat, though, is that Visa and MasterCard could someday find themselves in an Enron-like situation – in bankruptcy court, with one-time competitors vying for their brand-name assets.

It sounds far-fetched, I know. And some payment experts postulate that even if this were possible, Washington would step in before things ever got to that point. But faint warning signs are beginning to glimmer on the horizon, and Visa seems to be taking notice. The card giant has even hired a big-name lobbyist – former Senator Alan Simpson (Republican from Wyoming) – in hopes that it can sway Congressional sentiment to its favor.

Warning Signs

In June, Standard & Poor's, the rating service, cut its rating outlooks for both Visa and MasterCard to "negative" from "stable." Now, this isn't as bad as cutting their credit ratings. (S&P continues to rate MasterCard's long-term debt "A" and Visa's "A+;" S&P rates short-term debt for each company "A-1.")

What the change says, however, is that in the opinion of S&P analysts, the two companies' credit ratings are more likely to be lowered than raised over the next two to three years. And they point to pending litigation against the two – namely, the so-called "Wal-Mart suit," which calls into question interchange fees – as a precipitating factor.

Visa and MasterCard both have downplayed the significance of the S&P change. "We continue to believe that Visa USA has a very strong position in the Wal-Mart case and that when the merits of the case are heard in court, we will prevail," read a statement out of Visa's headquarters.

A spokeswoman for Visa told us there were no obvious short-term consequences of the S&P action, adding that the bank-owned company "only rarely accesses the credit markets." What's more, she noted, Moody's Investors Service, another well known rating service, in early July "reaffirmed our strong credit rating and kept our long-term outlook at 'stable.' "

Wal-Mart and a slew of retailers have a class-action lawsuit pending against Visa and MasterCard challenging the associations' "honor all cards" rules, which require any retailer that accepts Visa- or MasterCard-branded credit cards to also accept debit cards bearing those brand names.

While in theory retailers would like to accept these Visa and MasterCard "offline" (or signature-based) debit cards – let's face it, retailers, in theory, want to be able accept all forms of value exchange – they resent that the interchange fees assessed for the Visa- and MasterCard-branded debit cards are equal to those for credit cards (1% or more of the transaction total).

Retailers insist that the risks are different between credit cards and offline debit cards and that interchange fees are tied to risk. The retailers' reasoning: Debit card transactions post against checking accounts (where funds are on deposit), whereas credit card transactions represent an extension of unsecured credit by the card-issuing bank.

What's more, online (PIN-based) debit card transactions (which also post against checking accounts and clear through ATM networks) are priced substantially lower than offline debit cards, at a flat rate of about 65 cents per transaction.

The bottom line, retailers assert, is that the honor-all-cards rules result in massive overcharging and violate federal antitrust laws by "tying" acceptance of one product (credit cards) to another (offline debit cards). And the retailers want to be refunded what they claim are overcharges dating to the introduction of Visa and MasterCard offline debit cards nearly a decade ago.

Visa and MasterCard challenged the class-action status of the retailers' suit, taking the matter all the way to the U.S. Supreme Court. But in June the Supreme Court refused to consider the case, which means that every Visa- and MasterCard-accepting merchant in the country (about 4 million) potentially qualifies for a piece of the settlement if the retailers prevail.

The potential cost to the card companies of this outcome is huge. Depending upon whose assertions you believe, the overcharges range from about $13 billion to $39 billion, and under federal antitrust law those amounts are subject to tripling in final judgment, which means the card companies could be liable for amounts totaling $100 billion or more.

It's Not Just U.S. Retailers

The retailers have a lot going for them. A case brought against Visa and MasterCard by the U.S. Justice Department ended in a ruling last year that the two card companies acted illegally by not allowing member (owner) banks to issue competing cards, such as Discover and American Express. (That decision is pending appeal.)

The retailers also have a formidable ally heading up their legal team: Lloyd Constantine, a New York-based attorney who made a name for himself when, as chief of New York state's antitrust team, he led a task force of state attorneys general that challenged MasterCard and Visa plans to create a joint-venture national online debit card program dubbed Entre. The card organizations settled that suit by pulling the plug on Entre.

Constantine has gone on record as saying the Wal-Mart case is the biggest of his career, dubbing it "the Super Bowl for us" in a 2001 interview with the American Banker newspaper.

Wal-Mart's allies aren't limited to the United States. Government officials in Australia and Europe also have raised questions about MasterCard and Visa interchange fees.

The Reserve Bank of Australia, which unlike its U.S. counterpart (the Federal Reserve) actually wields regulatory power over MasterCard and Visa, last year proposed sweeping reforms to the credit card schemes operating in that country. Among its proposals: "an objective, transparent and cost-based methodology" for setting interchange fees, and the elimination of card company rules that prevent retailers from recouping costs by surcharging payments made by credit card.

The proposal elicited responses from about two dozen organizations, including magnum opuses from both Visa and MasterCard that railed against the plan. A spokesman for the Reserve Bank of Australia told us the plan and comments are under study; a final ruling doesn't seem likely before the end of this year.

(In July, the Reserve Bank of Australia also announced it was considering options for mandating changes in the interchange fees for online POS debit transactions. Recent press reports out of Australia suggest interchange fees for both debit and credit could be slashed by as much as 30% as a result of these pending actions.)

Antitrust authorities with the European Union also have been investigating interchange fees. According to a July 19 report on the Dow Jones Newswire, the E.U.'s trustbusters soon will announce a victory of sorts for Visa and MasterCard: Interchange fees, in concept, are acceptable, but the rates are too high.

The E.U. reportedly wants the card companies to slash interchange fees by about 20%. That decision won't sit well with the 5 million-plus European merchants who have complained about interchange; EuroCommerce, a group representing those merchants, has said it likely will appeal any decision by the E.U.'s Competition Commission that OK's interchange fees, even if the banks are ordered to cut the fees.

European bankers aren't just concerned about homeland merchants, either. In the recent merger of Europay (a European-based debit card network) and MasterCard, the banks that had bankrolled Europay reportedly demanded they be excused from any liability arising out of the pending U.S. retailers' lawsuit.

Sizing Up the Risks

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The Visa/MasterCard Lawsuit

fees merchants pay for card payments, originally was designed to defer card issuer costs and risks. (Card issuers, remember, are granting credit to cardholders based on analyses performed by card acquirers, merchants and the issuers themselves.)

But with the advent of electronic terminals and sophisticated fraud databases, the underlying risk calculations have been rendered significantly less relevant. So today we have what Visa and MasterCard have dubbed "incentive pricing," featuring a plethora of fees based on an assortment of factors, including retail sector, transaction size, risk and type of card used.

These last two factors have retailers crying foul. As noted earlier, debit cards post against checking accounts, where cardholders presumably have available funds on deposit; credit cards represent extensions of unsecured credit. From the merchant perspective, interchange fees for debit cards should be lower because the risk of loss to issuers is lower.

The Wal-Mart suit has been in the courts for nearly six years, and with each passing year Visa- and MasterCard-branded offline debit card transactions (and by extension, the disputed "overcharges") have grown substantially. Last year, transactions using these MasterCard and Visa cards totaled in excess of $260 billion combined. This year, it's reasonable to expect the total will surpass $300 billion.

It's anybody's guess how huge the total will be when a final court decision is rendered, but the "overcharges" and potential damage awards, should Visa and MasterCard lose this case, will be substantially greater than the current estimates of $100 billion.

The Wal-Mart case is pending in U.S. District Court in New York and, regardless of the outcome, most certainly will be appealed. And with each passing year, the potential damage awards will grow as offline debit card usage grows.

The big question, of course, is how Visa and MasterCard will pay up if the retailers win. Historically, the associations' operating budgets have been tied to assessments on member banks, based upon the volume of card business transacted through those banks.

In recent years, however, many banks have balked at paying what often amount to huge assessments that are often spent to boost card businesses at competing banks. (Some industry experts, for example, have suggested the decision by Citibank to leave Visa and become a sole MasterCard issuer was premised at least in part on this concern.)

According to Moody's, Visa's capital-markets activities are limited primarily to medium-term notes and commercial paper (about $300 million outstanding) that are used to help maintain a liquid position in multicurrency transactions. Visa also has access to about $1 billion in bank credit, Moody's estimates.

MasterCard has about $80 million in subordinated debt dating to 1998, according to a spokeswoman. She adds that with the recent change in MasterCard's corporate structure, the company has more than $700 million in shareholder equity and no longer has any need for the debt. "It could be repaid at any time," she said.

The potential exposure in the Wal-Mart case alone is huge and growing each day. Do the banks that own MasterCard and Visa have deep enough pockets to foot that potential bill? Might they (can they) walk away from this liability, forcing one or both organizations into bankruptcy?

Anything is possible in the payment business.

The Visa/MasterCard Lawsuit

The fact that MasterCard and Visa could lose this case hasn't been lost on either organization. That Visa has hired former Senator Simpson to plead its case offers clear evidence of this.

It's not uncommon for Congress to step in and force compromises in legal cases where the stakes are huge. Or, as one of my Washington lawyer friends explained, "Congress can just change the law."

But what if that doesn't happen, and there's no out-of-court settlement, and the retailers prevail in the courts? Could we witness Visa and/or MasterCard in the throes of bankruptcy proceedings, and a company like Morgan Stanley Dean Witter (which runs Discover Card) bidding on the assets of these payments networks? Hmmm.

Patti Murphy is Contributing Editor of The Green Sheet and President of Takoma Group. She can be reached by e-mail at pmurphy@takomagroup.com.

Advisory Board Addition

The Green Sheet Advisory Board has added another new member: Thomas F. McGarry, Senior Vice President of Sales and Marketing for AMPS Wireless Data, Inc., which provides a full range of innovative, wireless point-of-sale solutions. AMPS has offices in Scottsdale, Ariz., and western Pennsylvania. Its solutions include smart phones, PDAs and wireless POS terminals.

While McGarry is "relatively new" to the financial services industry, he has 28 years of experience building regional and national sales forces in wireless telecom and other related areas. He views serving on the Advisory Board not only as an opportunity to share his expertise but also for his own education.

"With any involvement with people in the credit card field, I'll do nothing but learn," McGarry said. "The breadth of strong, cross-industry people on the Advisory Board will give me opportunities to learn and exchange ideas. I've found The Green Sheet to be very informative, a good reference source with lots of facts that might trigger an idea for me."

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Concord Creates Synergy with Certegy

Concord EFS is spanning its wings in hopes of flying high. In May 2002, Concord added 35,000 ATMs to its processing services following the acquisition of Core Data Resources, an electronic transaction processor. In July, Concord reported revenue growth of 28 % for the second quarter of 2002 compared to 2001 and also announced a joint business initiative with Certegy in hopes of strengthening its check conversion services in the retail segment.

Under the new agreement, Certegy will power Concord's check conversion and warranty services. The check services will be integrated on Concord's STAR Universal terminal along with credit, debit, electronic benefits transfer, IDLogix age verification, electronic coupons and customized receipts.

"We believe that Certegy's extensive experience in check risk management combined with simple check reader technology is the synthesis that will help check conversion to become more widespread and allow us to deliver on the promise of reducing the costs of accepting checks for payment," Concord President Edward A. Labry III.

Certgey and Concord will jointly market Certegy's complete suite of check authorization services, including imageless electronic check conversion, to Concord merchants and prospects nationwide.

As part of the agreement, Concord will provide front-end point-of-sale processing for credit, debit and electronic benefits transfer payments for Certegy's 40,000 merchant customers plus any new merchants signed by Certegy.

"Concord and Certegy's product lines are very complementary, so the combination of Concord and Certegy products creates a powerful offering," said Labry. "While Concord is strong in merchant acquiring and network services, Certegy's strengths are in card processing and check risk management."

"Concord's front-end technology is simply the best in the business," said Lee Kennedy, Certegy Chairman and CEO. "We're confident that our retail clients will be pleased that we chose Concord for their credit, debit and EBT payments."

Concord's business relationship with Certegy dates to 1999, when Concord first included Certegy in a portfolio of check authorization providers that Concord offered in its check services product line.

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Hypercom Appoints New Chairman of the Board

Hypercom President/ CEO Christopher S. Alexander has been elected Chairman of the Board, succeeding George Wallner, Hypercom's founder and Chief Strategist.

Alexander joined the company in 1993 as CEO of Hypercom International. In 1998, he became Executive Vice President of Global Operations for Hypercom Corp., and then in 1999 Alexander took charge of worldwide point-of-sale and multi-lane markets as President of Hypercom Transaction Systems Group, also overseeing the Horizon Group, a national distributor of POS equipment.

According to Hypercom, the appointment of Alexander to Chairman of the Board is a result of his achievements during the past two years in charting the company's growth.

"It gives me great pleasure to announce Chris Alexander's appointment as Chairman of the Board. As President and CEO, Chris has done a magnificent job in orchestrating and charting Hypercom's growth in the traditional payments space and beyond," Wallner said.

Wallner, who founded Hypercom in 1978, previously held the positions of President, CEO and Chief Technologist for the company. Wallner will continue to serve as Chief Strategist.

"George Wallner's enormous and very positive contributions to Hypercom, and indeed the entire electronic payments industry, cannot be overstated. It is a challenge and privilege to accept this passing of the baton," Alexander said.

Before joining the company in 1993, Alexander held senior-management positions with companies in the communications and data-storage industries. Alexander has an MBA from Georgia State University and a B.S. in industrial management from Georgia Institute of Technology.

Hypercom (NYSE: HYC) recently reported second quarter 2002 operating income of $3.3 million compared to a second quarter 2001 operating loss of $2.1 million. Operating income exceeds prior-year quarter and six-month year-to-date results by $5.4 million and $19.8 million, respectively.

Electronic Check Conversion:
A Golden Opportunity for ISOs and Merchants

By Gerard F. Milano
Western Payments Alliance

As the Federal Reserve begins putting its full support behind electronic check conversion, ISOs have a good opportunity to help merchants understand the significant benefits of new check processing technology while making merchants more competitive.

Electronic check conversion, made possible by technology such as check scanners and other all-in-one devices, is the process of transforming a paper check into a digital file that includes the information currently contained on a paper check – the dollar value of the item, the payee, and the MICR line. Once converted, the file becomes an alternative method of collecting a traditional paper check.

This is vitally important to merchants in an era of shrinking profit margins and increased competition. Electronic check conversion enables merchants to reduce their payment-transaction costs because electronic checks can be processed at a fraction of the cost of debit or credit card transactions.

The emphasis on electronic check conversion is quickly moving to the forefront in the wake of Sept. 11 and the Federal Reserve's support of electronic check collection and other efficiency measures.

In an effort to educate the public about the issues involving electronic check conversion, the Federal Reserve recently published a helpful guide that explains electronic check conversion and outlines the rights and responsibilities of consumers with regard to ECC transactions.

"When is Your Check Not a Check? Electronic Check Conversion" describes electronic check conversion in detail and informs consumers what happens when their check is electronically converted. The guide also tells consumers what they can do if they have problems with an electronic check transaction. The guide can be reproduced for distribution and is available at http://www.federalreserve.gov/pubs/checkconv/.

Reducing Costs Everywhere

When a paper check is converted into an electronic file, the merchant truncates or cuts short the usual check-collection process. An electronic check can be transmitted to a paying financial institution without physical transportation.

As a result, financial institutions reduce their costs with a digital image of a check because it's cheaper than delivering a check by air and/or ground transportation to a data center, where drafts are processed using expensive check sorters.

Additionally, because the merchant's name can be inserted in the electronic transaction, checks that are electronically converted deliver more transaction data than traditional paper check collection. In fact, electronic check images can provide the same transaction details on consumer checking statements as debit or credit card sales.

For ISOs, electronic check conversion represents a good opportunity to help merchants reduce costs while providing them with a new generation of products that will further streamline the nation's payments system by eliminating paper check collections.

Gerard F. Milano is Chief Executive Officer of the Western Payments Alliance, which collects 1.2 billion checks a year for its 1,100 members in the western U.S. Milano can be reached at 415-433-1230 or gmilano@wespay.org.

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WHITE PAPER ◄ ◄ ◄

NCR's Self-Service Strategy Provides
Every Element of a Successful Kiosk Program

By Eric Thomson

As ISOs look for new solutions to bring to retailers, the self-service kiosk represents a rich platform for creating up-selling and new recurring revenues. The other important dimension of self-service offerings for ISOs is that they open doors to non-traditional markets, such as airports, theatres, malls, high-traffic office complexes and convention centers.

Who better to explain this opportunity than NCR? In the opening paragraph of this white paper, NCR establishes its credentials by stating that each year its equipment handles more than 20 million transactions through more than 300,000 self-service terminals. Of course, most of those devices are ATMs.

Not widely appreciated is the amount of experience NCR has with the self-service channel for retailers. This document was designed to increase the awareness of these skills.

This white paper is excellent on a number of levels, not only for its educational content in terms of explaining NCR's core competencies in bringing self-service solutions to market on the kiosk platform, but also for showcasing its value-added partners. It would have been a must-read document had NCR devoted more space to hard-dollar returns from this technology.

There is still more than enough valuable content in this white paper to make it worth your time, especially if you are interested in learning more about the components and emerging applications being deployed via self-service devices. ISOs can look forward to someday selling scaled-down versions of the applications NCR describes in this white paper.

Types of Self-Service Kiosks

Before going into the highlights of the NCR white paper, I thought it would be helpful to list the different types of stand-alone kiosks[1] that cover the range of applications found on this platform. Of course, many kiosks are designed for retailers who run two or more of these applications on the same stand-alone device.

• **Information and Demonstration Kiosk:** New technology and advances in medicine require a great deal of consumer education, and these devices are designed to facilitate this process in an unattended manner. You will find more and more of these in pharmacies, health and vitamin retailers, and electronics/cell phone stores.
• **The E-Commerce Kiosk:** This is the in-store retailer Web site kiosk. When your inventory exceeds your store floor space, this walk-up workstation enables customers to search and order merchandise appropriate to their unique needs. These are very common in national bookstores.
• **The Customer Service Kiosk:** When there are wide swings in your customer arrival patterns or the need for specialized skills make it impractical to have this expertise available in each location, these walk-up or sit-down enclosures are ideal. Brokerage houses and banks are deploying these devices. They often will have phone and video IP conferencing capabilities to provide access to a central customer service center pool of experts.
• **The Loyalty Kiosk:** This terminal workstation will allow new customers to register their membership into a loyalty program, issue cards, provide stored-value load, issue coupons based upon card swipe and provide updates on points accumulation. More and more of the "big box" membership retailers like Costco and Sam's are deploying these devices.
• **The Self-Checkout Kiosk:** NCR is at the forefront of this technology, which is being deployed in large discount and supermarket chains – primarily for use by customers with a few purchases. Another popular site for this type of device is a library.
• **The Incentive Kiosk:** An extension of the loyalty kiosk, but for customers without a retailer card. They can walk

up to these touch screen terminals and see displays of various discount offers that, once selected, will generate bar-coded coupons that can be redeemed at check-out. Specialty food and wine shops are deploying these devices along with recipe lists.

•**The Gift Registry Kiosk:** Target Stores made this type of kiosk mainstream for upscale discount and department store chains. The registry process is being integrated with e-mailing lists for bridal registry, baby showers or anniversaries.

•**The Store Locator Kiosk:** These are common in high-access thoroughfares to malls or "superstores" as convenient ways of directing customers to the store or section they are interested in visiting.

•**The Bill Payment Kiosk:** NCR is also leading this initiative with installations it has been doing with cellular phone companies and utilities. They provide the customer with bill coupon capture and accept various forms of payment along with printing of receipts.

•**The Human Resource Kiosk:** This kiosk is deployed as a retailer management productivity device for new employee screening, exit interviewing, benefits program updates, W2 changes, etc. These are quite common with large retailers paying minimum wage to employees without access to the Internet.

•**The Customized Kiosk:** When you offer a complex set of options to your customers, this device allows your clients to design and order to their unique requirements – such as car showrooms or financial services/insurance brokers. As an example, NCR built a solution for Fidelity Investments that does stock trades, prints research reports, moves investor money around between accounts or checks on stock quotes. Online investor support is also available via phone.

Now that you have a sense of the type of kiosks being deployed in various settings, we can return to the NCR white paper to understand how these programs get designed and deployed.

Self-Service Kiosks Program Fundamentals

NCR opens this document with large showcase-type examples, such as last year's installation of more than 3,000 Web Kiosks for Wal-Mart as gift registries and an online catalog. High-exposure deployments like this one will open the minds of the storefront retailers, showing them how to compete by providing their customers with expanded inventory while giving up very little square footage. The kiosk provides their customers with the convenience to order in-store with either return for pickup or fulfillment directly to their home.

Just like your sale of POS payment services, self-service kiosks require equipment, supplies, software and processing by solution providers. NCR differentiates itself from its competition by providing a sequence of services leading to a turn-key installation. Of course, it manufactures the equipment, which can be as simple as a single

touch-screen tablet up to very complex modules of processing that enable a retailer to provide self-service check-out.

NCR's consulting division provides services such as ROI justification, application development, testing and integration under a project-management team contracted to pull the pieces together and install the kiosk anywhere in the world. For larger clients, NCR can customize the look and feel of these self-service devices. Because advertising is becoming an important component of payback, NCR has established relationships with large agencies for streaming images of the latest movie or new soft drink during wait times in the middle of an authorization or Internet screen refresh.

NCR also realizes it can't be all things to all people and has partnered with a number of specialized value-added firms to justify the deployments of self-service kiosks. The remainder of the white paper provides examples of these win-win partnerships:

•**Healthnotes, Inc.** develops modules of information on nutrition, diet and drug-herb-vitamin interactions that can be viewed on a walk-up kiosk while a customer is waiting for a prescription to be filled, for example. The specialized knowledge necessary to keep these programs current represents a content-provider relationship that NCR can use to justify kiosk program sales.

•**Netkey** is the second partner example NCR features in this document. This firm provides a comprehensive suite of software components to devise user interfaces, download applications, monitor terminal wellness and performance reporting.

•**e-maxx** is a firm specializing in the design and execution of customer-management tools – especially for streamlining peak-period order entry and return-pickup selling environments. It has developed "20/20 Vision" programs for use in the deli, film, bakery or florist locations. These programs allow a customer to approach a kiosk at a section of a store or shopping mall, place an order and return for pickup rather than wait in line.

•**3M** and **Lexmark** are kiosk-solution partners of NCR that provide touch screen terminals and printer options for clients – depending upon their unique requirements. This section of the document explains how patented technology or focus on hardware components can play a critical role in differentiating NCR's offerings and competitive advantage.

Excerpts from This White Paper

•"What we looked at were tasks with a repetitive nature and high frequency that could be automated."

•"We were able to install this program globally and to

provide the services required to make the installations – on time, on budget and in remote locations."

•"The solution includes the NCR Web kiosk and receipt printer and enables customers to pay with cash, checks and credit or debit cards."

•"By providing shoppers with easy-to-use, actionable information about different subjects, we help stores differentiate themselves and achieve competitive advantage."

•"When you go to the vitamin area of a store, you want some self-care and to give your family things that are good for them. Often, the clerk doesn't have the necessary information and the pharmacists may be too busy."

•"Netkey Creator software helps businesses develop the kiosk user interface as it moves Web content from the desktop to a public space."

•"I have what I call the 'rule of six.' When there are more than six people already in line at the counter, you won't join it. And if there are more than six people behind you, the sales associate won't be able to change your order no matter what – because all you want to do is get off that line."

•"Our system is designed so that when a customer walks into a deli and addresses a kiosk, by either swiping an affinity card or entering a phone number, they will be greeted with a message that might say, 'Your usual order is a pound of Swiss cheese, a pound of turkey and a half-pound of ham. If that's what you want, push this button.' The customer can then pick up their order 15 minutes later at the cold case."

•"Benefits include the fact that you don't have to know how to use a computer to interface with a touch screen."

•"One of the other major benefits is the ease of retail staff training."

•"Consumables are also key. The fewer interactions a store employee has with the printer, the better. Our toner cartridges have one of the highest yields in the industry – up to 30,000 pages. For many kiosk applications, a toner cartridge will not need to be changed more than once a year."

[1] *This list was taken from an article found in the January 2002 issue of Kiosk magazine. See the suggested site link for this publication in the recommended links at the end of this column.*

Web Sites for Kiosk Solutions

www.atmmarketplace.com
Excellent site for keeping updated on ATM and self-service kiosk developments. Offers a free e-mail summary of new articles.

www.kiosk.com
This is a more targeted self-service kiosk news-tracking site.

www.ncr.com/solutions/store_automation/rsa-kiosks.htm
NCR's kiosk-solution site.

www.netshift.com
A kiosk-solution provider worth checking out.

www.kis-kiosk.com/frameset.html
Another important solution provider in this space.

www.apunix.com
A final solution provider.

www.atpos.com
This company has extensive experience with flat screen pallets that provide digital signature capture, receipt archive and retrieval supported by a Web-based platform for integration with third-party content providers.

Eric Thomson is Executive Vice President of Profit Source Advisors. He can be reached at etprosc@attbi.com.

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Dynamic ISO Duo Finds Road to Sales Success

INDUSTRY LEADERS

GINGER & WALT HOLLOWELL

From high school sweethearts to highly successful sales professionals, Ginger and Walt Hollowell are a true American success/love story. They are partners both in and out of the boardroom. They have eight children, ages 9 to 27. And they run a successful independent sales organization, Electronic Money Co. in Albuquerque, N.M. Its cornerstone is built around a strong work ethic garnered from solid Midwest backgrounds, an ethic that has seen the Hollowells through difficult and challenging times.

Ginger was born and raised in Skokie, Ill., a suburb of Chicago. Her family was conservative, Catholic and Republican. "My dad worked and my mom stayed at home with the kids," says Ginger. "I was taught to study hard, do well in school and get a good job – be successful."

When she was a teen-ager, Ginger's family moved to Connecticut. It was there that she would meet Walt. Walt's family had relocated to New England as well when he was a teen-ager. His family originally was from Kansas City, both parents coming from farming backgrounds. "We had the same work ethic," says Walt. "You show up every day, no matter what, and give it your best."

The two met in high school and have not been apart since. When Walt entered Norwich University, a military college in Vermont, Ginger enrolled nearby at the University of Vermont but transferred to Norwich for her final year. They married in August 1972 and graduated in 1973. "We were the first married couple ever to graduate from Norwich," Ginger says proudly.

Walt earned a degree in business while Ginger received a degree in mathematics. She loved numbers and took her passion to the computer science work arena. Her first job was writing software.

Walt's first foray into the business community was sales – motor freight sales, to be exact. He got involved with

trucking, became a terminal manager, even got a commercial license, leaving the office at times to help out on the road.

The newlyweds missed the lifestyle of their upbringing, though, and returned to the Midwest – first Ohio, then Chicago, then Missouri, but then Denver and finally New Mexico. "In the trucking business, you tend to get transferred quite a bit," says Walt.

In 1975, their first child arrived. Seven more followed over the next 18 years. "Every two years, we'd be on speaking terms," Ginger jokes. During that time, Ginger stayed at home while Walt worked hard in the trucking industry.

In 1996, Ginger returned to work. At that time, Walt and his dad had teamed up and formed a private trucking company. Ginger did payroll and then expanded her duties to all administrative work when Walt's dad retired. Walt, as always, handled the trucks and the drivers.

"Our trucking company didn't last forever," says Walt. "We don't recommend anyone leave the credit card business to go into trucking. It's very competitive. The overhead is high and margins are low. We hated it. We got to the point we weren't making money, we hated each other and argued a lot."

The Hollowells realized they had to get out, so they handed the keys back to the bank. They declared bankruptcy and quite frankly didn't know what to do next. Walt was tired of managing people and all the headaches that go along with it, so he took a job driving trucks and went back out on the road full-time. Ginger secured a job as office manager for a small computer tech services company.

"I thought about getting back into writing software, but now with my admin background, I decided to do office management instead," she said.

Ginger soon figured that the money wasn't there, either. While still working her day job, a cousin turned her on to multilevel marketing and Ginger discovered she loved dialing for dollars. "I couldn't wait to get home and start calling," says Ginger. "People liked me, trusted me and I started migrating toward sales."

She started selling computer services for her employer. That first year, Ginger made quite a bit of money for the company but still was hungry for a straight commission structure. Her appetite was sated when she met someone who sold credit cards. She got a sales book, signed up, spent a day in training and hit the ground selling. She worked evenings and weekends, calling on people before work at 7 a.m. and after work at 7 p.m.

"I loved it. I was earning an extra $500 a week just by working an extra 10 hours a week," says Ginger. Working part-time in credit card

processing and full-time in software selling, Ginger put $5,000 in the bank in just three months. With barely enough cushion to quit the day job and switch to her dream of straight commission, Ginger took the leap in 1998 and started selling credit card processing full-time for another ISO.

"It fit me like a glove," Ginger says. "I went to the top of the sales chart right away. I got a lot of mindset training from my multilevel marketing background. You become what you think about, and I thought about changing my life, growing rich."

A week after Ginger quit her job, tragedy hit. Walt had a serious injury on the job, and it required surgery and rehabilitation. The Hollowell family went from two middle-income wages to one determined wife and mother relying on straight commission with an injured husband on half-pay and eight children to support – just a little pres-

illusion

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sure. What's a woman to do? Make a career in the credit card business, what else?

From time to time, Ginger would attend sales-training seminars and conferences and Walt would go with her. "I got to thinking, well, this doesn't sound hard. I saw value in it," says Walt.

While still in therapy, Walt took a sales book and started knocking on the doors of mechanic shops he knew from his trucking network, and he got sales. By the time he had completed his therapy, he figured out he'd never have to go back to trucking.

"I got paid to socialize," says Walt. "Different things are important to different people. Ginger saw value up front while I liked the residual end. Residuals were my hot button. I was reborn and discovered myself. It was awesome."

The first week of cold calls produced no results, but Walt closed three the next week. He ended his first month with 14 sales, all of which were over his buy. By year's end, both Walt and Ginger were consistently selling over their buy. Unfortunately, the ISO they worked for didn't pay them consistently over the buy.

Walt and Ginger were only making money on commissions from the sale of equipment. They learned that the industry paid residuals, and their ISO led them to believe they would earn it but ultimately didn't pay it out.

"We liked the industry, and a few hundred accounts into it we realized we were leaving money behind," says Walt. "Our ISO was telling us they didn't have a recurring residual program; rather, they'd pay us at the end of the year. Finally, I kicked them off the fence and they fell on the wrong side. It was all a lie."

Walt shopped around for another processor and found one. Ginger opted to stay with their ISO, believing they would come around. She continued up their corporate ladder from sales manager to regional manager to, finally, national sales manager.

"The money still wasn't coming back," says Ginger "We figured they owed us over $25,000 in residuals. They told us when they sold the accounts we would get our money. We never got it."

With a different processor, Walt enjoyed successes and setbacks. The residuals were there, and sales were relatively easy. What was lacking was agent support. Walt was selling two days with three days in the office trying to keep what he sold in place. "I wrote 40 to 50 accounts, but none of the downloads were done right," says Walt. "It would take hours and hours for a correct download. I had to take time off the street."

The couple continued to seek out a processor that had a reputation in the industry for prompt and continual payment of residuals plus good support for merchants and agents. They found it in Retriever Payment Systems.

"We both checked out processors and found one that was established," says Walt. "We bought into their program, and it was good. They paid residuals and provided lots of support."

With her expertise in numbers and administration, Ginger opted to incorporate the business early for tax reasons. Electronic Money Company, Inc. was born. From small beginnings, the Hollowells built a foundation of nearly 400 clients that today utilize EMC's credit and debit card processing, check conversion, ATM sales and age verification services.

"We run a regional office for Retriever but plan on becoming an ISO under the Retriever group soon," says Ginger. "We'll still enjoy all the support from Retriever but with a lower buy rate as an ISO under their name by the end of this year."

Accustomed to challenges, the Hollowells recognize what it will take.

> **"A lot of sales reps quit because they've made a mistake and think they have failed. Mistakes are not failures, they are just learning experiences. I feel we have made mistakes but it's part of the growth experience, and you have to keep your vision and know where you're headed."**
>
> – Ginger Hollowell

"Sales aren't difficult, but two people can only do so much," says Ginger. "We want to bring more salespeople on board. Our biggest obstacle is building a sales group with people who will show up and put in the effort. After a big week or month, most give up. We're looking for sales professionals that are self-driven, that fit the sales personality. We're looking for those 20 percenters, but most of the time you interview the 80 percenters who quit before they get there.

"It's all numbers. So many people call, but only 20% are worth talking to. Of those, only 20% are worth meeting in person. Of those, only 20% are worth hiring, and then only 20% stay with it. You can teach them how to sell, process and close, but you can't teach them to have the drive."

Walt says, "When people answer an ad, they see the money but they don't see the work. When you really get down to it, they haven't done the work and haven't been successful. I've met people who put all sorts of time and effort into sales. The ones who succeed are self-driven with the personality to talk to anyone within three feet of them. They have to be able to think."

Ginger adds, "There's lots of people who have the mentality of wanting a job, but we want those who also have the self drive. It's all in your head. You have to think about becoming rich. Most people haven't learned how to think and create their destiny. I try to teach that."

For the Hollowells, it's all part of a learning game. "A lot of sales reps quit because they've made a mistake and think they have failed," says Ginger. "Mistakes are not failures, they are just learning experiences. I feel we have made mistakes but it's part of the growth experience, and you have to keep your vision and know where you're headed."

The Hollowells are headed toward building a strong organization.

"We're building a nice back end," says Walt. "We're going where we want on the timetable we want. Our goal is to continue to build our sales group under us, building our own ISO within the Retriever Group."

Ginger says, "The best decision I ever made for our family was to get into straight commission. I think this is the greatest industry with money up front for equipment, but it's also about building a business for yourself. Anyone who comes aboard with us can build a retirement residual account."

And of those that are coming aboard, some are more in tune with the Hollowells than others.

"I find I like to hire part-timers because that's how I started," says Ginger. "You're not desperate. You can relax and see how well this business does for you. Pretty soon you find out you're making more money doing this than what you're doing elsewhere. Building a passive income, that's how you grow."

The Hollowells certainly have noticed the growth of the industry. The mergers and acquisition climate of payment processing hasn't had a negative impact on EMC, though. "In one way, we figure we are isolated from a lot of it, being in New Mexico," says Walt.

*T*here is an extraordinary amount of change and innovation driving the payment industry today. The unique blend of payment and value-added applications is rapidly transforming the point of sale into a new "point of profit."

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Ginger adds, "We feel we are offering something that the rest of the industry is not offering. That is personalized customer service. Our merchants know us and we know our merchants. They call about feeding paper as well as money statements. We specialize in providing personal service. We'll run that paper out to our merchants. We will hold their hands. We are into relationship-building."

More from Walt: "That's how we get referrals. In our business, 80% to 90% of our sales today are referrals. We get so many referral letters. We belong to a number of associations and have the highest rating with the Better Business Bureau here in New Mexico."

More from Ginger: "The integrity we have is very high. If we walk in and someone already is leasing a piece of equipment, we will be honest and say you don't need a newer piece. Merchants trust us. They have a tendency to call us first rather than the Retriever 24/7 number. We can offer more immediate help. If you sold them the equipment, you're the person they know. It's like going to your favorite butcher or restaurant. It's all about knowing the people. Merchants are tired of talking to machines."

The Hollowells see other changes in merchant attitudes.

"We get calls from existing merchants who are ready to expand their processing and want us to do it," says Walt. "When we started, it was a struggle to get merchants to see the value of, say, debit cards. Now, that's not even an argument. Part of that is education. A lot of merchants know the value of today's products. But part of that is also our belief in ourselves and our sales ability."

What advice do the Hollowells have for agents striving for success?

"Don't get into it out of desperation," says Walt. "Really research the sales group leader and see if the personalities match. Talk to the people they've trained. See what their highs and lows have been. Apart from that, work in the trenches. We both started in the trenches selling, so we both know the marketplace. We know the objections. We know our product."

Then, of course, there's the secret to a husband and wife successfully working together. "I think that when couples work together, one is in control and one is in support," says Ginger. "In our case, we both have strong personalities, both independent, both compete with each other –

> **"We respect each other's space. It is important for your own self and ego to enjoy that adrenal rush from a sale. It wouldn't be a good thing for the other to take it away. "**
>
> — Walt Hollowell

but we do it with humor. We also have eight children together, so that has developed really good management skills and teamwork. We have a lot of unspoken things. If one person doesn't get it done, the other person will do it."

Walt says, "We respect each other's space. It is important for your own self and ego to enjoy that adrenal rush from a sale. It wouldn't be a good thing for the other to take it away. You have to let the other person have that. And also realize no one sale is that important. If I walk into an account and I get feedback that Ginger has already been there, it's a given that I bow out."

"We have the same value system with high integrity, high ethical standards, and because of that people trust us both," says Ginger. "We have a strong work ethic and a value system we both respect each other for."

COMPANY PROFILE ◄ ◄ ◄

E4X, Inc.

ISO contact:
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E-mail: betsy.waters@e4x.com

Company address:
919 Third Avenue, 27th Floor
New York, NY 10022
Phone: 212-836-4906
Fax: 212-836-4908
Web site: www.e4x.com

ISO benefits:
- Eager to start working more with ISOs.
- Huge market for growth outside U.S.
- Allows merchants to display prices on their respective Web sites in numerous currencies and guarantees those prices as the exact and final amount the consumer will pay, regardless of exchange-rate fluctuations.
- Aggressive pricing.
- Most comprehensive reporting system in the industry.

Exchanging Rubles for Revenue

By 2005, more than three quarters of the online population will reside outside the United States, according to Jupiter Research. However, most U.S. e-commerce sites have yet to offer localization tools to support their international customers' online needs. Merchants who want to aggressively pursue regional commerce opportunities will need to incorporate multiple currencies for online payment solutions.

Whether located in Seattle or San Antonio, e-commerce merchants who wish to seem like local retailers to customers outside the United States want to be able to tell shoppers the exact amount that will be charged to their credit cards. But by the time the foreign exchange occurs between credit card companies such as Visa or MasterCard and the consumer's local credit card, the rate may change.

That's where E4X, Inc. comes in. The company has neatly put together a multicurrency conversion product for the payment-processing industry – it installs its software in the merchant's Web site and lets shoppers have the option to pay in their local currencies.

Unlike other multicurrency solutions that do not guarantee daily exchange rates, even for a day, E4X allows merchants to display prices on their respective Web sites in numerous currencies and guarantees those prices as the exact and final amount the consumer will pay, regardless of exchange-rate fluctuations.

"For over two years we've had a working solution. We've ironed out all the details," says Yuval Tal, CEO of E4X.

Privately held and financially backed by J.P. Morgan Partners, LabMorgan, Pitango Venture Capital, Delta Ventures and other private investors, E4X was started by Tal in an apartment in Tel Aviv in 1999. The company has rapidly grown, is based in New York and employs 20 people, although its R&D department still is in Israel.

"I spent many months finding out what was available in the marketplace," says Tal. "First, working with Chase's e-commerce group, we got their blessing to go ahead and find a solution, a solution that would save money for the consumer, increase profit for the merchant and provide a unique service for the industry."

According to Tal, the core competency of E4X is making the foreign-exchange process more efficient while guaranteeing rates. The company accomplished this by figuring out what critical nuances needed to be focused on, such as chargebacks, refunds and reconciliation.

"There's a tremendous amount of detail to be addressed. Our solution addresses all of them," says Tal. "Most of our funding was spent in research and development, figuring out the way the operation had to

work to be successful."

While Tal recognizes other entities are out there trying to figure out just that, he believes E4X has the edge. "Foreign exchange represents millions of dollars. It's not going unnoticed," says Tal. "There are a number of players in this space, others claiming to be getting into the space, but we are not aware of any other working solution."

E4X is providing that solution to 10 customers who represent more than 3,000 merchants collectively, and Tal says that figure will double shortly. "We are presently working with e-commerce aggregators who are tracking the rate of new customers coming aboard daily," says Tal.

With a target market of large volume e-commerce merchants, E4X has priced its services aggressively. "We're positioning ourselves for the long run," says Tal. "We do not want to create resistance to acceptance, so our product comes with very aggressive pricing to begin with. If you are VC-backed, you can think clever and not short-term. We try to share the revenue with the merchant so the merchant actually makes money right after installation. They get a nice chunk of additional revenue for every international transaction."

Prices are based on a pre-determined exchange rate and include E4X's commission. The longer a vendor locks in a rate – daily, weekly, monthly or even up to a year – the higher E4X's commission, reflecting higher hedging costs for such contracts. (A hedging contract locks into an exchange rate for a set period of time, after which the currency exchange is executed according to that rate.)

By aggregating thousands of single transactions into one, E4X is able to trade currencies with its bank at the wholesale rate. It then can offer lower rates to the merchant, who can pass that on to the consumer.

And by paying in their local currency, shoppers avoid a foreign currency fee that the bank would charge. The payment gets routed back to the credit card processor. E4X receives the foreign currency payment from the processor and then pays the merchant in dollars. With the currency, E4X then settles its hedging contract.

E4X offers a number of pricing features where the exchange rate frequency is controlled by the merchant and can be updated hourly, daily, weekly, monthly or yearly. Companies can lock prices for subscription pay-

ments for up to a year, for holidays and sales promotions as well as price differentiate in other currencies.

The standard turnaround time for E4X's software is a matter of weeks. "Integration of our product takes no more than a few hours on our side," says Tal. "It takes much longer for procedural set-up on the part of the merchant."

E4X also provides quality services after the exchange solution is up and running, boasting the most comprehensive reporting system in the industry. Reports carrying aggregation of transactions or listing each separate transaction are available online.

Payment providers that are customers of E4X receive customized daily reports through electronic files. Service providers receive the same private-label reporting services. A 24/7 live voice help desk for both technical and financial questions is also standard operating procedure at E4X for all customers, merchants and, pretty soon, ISOs.

Speaking of ISOs, E4X is looking to that channel with hope and promise. Though its ISO relationships are few, E4X is planning on changing that fact quickly and decisively.

With the hiring of a new Vice President of Sales, Betsy Waters, E4X is structuring a sales team to seek out and support the ISO community. Though Tal does admit that he has an in-house sales force, he sees no competition.

"We have no willingness to compete," says Tal. "Our sales team ultimately is only working, training and coaching. We are not excited about going after merchants. We are excited about developing relationships with ISOs."

It would seem the appeal to resellers is there, especially in ease of selling and, more important, the potential for additional residual income.

"There's lots of appeal to the ISO," says Tal. "There's no need for merchant training. Our solution goes in seamlessly and automatically. We follow up before, during and after integration. Ours is a straightforward and simple solution. And then there's the per-transaction residual base with resellers. We try to make everyone very happy by bring to the table a source of revenue previously owned by issuing banks. We're bringing percentages into the processing world."

Tal continues, "For every international transaction, you

> **"There's no need for merchant training. Our solution goes in seamlessly and automatically. We follow up before, during and after integration. Ours is a straightforward and simple solution. And then there's the per-transaction residual base with resellers."**
>
> – Yuval Tal
> CEO, E4X.

normally have to pay 3 to 8% for foreign exchange processing. That's potential income left sitting on the table. We charge much less. Our mark-up is just 2%. Our mark-up offers money back to the merchants and the resellers."

That mark-up has drawn the interest of some major players. E4X has strong alliances already in place with Paymentech, WorldPay, GlobalCollect, and Europay, the European credit card entity owned by MasterCard.

For E4X, the biggest challenge is the stability of the marketplace. "Some of the companies we installed solutions for have gone bust here in the U.S.," says Tal. "When that happens, we lose investment and effort. We are constantly seeking strong, stable companies in the e-commerce space."

But E4X will continue to search

because Tal sees a huge future for American companies doing international e-commerce sales.

"As long as the United States controls e-commerce, the largest potential for sales growth is outside the U.S.," says Tal. "If you want to get to those markets, you have to know how they think and how they do business. Countries like Europe and Japan do buy American products and will spend in their currency where they feel a secure sense of the price."
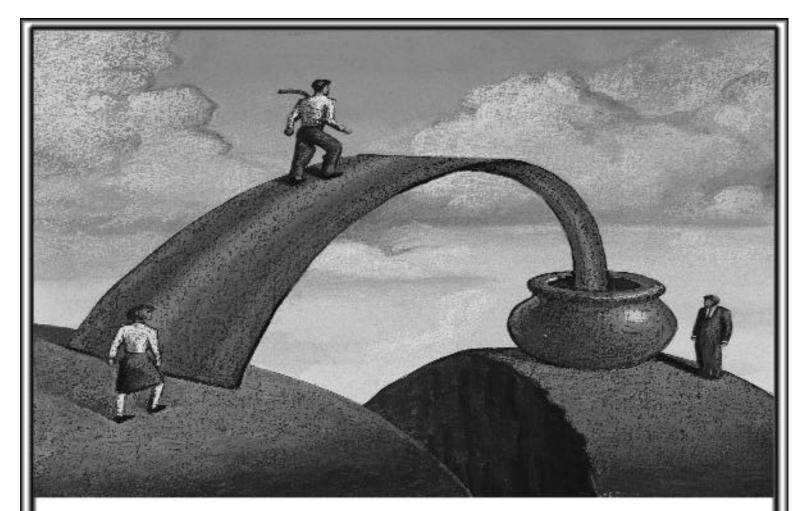
E4X sees itself as providing that sense of security. "We want to be the standard solution for this market," says Tal. "When an American e-commerce merchant wants to go to different currencies, they need to recognize the risk of currency fluctuation. They need to know how that will affect their Web site pricing. They need to know currency forecasting, accounting, taxes in each

currency, banking procedures in each currency.

We eliminate all those worries. We allow the merchant to run his business in U.S. dollars and always guarantee that merchant will also get at least 1 to 2% more than he normally would get."

E4X plans on expanding in the United States to the point-of-sale. According to Tal, E4X is planning a rapid expansion within the next year – an expansion in which the ISO community will play a big role.

"Our message to the ISOs is that there is a great potential for commission. We can take an average 3% foreign exchange commission normally taken by issuing banks and bring it to the point-of-sale for merchants and resellers. We can inject new money into the processing world."

Strength, Stability and Reliability.

In over 29 years of transaction processing experience, Fifth Third Bank Merchant Services has built quite a reputation. Fifth Third is a recognized industry leader for many reasons, including 28 years of record earnings and a top ranking in the Barron's 500 list. With over 166,000 merchant locations and seven billion annual transactions, Fifth Third has become one of the largest transaction processors in the nation.

As our reputation has grown, so have our products and services. The opportunities for Independent Sales Organizations, Independant Sales Agents, community banks and value-added resellers are limitless. We can help your organization sell everything from credit and debit processing to gift cards, electronic check conversion and e-commerce solutions.

In today's turbulent marketplace, it is important to choose a partner you know will be there for you now and in the future. Fifth Third Bank Merchant Services is that partner.

For more information about Fifth Third Bank Merchant Services call us at 800.669.7228 or visit our Web site at http://merchant.53.com.

Fifth Third Bank

COMPANY PROFILE ◄ ◄ ◄

IRN Payment Systems

IRN Payment Systems

ISO contact:
James Marchese
Phone: 800-366-1388, ext. 202
E-mail: jim@irnpayment.com

Company address:
800 Shames Drive
Westbury, NY 11590
Phone: 800 366-1388
Fax: 516 –333-0490
Web site: www.partner-america.com

ISO benefits:
- Extremely responsive to customers' and partners' needs, with competitive pricing, quick turn-around and ongoing support.
- Experienced staff.
- "PartnerAmerica" ISO program has two residual plans to choose from, based on the type of merchant, not quantity.
- Sales force has ability to process online applications.
- Choice of training via teleconference or in person at offices in New York. In latter case, IRN pays for hotel and ISO pays airfare.
- Strong alliances with leading manufacturers balanced by in-house inventory and programs.

A Guide to Payment Processing through Partnering

"We set ourselves apart because we clearly provide not only a product with a competitive price, but our partnering value is where we are very well-rounded."

That is the message from IRN Payment Systems, a financial-services company dedicated to creating new and innovative payment products through complete credit and debit card acceptance services and a variety of terminals, printers, peripherals and software supported by all major networks.

IRN Payment Systems was started by two telecommunications executives in 1988. They were looking at different fields to get into, focusing on recurring revenues. Taking a chance with a small investment, they opened a small office in Hicksville, N.Y. Today, IRN operates out of an 11,000-square-foot corporate office in Westbury.

"We had no experience to speak of in payment processing," says Amedeo "Dino" Sgueglia, co-founder and President/CEO of IRN. "As sales execs for a telecommunications company, we just started out with entrepreneurial aspirations.

"We wanted to build a business based on customer support. Our initial approach: to build a thriving company that would grow and flourish to what it has become today."

It would seem Sgueglia has accom-plished just that. Nearly 20,000 merchants are supported by IRN solutions – solutions that are a result of strategic relationships and attention to the needs of the marketplace.

"We are very intimate with our customers and our salespeople as well as our value-added partners," says Sgueglia. "In these times, we enjoy unusual relationships. We try to build partnerships with the approach that bigger isn't always better.

"We maintain these unique relationships with all we do business with. We've kept an open ear to what the marketplace is looking for. We have our hand on the pulse."

Sgueglia speaks with pride about that connection: "We're an organization (where) you can get the president or the vice president on the phone at any time. If there's a problem, we'll fix it. We sell intimacy. That speaks miles.

"We run an organization where we are readily accessible and readily provide a high level of support and service. We can provide any product you want. You get a group of quality people that are more than willing to work with you and accommodate you."

IRN has amassed a group of indus-

try professionals from different backgrounds who have average seven to eight years of experience in the payment-processing industry.

That experience has translated into the establishment of solid relationships with a lot of vendors and service providers. IRN relies on those relationships to support its business model, which focuses on transforming applications via hardware and software so customers can efficiently and effectively change the way they do payment processing.

While IRN is more involved with midsize to large merchants, its customers are across the board. All enjoy competitive pricing, quick turnaround and ongoing support.

Independent agents also enjoy special services from IRN. "There are a lot of things we do differently," says Sgueglia. "We offer a total product package. We offer a menu of different services. Agents can buy one or a complete package. We give them the autonomy to decide what will be their best deal."

Sgueglia continues, "For instance, we give our sales force the ability to process online applications. They can go out and actually set up accounts onsite. We can even manufacture gift cards in-house for their merchants. It's all here, everything from gift card to loyalty cards to leasing to credit card processing to EBT."

Another appealing aspect of IRN is that it boasts a sophisticated e-mail and Web-based system that system provides for live MID numbers and

> **"There are a lot of things we do differently. We offer a total product package. We offer a menu of different services. Agents can buy one or a complete package. We give them the autonomy to decide what will be their best deal."**
>
> — Amedeo "Dino" Sgueglia
> co-founder and President/CEO
> IRN Payment Systems

real-time access to account status. IRN hosts its own servers.

But by far the most appealing aspect of IRN is its residual program. "PartnerAmerica" is the ISO program that IRN sees as the cornerstone of its success.

"ISOs win the rights to their revenue stream through hard work, and they never lose those rights," says Sgueglia. "Our program provides for payment of those revenues for the life of that account. We designed our PartnerAmerica Program as the culmination of our experiences.

"With our forward-thinking PartnerAmerica Program, IRN has given the ISO the most competitive-based pricing and products our industry has to offer."

PartnerAmerica has two residual plans to choose from, based on the type of merchant, not quantity. If larger merchants are your target, IRN will work with you to provide pricing on a per-merchant basis.

"One of the unique things about our program is options," says Sgueglia. "One option includes a customer-service fee. That's highly different from anyone else in the industry. We charge a set fee, based on monthly dollar volume processed. Smaller merchant accounts may choose not to go with the set fee. It depends on how the agents sell. We treat the agent like an agent bank and not an independent contractor."

That treatment includes training manuals, welcome package, marketing materials, even Web site access to the PartnerAmerica ISO Guide.

IRN's Web site is a myriad of support services for the sales professional. ISOs can demo software for different terminals and download data on equipment, leasing and related processing products and services.

For new ISOs, IRN offers a choice of teleconferencing training or an invitation to train in person at its offices in New York. IRN picks up the hotel tab. The ISO just has to pay the airfare.

Hand-in-hand with its high regard for sales agents is IRN's high regard for its business partners.

IRN's sponsor bank is Key Bank of Ohio. Its processing partner is Global Payments, which also provides after-hours customer support via its help desk. Check services are provided through its partnership with CrossCheck.

IRN also has alliances with leading manufacturers such as Hypercom, Nurit, VeriFone, Thales and Mist while maintaining a healthy in-house inventory. Another notable alliance is its partnership with American Express' External Sales Agent (ESA) program.

IRN relies on Vital and Tasq for refurbishing and exchange services but keeps its risk management as well as R&D, underwriting and leasing in-house.

All of these alliances are part and parcel to IRN's infrastructure and intense commitment to keeping its sales force and merchants in place. Sgueglia views the current climate as volatile.

"This industry, unfortunately, changes the way the wind blows," says Sgueglia. "It's always been very volatile as it pertains to change. You really have to have an idea where it's going. Scales of economy are always changing, and that's significant.

"It's hard to maintain stability when you're trying to do so much. You have to be able to provide cutting-edge technology in product and services. This industry demands it."

Sgueglia sees IRN's relationships as paramount to pro-

> **"I think the current M&A trend is a good thing. It certainly creates a measuring stick for those of us who have survived. With the market being as terrible as it is and all the dot-coms falling through the roof, I get calls daily from investors looking to buy our company. I think there's more money now than there was five years ago."**
>
> — Dino Sgueglia

viding that edge. "This industry is predicated on trust," he says. "The relationships we've made over time speak more than wonders about how we conduct our business and our integrity. It's amazing how intimate this industry is. There's no other term but incestuous. It's the smallest, biggest industry in the world."

Sgueglia recognizes that mergers and acquisitions have certainly contributed to the intimacy.

"I think the current M&A trend is a good thing," he says. "It certainly creates a measuring stick for those of us who have survived. With the market being as terrible as it is and all the dot-coms falling through the roof, I get calls daily from investors looking to buy our company. I think there's more money now than there was five years ago." Will IRN go the acquisition route?

"We maintain the philosophy that we want to grow to a giant," says Sgueglia. "Everybody has an exit strategy,

and you can't run a business without thinking of one down the road. Who knows what will happen? Right now, we are here to build our program, build a more formidable and larger portfolio. We're not changing our goals."

Where does Sgueglia see the industry as a whole headed?

"I see a lot of non-financial companies getting involved in our industry. I see significant interest with a lot of VC groups becoming big players. Yes, there have always been a certain number of these companies around, and now I see this business as being more and more sought after.

"We are in a better position today than we ever were. It predicates itself on recurring revenues, and that's the significant appeal of what these companies are looking for."

Sgueglia also believes technology will play as big a part, though there's one area he doesn't believe will take off: "Smart cards won't make it. Providing a value to the customer and not the merchants – I don't see it here in U.S. I don't think the United States will embrace smart cards. There are inherent risks to both the consumer and merchant. I don't see the real appeal of smart cards."

What Sgueglia does see is more technology in such areas as check presentment, providing a debit-like check transaction.

"We're getting involved with that type of technology," says Sgueglia. "Technology plays a huge part. You must have that tech edge whether it be systems relaying data or products providing value to merchants.

"You also have to maintain the scales of economy, maintain the growth of your company with product, yet still be competitive and deliver customer service. It's not an easy fight. Intrinsically, there is large value in what you're doing, but you need well-rounded products to provide a level of service that the industry demands."

For IRN, that level of service depends on its continued alignment with strategic partners that will enable IRN to stay in the forefront of new products and services.

"We will continue to look for alliances, ones that have the ability to bring us a value-added product or service that we can co-brand and that will fit with our current offerings," says Sgueglia. "We will continue looking to invest in the future."

COMPANY PROFILE ◀ ◀ ◀

iShopSecure

iShopSecure, Inc.

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President and COO
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E-mail: jmcdonnell@ishopsecure.com

Company address:
1550 Sawgrass Corporate Parkway
Ft. Lauderdale, FL 33323
Phone: 954-845-9050
Fax: 954-845-9885
Web site: www.ishopsecure.com

ISO benefits:
- Eliminates charge-back exposure and fraud losses from authenticated transactions with unique cutting-edge technology and services for Internet and MO/TO areas.
- All authenticated transactions guaranteed up to $5,000 per transaction by Lloyd's of London, making it ideal for high-risk merchants previously only handled by limited processors.
- Online application with immediate turnaround and simple integration.
- ISOs and processors can earn additional revenue by marketing iShopSecure products and services to existing merchants.
- Recurring residual stream of commissions on transactional revenue for online, MO/TO and e-checks.

Fighting Fraud with Fire

Take one concerned executive who was double-charged on his credit card. Add in his experience and expertise in sales and marketing. Throw in an entrepreneurial spirit and, voila, you have the creation of a company whose focus is all about fraud and how to combat it.

iShopSecure was founded in May 1999 in Florida. Joseph A. McDonnell had founded several direct-marketing companies that sold home products. When he contacted Visa after a merchant double-charged him on his credit card for an Internet purchase, he discovered the frightening problem of merchant fraud and set out to find a solution.

Hoping to create a different mechanism, his initial approach was a pseudo numbering system so that the merchant would not be able to perpetuate fraud through a second use of a credit card. However, McDonnell discovered that wasn't a complete solution. It masked the problem, it reduced the problem, but it didn't eliminate the problem.

McDonnell brought together a group of techies, and they started actively working on what is today the cornerstone of iShopSecure's flagship products – ID-verified programs. Today, McDonnell is president of a company that boasts cutting-edge technology in the fight against fraud.

Joining that fight is iShopSecure's new Chairman/CEO, Stephen D.

Kane, who was invited aboard at the request of its principal investors and assumed his duties on May 1, 2002.

"Business efforts take different paths at different times, and in my explorations I ran across this company," says Kane. "Certainly from my check world and credit card world, this is absolutely the best technology to deal with this problem. I have a great interest in this, and I'm spending the vast majority of my time now with iShopSecure."

Kane lays out the philosophy of iShopSecure clearly and concisely: "Our principal focus today is to prevent merchant fraud either online or via call centers or in the MO/TO and credit card world. We want to eliminate merchant fraud with a focus driven around customer service.

"We think this is one of the biggest problems of our industry and a drastic barrier to the development of Internet and MO/TO sales channels. If we can't control identify theft and merchant fraud, these channels will be much less effective than they should be. To truly have a 24-hour-a-day effective way to conduct commerce, people must feel protected."

In addition to its principal focus, iShopSecure also performs authentication identification for new account organization for financial institutions, telecom companies and anyone who needs to verify the identity of a new account and a new relation. iShopSecure accomplishes all this through three innovative, patent-pending programs: Transact-Secure,

CSR-Secure and Access-Secure.

"Our biggest differentiator is our patent-pending technology and effective utilization of several proprietary databases," says Kane. "We are not aware of any other system that is empirically based as opposed to neural based. We know of no other system that screens only the unauthorized users, guarantees the transactions from fraud losses and backs it up with insurance."

Transact-Secure and CSR-Secure, iShopSecure's principal programs, seamlessly integrate with e-shopping carts or telephone-order software. Both boast significant reduction in e-commerce and telephone-order merchant exposure to credit card and check fraud.

The bundled solution aims to eliminate charge-backs from both criminal and friendly fraud by U.S. cardholders. These programs create a card-present environment in a previously card-not-present environment.

All authenticated transactions are guaranteed up to $5,000 per transaction by Lloyd's of London. Transact-Secure is used for real-time e-commerce transactions, and CSR-Secure is designed for telephone-order transactions.

An interesting aspect of Transact-Secure is that it's a stand-alone product for all credit cards and is the only solution on the market today that incorporates the new Verified by Visa initiative in a bundled package. According to iShopSecure, the certification process for Verified by Visa is another value-added service offering, often at no investment risk to the processor/acquirer.

Implementation of Transact-Secure and CSR-Secure requires little effort. The software plugs into any shopping cart on the market.

"The amount of integration is minimal because it is stand-alone in the nature of the Internet ASP model we've adopted," says Kane. "Merchants don't have to modify legacy systems. We provide customization capabilities to suit the merchant. It's a quick process, depending on how much integration."

Turnaround time can be days for an Internet merchant, but call center operations require up to a few weeks – mostly because of merchant personnel training on the iShopSecure system.

iShopSecure also comes with an appealing price tag. The merchant bears the $99 application cost of the program, a fact that has not gone unnoticed by resellers and processors. Standard pricing is 50 basis points or 50 cents per transaction, whichever is greater. There are always exceptions, though.

"If the merchant wants integration into legacy, it can cost more," says Kane. "And the integration fee can also be waived where appropriate – say, if we're going to sign to a long-term agreement with a high-volume merchant generating a lot of transactions. We also have in standard merchant services agreements a sliding price scale depending on volume that reduces as volume increases."

For those service agreements, merchants can decide the category and volume of transactions that they give iShopSecure for authentication. As their transactions vary, their costs will vary. According to Kane, they're not locked into a fixed number or inflexible agreement.

Once in place, the system relies on iShopSecure's databases. iShopSecure's system is empirically based in that it asks real questions and gets real answers that validate the person's identity. It doesn't rely on just a negative file that can screen out good as well as bad consumers. It counts on personal information only the consumer would know to validate identity.

"With criminals able to fabricate dri-

ver's licenses and other forms of ID, we're really not overly authenticated," says Kane. "Our process authenticates you by asking you questions in more severe security areas, with info requests going back as far as 20 years in a question-and-answer format."

When a consumer is online and is ready to make a purchase with a credit card or e-check, iShopSecure will ask a few questions and compare answers to various databases. "Depending on the level of security, our program will ask two to five questions that you can easily answer that are not credit file-related and only you, as the rightful owner of the credit card, can answer," Kane says. "Even if your card were stolen, the thief would not be able to answer these questions."

Which merchant market is iShopSecure targeting? "Across the board," says Kane. "We're looking at the entire online and MO/TO world. Our product applies across the board. We are seeing Internet and MO/TO merchants whose fraud losses range from 1 to 20%. If you're above 1%, you obviously need additional services for fraud."

Kane says iShopSecure is receiving a great deal of interest from processors as well as merchants: "We prevent charge-back losses and, secondarily, by protecting merchants, we are protecting processors. The processor stands behind the merchant in the chain of liability if the merchant goes under."

He continues, "We are a net gain. Each ISO and each processor has thousands of clients, and each has different risk profiles and exposures. We can provide our product to each one of them. And we don't have to get all of their authentication. They can do their own risk management, and we can get those that fall in other categories."

iShopSecure is servicing about 200 merchants nationwide and expects that figure to dramatically increase

with the help of the independent sales channel. According to Kane, the reaction to iShopSecure at the recent ETA show and the Retail Federation show in Austin, Texas, was superb.

"We generated new clients, new leads and have pending agreements with every major processor in the industry," says Kane. "We are in negotiations with a number of gateway providers, call center providers and even a number of competitors who would like to resell our product."

How many ISOs are joining forces with iShopSecure? Kane says a large number of individual ISOs work with iShopSecure and hopes more will see the benefits, which include a recurring residual stream of commissions on transactional revenue for online, MO/TO and e-checks. Don't forget the guarantee of authenticated transactions with charge-back losses up to $5,000 per transaction by Lloyd's of London.

Another obvious plus is the opportunity for ISOs to earn additional revenue by marketing iShopSecure's cost-saving security products to existing merchants as well as new accounts. Of those new accounts, ISOs can now call upon higher risk merchants and sell this product without fear of underwriting declination, according to iShopSecure.

Also included in that message is the fact that iShopSecure doesn't see a conflict between ISOs and its in-house sales force. iShopSecure's approach is to have a small, limited direct sales force geared toward the top 100 Internet and MO/TO merchants as well as large financial institutions and telecom companies for original authorization services.

"Big-ticket clients require more customization, consultation and integration," says Kane. "We don't see our direct sales force having any conflict with the ISO channel, which typically isn't focused on that space."

Rather than competing, iShopSecure sees itself as broadening the ISO community's ability for contacts and sales.

"We are a great product for ISOs focusing on high risk," says Kane. "We eliminate the negative associated with that business – namely, higher charge-back exposures. This is another brand of gum in the ISO sales kit. They can go out, contact merchants who are happy with their credit card processing arrangement and offer a fraud-prevention product that is clearly the hottest and newest and creates a savings for the merchant. With this product, an ISO can endear himself to the merchant."

iShopSecure endears itself to ISOs with a residual program that is competitive and has no variables. It's patterned after what is normally seen in the ISO community.

Support is another integral part of the iShopSecure solution. Merchants receive 365-days-a-year, 24/7 customer service from real people. iShopSecure also provides for real-time log reports and related documentation.

Training is also a serious strategy of iShopSecure's support services. Both teleconferencing and on-site training are available to ISOs and processors.

Partnering with the right people is a key component to iShopSecure solutions. While all of its Web-based services are in-house, iShopSecure does outsource some of its database activity. It has strong alliances with all of the major database providers and credit companies.

What does iShopSecure look for in an ISO? "We're really looking for larger players who are more likely to have Internet and MO/TO clients and who can benefit the most from our service," says Kane. "We're looking for established track records, a large portfolio. We don't want to come across inappropriately, but we know who benefits from our services. The mom-and-pop stores in a brick-and-mortar space probably don't have a big problem with Internet fraud."

Kane predicts wide use of the iShopSecure product within the next two to three years, with more than 50% of all Internet and MO/TO transactions in the U.S. being protected by iShopSecure. Fraudsters, watch out!

NEW PRODUCTS ◀ ◀ ◀

POS Equipment Toolbox

MultiPort Kit
THALES e-TRANSACTIONS
....

Merchants and their customers are increasingly concerned about the security of credit and debit transactions at the point-of-sale. As incidents of identity theft – including card skimming – become more prevalent, equipment manufacturers and service providers are coming up with new and better solutions to combat this serious problem.

Thales e-Transactions, Inc. has introduced the MultiPort Kit, a multiterminal point-of-sale solution for merchants with only one phone line. The kit provides merchants with the ability to give customers a safer way to pay by processing multiple transactions through one line.

The MultiPort Kit offers merchants a complete package of point-of-sale equipment. The kit includes up to four Artema Portable handsets, a base for the handsets that also works as a battery charger and a license for the MultiPort software, which allows multiple Artema Portables to access a single phone line at once.

The Artema Portable, introduced by Thales in 2001, is a handheld payment device that works like a 900 MHz cordless phone. The device fits in the palm of your hand, and the base, with a 32-bit RISC (Reduced Instruction Set Computing) processor, works to transfer the actual connection through the phone line. The base uses an electrical outlet and a phone's landline.

Thales' solution is especially beneficial to restaurants, where customers give up possession of their credit cards when it's time to pay for the meal.

"Although many different kinds of merchants will derive benefit from a properly sized Artema MultiPort Kit, we see restaurants as gaining special benefits," said Fred Silverman, CEO of Thales' North American POS operations. He said the numbers of trips waiters make to the payment terminal are reduced, and customers never lose sight of their cards.

Some of the features of the Artema Portable device include a scrolling menu, a secure integrated PIN pad, a thermal printer with the ability to print high-resolution

custom logos on the receipt, an optional standard smart card reader and a backlit screen.

Thales' offers MultiPort Kits for processing credit cards and for PIN-based debit cards.

Thales e-Transactions, Inc.

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Suite 175
Atlanta, Georgia 30346
Phone: 770-393-2311
Fax: 770-393-2177
www.thales-e-trans.com

Account Numbers that Challenge Online Fraud

Virtual Account Numbers
CITIBANK
....

More and more organizations involved in e-commerce are taking steps to fight Internet fraud. Citibank has responded to increased online credit card fraud with the introduction of Virtual Account Numbers, a secure online payment technology that safeguards Citibank's card members' privacy and security when shopping on the Web.

Developed in partnership with Orbiscom, provider of payment security technology to financial institutions, Virtual Account Numbers generates a random, substitute account number for every online purchase. A customer's actual credit card number is safely stored with Citibank and is never transmitted on the Internet to a merchant or third party. Since a customer's credit card number is never revealed, his or her actual account number cannot be stolen.

After registering at www.citicards.com and assigning themselves a user name and password, customers can download the Virtual Account Numbers payment software. When making a purchase from an online retailer, the customer enters that user name and password for authentication. The software generates a random substi-

tute credit card number and transfers the number to the retailer's checkout form, all within a matter of seconds.

The substitute number is treated just like the real credit card number, so there's no delay in the transaction or approval process. Once used, the substitute number is not valid at any other retailer site.

"Virtual Account Numbers is an invaluable benefit to our customers," says Amy Radin, Director, e-business, Citi Cards. "Consumers gain peace of mind knowing that their personal credit card information never travels on the Internet. For online retailers, who generally bear the financial liability for fraudulent purchases, reduced online fraud equates to a better bottom line."

Seems like a winning solution for everyone: cardholder, retailer and Citibank. Not only is the product free to Citi Card members; any reduction of the millions of dollars lost every year to online fraud has to please both retailer and credit card issuer.

Citigroup

399 Park Ave.
New York, NY 10043
800-285-3000
www.citicards.com

Orbiscom Inc

500 Park Ave., 6th Floor
New York, NY 10022
212-486-2600
www.orbiscom.com

A Multilane Smart Card Reader Solution

Elite 640

INGENICO

Ingenico has introduced a new multilane terminal, the Elite 640, a customer-activated payment terminal with an integrated magnetic stripe and EMV (Europay/MasterCard/Visa)-approved smart card reader that's designed to interface with any POS terminal, electronic cash register (ECR) or PC.

The Elite 640 is part of Ingenico's multilane suite of products and can be used for credit card, debit card, electronic benefit transfer (EBT), loyalty and gift card, phone card and smart card transactions.

In regard to transaction security, the Elite 640 exceeds Interac and Visa SPED specifications. The design is tamper-resistant and contains multiple key-management schemes.

"The Elite 640 is the next generation in customer-activated payment terminal technology," says Lloyd Baylard, Executive Vice President and General Manager of Ingenico's Retail Solutions, adding that it combines a versatile terminal with efficient, secure transactions.

According to Ingenico, the features of the Elite 640 make the checkout process simpler and more efficient. Customers can flow through the payment process with confidence.

Some of the features include a standard ATM-style keyboard for PIN entry with Cancel, Correction and OK keys, a large four-line LCD display with a bright, backlit screen that accommodates four lines of text with up to 16 characters per line, and four screen addressable keys for making transaction choices.

The Elite 640 is targeted to major retailers.

Ingenico, Inc.

1003 Mansell Road
Atlanta, GA 30076
770-594-6000
www.ingenico-us.com

ANNOUNCING !!

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Call Tom Burns
Ph:888-499-4333

US Alliance Inc., a registered MSP powered by FDMS

ANNOUNCEMENTS

NACHA Adds New Member

Cherry Hill, N.J.-based **Commerce Bank**, with more than $14 billion in assets and 200 branches, has joined **NACHA**, raising the association's membership to 35 – 21 payments associations and 14 financial institutions, including American Express Centurion Bank, Bank of America, Bank One, BB&T Corporation, Capital One, Citibank, FleetBoston Financial, J.P. Morgan Chase, Mellon, National City, U.S. Bank, Wachovia and Wells Fargo. NACHA's financial institution members originated more than 61% of commercial automated clearing house transactions during 2001.

First Data Reports 2nd-quarter Gain

First Data Corp. credits its Western Union Payment Service division for a 22 % increase in its overall second-quarter net income. First Data reported net income of $298.6 million, or 39 cents a share, compared with $245.4 million, or 31 cents a share, the previous year. According to First Data, revenue for its Western Union segment rose 17% to $780 million because of expanded product offerings, increasing demand for money transfers and improved expense management.
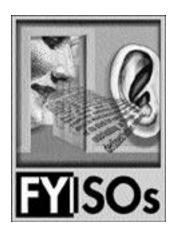
CheckFree Added to FORTUNE e-50 Index

CheckFree Corp. has been added to the **FORTUNE e-50 Index.** Developed by editors of FORTUNE magazine, the FORTUNE Index Committee selects 50 companies the magazine believes best represent the Internet economy in the e-companies, Internet communications, Internet hardware and Internet software and services. CheckFree replaced Corning Inc. on the e-50 Index.

Companies are removed from the Index if, during a 25-consecutive-trading-day period, a company's closing share price falls below $5, daily trading volume is less than 100,000 shares or total market capitalization is less than $100 million.

First EMV Transaction in Mexico

VeriFone, Inc. and Mexico City-based bank **BBVA Bancomer** believe they have conducted Mexico's first Europay/MasterCard/Visa (EMV) transaction. EMV is a global, smart card payment standard developed by the three payment processors. BBVA Bancomer used VeriFone's Omni 3750 terminal in the transaction, which was conducted at La Casa del Fumador in Mexico City. BBVABancomer hopes to reduce fraud and eliminate card skimming at the point-of-sale by using EMV smart cards.

ATMsafe Improves Web site

ATMsafe announced it has made updates and improvements to its Web site, including the addition of an online proposal request form. ATMsafe is a type of insurance that covers the amount of cash lost and any medical expenses resulting from injuries suffered if the customer is robbed at an ATM. The service also adds a new source of revenue for ATM owners or lessors at each transaction.

Many of ATMsafe's clients are in Latin American countries, where safety concerns while using ATMs are very real. For more information, go to the ATMsafe Web site, www.atmsafe.com.

PARTNERSHIPS

Clarke American to Use eFunds' Background Checks

ChexSystems, Inc., a wholly owned subsidiary of **eFunds Corp.**, has partnered with **Clarke American Checks, Inc.** to fight fraud and account abuse. The agreement between the companies provides 4,000 Clarke American-associated financial institutions with Web-based access to eFunds' ChexSystems background checking, account-verification and risk-management services for new account applicants. Clarke American provides checks and check-related services, contact-center services and direct-response marketing solutions to the financial services industry.

PayPal Adds Shipping Option

In June 2002, **PayPal** partnered with UPS to provide shipping functionality within its Web site so users would no longer have to arrange for shipment of an item as a separate transaction. For those customers wanting to use the U.S. Postal Service for shipping instead, PayPal is partnering with Stamps.com.

As part of a fully integrated agreement with Stamps.com, PayPal will provide its users with the ability to buy and print USPS-approved postage online from their PayPal account. PayPal sellers will be able to calculate the amount of postage required and, similar to the UPS option, print a shipping label pre-populated with the recipient's information.

PayPal plans to make the Stamps.com shipping functionality available in time for the 2002 holiday season.

PayPal, crediting increases in total payment volume, reported that its 2002 second-quarter earnings rose $5 million from the first quarter to $53.8 million, an increase

of 173% from the $19.7 million in revenue in the second quarter 2001. PayPal also reported net income of $529,000 for the second quarter 2002.

USA Payments Employs TNS' Services

Seeking a more cost-effective solution, **USA Payment Systems**, an ATM, POS, debit and credit card processing company, selected **Transaction Network Services**' solutions to transport payment card authorizations from ATMs in the United Kingdom and from debit card-enabled slot machines in U.S. casinos.

Mobile Processing Solution

Motorola, Inc. and **Creditel**, a provider of wireless payment transaction products, partnered to create a portable transaction-processing solution for mobile merchants. Motorola is certifying Creditel's PowerSwipe phone accessory device for use with Motorola iDEN mobile handsets. The PowerSwipe attaches directly to the handset, allowing merchants such as pizza deliverers and taxi drivers to securely process credit cards and check payments in the field. Motorola and Creditel plan a full-scale commercial launch of the solution in late 2002 after testing it in select U.S. markets.

Global Payments Partners with Sears

Global Payments Inc. will be the payment processor for a new program **Sears National Bank**, a wholly owned subsidiary of Sears, Roebuck and Co., is developing with other merchants. As part of the program, a group of select merchants such as airlines, hotels, restaurants, gas stations, supermarkets and entertainment companies will accept Sears' private label card.

Global Payments will provide processing services for Sears and acquirers of the merchants who accept the Sears cards. In addition, Global Payments will work with existing processors of those companies partnering with Sears in order to implement the program. Global Payments recently reported its Fiscal 2002 earnings. For the fiscal year, revenue increased 32% from $350.3 million the prior year to $462.8 million.

CrossCheck Has Three New Partners

CrossCheck, Inc. will provide check guarantee services to **Club Monaco** and **PowerSports, Inc.** Club Monaco, a subsidiary of Polo Ralph Lauren, is an international retailer of casual apparel and accessories. PowerSports, Inc. is a nationwide retail chain that sells a variety of all-terrain vehicles, personal watercraft and motorcycles. Club Monaco will use CrossCheck's services at its 23 U.S. locations, and PowerSports will use CrossCheck at its 15 locations. Also, **Payment Resource International** (PRI) will market CrossCheck's check guarantee services for checks accepted at the point-of-sale as part of its merchant payment offerings. PRI provides credit card processing and POS leasing services to retailers.

Trintech Wins Consolidated Restaurants

Dallas-based **Consolidated Restaurant Operations** (CRO), which owns, operates and franchises more than 140 restaurants across the U.S., such as The Spaghetti Warehouse, El Chico, Good Eats, Cantina Laredo, Casa Rosa, and Lucky's, has selected **Trintech Group**'s ReconNET 6.1 to manage its reconciliation and deposit verifications. Trintech provides electronic payment infrastructure solutions. CRO will use ReconNET for handling its cash, check and credit card transactions as well as use it in its purchasing department to match contracted prices with actual invoice level detail.

The Bailey Group Employing Lynk Services

Lynk Systems, Inc. will provide full-service ATM transaction processing to **The Bailey Group**, a full-service ATM organization specializing in ATM placements. Lynk will supply transaction processing, daily settlement, Internet reporting and customer and technical report services. Customers using Lynk-supported ATMs will be able to withdraw money, check account balances and transfer funds between checking and savings accounts.

InteliData Solution Coming to Credit Unions

Mid-Atlantic Corporate Federal Credit Union is implementing **InteliData Technologies Corp.**'s EBPP biller-to-consumer electronic and bill payment solution, called InteliWorks, to 200 of its 1,100 credit unions. InteliWorks aggregates consumer bills from multiple presentment networks, allowing consumers to view bills from one site.

Diners Club Expands ATM Reach with Cirrus

Diners Club International cardholders with activated ATM PINs soon will be able to access **MasterCard International's Cirrus network** and get cash using their Diners Club cards. As one of the largest ATM networks in the world, the Cirrus network spans 790,000 ATM locations in more than 100 countries.

CheckFree Broadens Customer Relationships

CheckFree Corp. has signed a multiyear contract with **Wells Fargo & Co.** to provide online banking, e-billing and payment processing services as part of Wells Fargo's new online bill pay service. CheckFree has provided services to Wells Fargo since 1996.

Huntington National Bank selected CheckFree to handle the reconciliation process for its Positive Pay services offerings. Huntington National Bank is a subsidiary of Huntington Bancshares Inc., a $25 billion regional bank holding company based in Columbus, Ohio. CheckFree has provided services for Huntington for more than 12 years. The CheckFree solution Huntington plans to use,

ARP/SMS, reconciles checks and deposits and reports electronic activity.

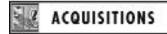## APPOINTMENTS

eFunds Names Interim CFO

eFunds Corp. has named **Thomas S. Liston** interim Chief Financial Officer, replacing Paul Bristow. Liston's background includes a variety of senior finance and chief financial officer positions in the retail sector, and he most recently served as interim Chief Financial Officer for PETsMART, Inc. eFunds' Chairman and CEO, Gus Blanchard, plans to retire at the end of 2002, and the company is searching for a replacement. Liston will continue to serve as interim Chief Financial Officer until after the appointment of a new CEO.

New Senior Vice President at Sterling

Tampa, Fla.-based **Sterling Payment Technologies**, an electronic payment processing company, has appointed **Sean Riley** Senior Vice President and Operations Officer. Riley has more than 26 years of experience in the payment industry. In his most recent position, Riley served as Group Manager in the Third Party division of Paymentech, managing account relationships and ISO sales for more than eight years.

Diebold Creates New Position

Diebold, Inc. has named **William E. Rosenberg** Vice President of Corporate Development, a newly created position. Most recently, Rosenberg served as Senior Vice President of Finance, Strategic Planning and Mergers and Acquisitions for Creative Management Services, Inc. in St. Louis. He also served more than 16 years in various financial and strategic planning positions at Emerson Electric Co., also in St. Louis.

ACQUISITIONS

First Data Acquiring BP's PayPoint

Expanding its presence in the petroleum/convenience store and grocery store markets, **First Data Corp.** announced plans to acquire **PayPoint Electronic Payment Systems** from **BP plc**. BP is the global brand formed by the combination of the former British Petroleum, Amoco, ARCO and Burmah Castrol. PayPoint was created in 1984 to process PIN-based card payments at gasoline islands for ARCO, which later was bought out by BP. PayPoint also has contracts with Albertson's, Costco, Trader Joe's and McDonald's.

Verus Embarks on Consolidation Campaign

Verus Financial Management, Inc. has plans to create a leading payment processing firm by consolidating other processors. **Network 1 Financial**, a credit card and automated clearing house processor, is Verus' first acquisition. Under terms of the acquisition, Network 1 will become a wholly owned subsidiary of Verus. Verus is funded mostly by **FTVentures**, a venture capital firm focused on the global financial services industry that manages more than $623 million in total capital.

Intercept Acquires Two Processing Centers

Intercept, Inc. has acquired **Affiliated Computer Services, Inc.**'s (ACS) item- and remittance-processing and statement-rendering division. Intercept purchased $7.5 million of ACS assets, including two locations in Woodbury and Utica, N.Y. The addition of these locations brings Intercept's total of item-processing centers to 27 coast to coast, with six centers located in New Jersey, New York and Massachusetts.

MasterCard, Europay Merger Completed

MasterCard International recently completed the merger with its longstanding strategic ally in Europe, **Europay International**. MasterCard's Europe region will continue to be based in Waterloo, Belgium.

INSPIRATION ◀ ◀ ◀

You Are Your Own Boss

For many independent sales agents, a large corporate infrastructure is not part of their business model. A more individual, entrepreneurial structure is the norm. While the hassles of dealing with department heads, prolific paperwork and myriads of meetings are absent, there are other challenges that face the independent salesperson.

In lieu of the support of a large organization, the sales professional has to rely on his or her own skills and strategies to be successful. What are those skills? What are those strategies? Consider adding the following to your repertoire:

Trust

The foundation of any good salesperson is solid credibility. A prospect needs to be able to believe not just in your products and service but also in you. Be honest and you'll always be able to look each prospect squarely in the eye.

Position

Effective salespeople present themselves as true experts in their respective fields. Merchants are constantly bombarded by an information overload in today's marketplace. If you can effectively and accurately decipher that information and help a merchant make sense of it all, you've put yourself in the perfect place to make a deal.

Listening

Contrary to opinion, listening is not a passive strategy. It is a powerful selling tool. Merchants don't need to hear more facts and figures. They need a professional to hear them. Rather than push your agenda, pull your prospect into the presentation. Be sure to listen with more than your ears. Engage your mind as well.

Knowledge

Agood doctor makes a thorough examination before presenting a patient with an accurate diagnosis. A good seller does the same. Researching your prospect starts the process. Asking pertinent questions during the presentation will fill in the blanks with valuable information. Only then can you formulate a winning solution.
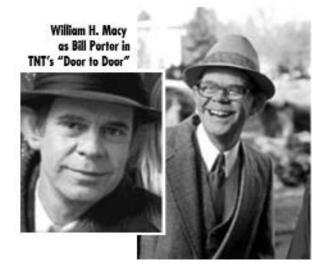
Intelligence

Working harder doesn't always mean working smarter. Making hundreds of cold calls doesn't always guarantee higher sales. Using your head as opposed to your feet or fingers at times can be more effective. Why not consider calling on existing merchants who may be unhappy with one or more aspects of their current service? You may not immediately get all of their business, but one value-added service can evolve into a strong sales relationship.

Patience

There's great truth in the adage that you must learn to walk before you can run. Before you spin your wheels going after the big sales, take small steps with smaller sales. They'll grow into larger, longstanding accounts if you are consistent in your trust, positioning, listening, knowledge, intelligence and patience. Be different.

Door to Door

I hope you were able to see the made-for-TV movie "Door to Door," which aired on TNT the third week in July. It was about a subject we see from time to time – namely, a person with a physical handicap overcoming the difficulties of getting through life and actually surpassing most other people in the process. I am a sucker for this type of movie, and this one was particularly special for me because it was written by and starred one of my favorite actors, William H. Macy.

William H. Macy as Bill Porter in TNT's "Door to Door"

DATEBOOK

ETA Midyear Meeting & Expo

"Thread the Needle of Success"

Highlights: Industry professionals – from CEOs, business owners, company presidents, executives and other key personnel – will not want to miss this year's Midyear Meeting. All areas of the payment-processing industry will be represented: ISOs, processors, debit networks, ATM providers, e-commerce companies, financial institutions, credit card companies and associations, and equipment and software manufacturers. Educational tracks (choose operations, sales and marketing, emerging markets and u-commerce) and breakout sessions will provide opportunities for learning, dialogue and networking. ETA will stage its largest trade show to date – this year's expo features more than 80,000 square feet to showcase the most state-of-the-art products and services available to the acquiring industry. Activities include a golf tournament on Sept. 17.

When: Sept. 17-19, 2002

Where: Washington State Convention & Trade Center, Seattle

Registration Fees: Early registration by Aug. 26. Fees vary by ETA membership status and programs attended. Visit www.electran.org or phone 800-695-5509 for details.

How to Sign Up: Online at www.electran.org. Phone 800-695-5509. Mail to 14 W. Third St., Suite 200, Kansas City, MO 64105.

Financial Women International 80th Annual Conference

Highlights: This group's mission is to help women achieve excellence in their careers in financial services. The 80th Annual Meeting will present information on all aspects of doing business in today's do-it-all world. Workshops and presentations by varied guest speakers will examine such topics as customer-relations management, sales techniques, teams in the workplace, conflict resolution and a few areas unique to the female perspective. Breakout sessions, receptions, luncheons and dinners will provide opportunities to network and talk shop.

When: Sept. 21-24, 2002

Where: Portland Marriott, Portland, Ore.

Registration Fees: Vary by FWI membership status, date of registration, events and workshops attended.

How to Sign Up: Visit www.fwi.org. Phone 703-807-2007. Mail forms to 200 N. Glebe Rd., Suite 820, Arlington, VA 22203-3728

Another reason that I liked this story so much is that it is a true story about a man born with cerebral palsy who, after finding it difficult to get a job doing much of anything, gets a job as a door-to-door salesman. Imagine a man being barely able to walk, unable to use one hand and with a difficult speech pattern becoming his employer's number one sales person. How can you not be inspired?

Truth is, one of the primary reasons that we like this type of movie so much is also because it has an element of nostalgia about it. It reminds us of a softer, gentler time in America. It reminds us of a time when things moved more slowly and when such simple dreams were still possible.

It's another example of the way people in America venerate and adore the past. Ask an American to conjure up an image of quintessential Americana – a Fourth of July parade, the paintings of Norman Rockwell, the movies of Jimmy Stewart – and it is likely to involve the small-town memories of a time now believed to be gone. It is no accident that the Walt Disney Company puts a classic, old-time Main Street at the front of its amusement parks.

But as I watched this wonderful movie, two very important things caught my eye, and neither of them is gone.

The first is that the character on whom this story was based is still alive and selling. Bill (the real person, not the actor) has survived his company's decision to downsize field sales and begin to rely on phone sales and the Internet.

Sure, he has had to learn the new products and the lingo and even has his own Web site, but he has not forgotten that it is all about getting out there every day with people. Going out rain or shine and even when you don't feel very well (he seldom did). Because people like people. You can't have a relationship with a Web page.

The other thing that popped out at me was the encouragement of Bill's mother. A single mom raising a child with a handicap – even though she was sliding away mentally because she had Alzheimer's – knew the keys to being a great salesman. She always told Bill to remember that he must have patience and persistence.

Come to think of it, that is also how you become a great person.

Good Selling!

Paul H. Green

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▶ Expert support and service that lets you build your business hassle-free

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Data Capture Systems, Inc.
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Electronic Cash Systems, Inc.
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EPX
(302) 326-0700
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(800) 523-2104
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Merchant Data Systems, Inc.
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Merchant Services Incorporated
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