The Green Sheet

GS

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

October 28, 2002
Issue 02:10:02

Inside This Issue:

Raise Your Hands if You Don't Want to Wait for Commissions

(l-r) AmericaOne's Michael McMackin, COO; David McMackin, President; Thomas Dunn, National Marketing Director

Instant gratification has become the American way, and it's the AmericaOne way, too. AmericaOne Payment Systems, a payment-processing service provider, is offering a first-of-its-kind program for ISOs – 100% instant commissions. No waiting for monthly residuals that might or might not be paid. You make the sale, you get the cash – now.

"With equipment sales getting tighter, the average sale is becoming worth less and less," says David McMackin, President of AmericaOne. "That's why, more and more, ISOs are turning to merchant contracts as the true value of the sale, which the processors have known for years. We are bringing that same value to our ISO channel."

AmericaOne's Merchant Acquisition Program payment is based on the ISO's actual monthly merchant revenues. Those revenues are then applied a multiple that calculates a current market buyout for the ISO. AmericaOne offers a myriad of payment options and buyout multiples based upon the quality and volume of the accounts delivered by the ISO.

For ISOs who are struggling to main-

Notable Quote:

"The magnetic stripe has no protection against certain types of fraud. It is 25-year-old technology that both MasterCard and Visa know needs to be replaced. Smart card technology is the best technology to replace the magnetic stripe. Even though it works beautifully, the magnetic stripe is obsolete."

Payment is secure where you find the Thales Point

Wherever you find the Thales point, you find proven expertise in payment transaction solutions and services. From our reliable, easy-to-use Talento line to our high-performance Artema Mobile and Portable terminals, Thales is raising the bar to ensure secure payments for the World's merchants.

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Self-Service Payment
Thales makes encrypted PIN pads and secure card readers used in ATMs and vending machines. Thales offers a whole range of payment handling solutions to manufacturers of self service equipment.

Mobile Payment
Thales mobile terminals guarantee fast, secure payment transactions anywhere. Primarily developed to enable delivery services, taxis street vendors, and limousines, the unit is also great for up scale retail points-of-sale.

Multilane
In some countries, Thales offers integrated solutions designed for multilane environments such as grocery stores. With their unique architecture, these solutions can be adapted to any company's existing point-of-sale data system.

Desktop Payment
Thales builds terminals using the latest and most reliable technology to make point-of-sale transactions easier, faster, and more secure. Talento is the terminal of choice for many, while Artema Desk is designed for the most demanding retail points-of-sale.

Portable Payment
Thales guarantees fast, secure payment transactions where short range mobility is helpful. Restaurants, for example, benefit from the service advantages, convenience, and economics of debit by handling payments right at the table with Thales Artema portable solutions.

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He Got a Bang Out of Story

Thank you for the wonderful article in the September 23, 2002 issue ("Getting Banks for Your Buck," 02:09:02) of The Green Sheet. I appreciate the recognition you've given me and Authorize.Net as well as the opportunity to discuss my personal philosophies regarding the payment industry, leadership, creating value, management and technology.

The Green Sheet continues to be the Financial Services Industry's source for insightful and meaningful news and information. Thank you for your objective reporting and fair play. The Green Sheet demonstrates a high editorial standard, providing a tremendous value for its subscribers.

Thank you for your contributions to this industry and, as always, I look forward to the next issue.

Sincerely,
Roy Banks
Vice President and General Manager
Authorize.Net

Checking in on DDAs

Do you have any data on the number of direct-deposit accounts (DDAs) in the United States?

Sandra Lee-Soy
Director, Market Intelligence
Visa USA

Sandra:

According to the Fed's research on consumer financial habits, 87% of U.S. households maintain checking accounts. If you assume 180 million households, that would put the number of DDA accounts at about 156 million.

Our previously published studies on check usage are now available online in the GSQ section of our Web site: http://www.green-sheet.com/gsq/

Good Selling!
The Green Sheet Staff

Getting Started

We are going to be starting an ISO within the next couple of months. We have registered with The Green Sheet under the name Cronus. The reason for the e-mail is to inquire of a list or spreadsheet that you may have concerning the location of each ISO that is registered with your publication.

Also, because we are a new start-up, I was wondering if you have any advice on a bank or merchant processor that is particularly good with small to midsize ISOs. Your help is greatly appreciated.

Sincerely,
Daniel G. Palmer

Daniel:

Our database is proprietary. However, we have many resources available to you through our print publications and Web site.

Please check out the GSQ Online and register to view this publication (no charge). The last few years already are available in PDF format, and we are adding the entire backlist over the next few months. We have published several studies on the ISO channel.

Our FAQs online are a wealth of information on getting into this terrific industry. Check out our information on registration, rates and regulations.

Good Selling!
The Green Sheet Staff

tain their position in the competitive marketplace or are looking to future growth might need capital before they expand. AmericaOne's payment options have opened new avenues of funding. The ISO is able to choose a payment structure – upfront cash or monthly residuals – on a merchant-by-merchant basis.

Many ISOs are building portfolios with the hopes of retiring on the residual income generated from the portfolio or from the sale of it when it reaches critical mass. Many ISOs have been disheartened in the last decade as their processing partners have sold their portfolios without properly compensating them.

"AmericaOne's model offers a clear and concise method of payment for the ISO on an upfront basis, providing a fail-safe method of payment," says McMackin. "It is unfortunate that such a large percentage of ISOs are not paid as promised or have not been paid fairly in the past. AmericaOne's Merchant Acquisition Program delivers a solution to this industry paradigm.

"At AmericaOne, we provide all the cash the ISO requires so they can accomplish their growth or exit strategy goals faster, safer and more efficiently than ever before. We bring immediate portfolio liquidity with fair market val-uations to the ISO market. With immediate liquidity, ISOs are able to manage and control their financial matters on their terms. That's what we believe is the formula for a win-win relationship."

AmericaOne was founded in 2000 by McMackin and his brother Michael – both veterans of the processing industry – and is located in Cupertino, Calif., in the heart of Silicon Valley.

"The card processing industry is a very lucrative business, and sharing in that wealth with those that contribute to the success of a company is what it should be all about," says David McMackin. "We are very ISO-centered and focused on addressing what they need to be successful. What sets us apart from other processing companies is our upfront cash option and our superior one-on-one service. Our philosophy is to provide the sales offices with personal service that delivers the individual attention and respect they deserve."

At the core of its personal service is the advanced technology AmericaOne possesses – technologies that incorporate sophisticated online reporting for all levels of its operations. AmericaOne has strategic alliances with four major processors – Paymentech, Vital Processing Services, Concord EFS and Global Payments, which all deliver 24/7 expert customer service.

"Paymentech is our primary processing platform, but we are proud of the level of service they all bring to our organization," says David McMackin. "As for our ISOs, we look for experienced and seasoned professionals that possess a high level of integrity."

While finding value in its partners and ISO relationships may become challenging for AmericaOne, successfully running its innovative business model isn't.

"Our challenges have already been met," says David McMackin. "The hardest thing for a company is getting through its first few years and being successful. We've accomplished that, and we are continuing to grow and meet our objectives."

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Leasecomm Stops Accepting New Business

Waltham, Mass.-based MicroFinancial Inc. (formerly Boyle Leasing Technologies), announced that it no longer is accepting new lease agreements through its Leasecomm subsidiary and is shrinking its loan-origination business by nearly one-third.

In addition, Dr. Peter Bleyleben is stepping down as CEO of MicroFinancial but will remain Chairman of the Board. Richard Latour, MicroFinancial President and COO, will assume the additional role and title of CEO.

Through Leasecomm, MicroFinancial specializes in microticket financing – leasing commercial products and services priced between $500 and $10,000 and where the monthly payment range is between $10 and $200. The company was started in 1986 and had grown to 300 employees.

Leasecomm leases equipment, such as ATMs, credit card terminals, espresso machines, computers, vending machines, water-purification equipment and wireless communication devices to small and midsize businesses through a network of more than 1,100 ISOs. The company also leases to businesses with limited or poor credit histories.

MicroFinancial said it plans to cut 31 percent of its workforce in the loan-origination business. The company's intent is to reduce new lease originations and focus on lessees with better credit.

MicroFinancial has suspended indefinitely all new loan originations until it can secure further financing.

Since the third quarter of October 2000, the company said it has been moving away from underwriting low-grade leasing businesses to focusing more on higher-rated businesses.

MicroFinancial's new business strategy is to continue to collect on its existing portfolio of leases and to leverage its core technology and services platform until it can re-enter the microticket marketplace.

Existing revolving credit lines have been converted to three- year term loans, as provided for under existing agreements.

Driving the Migration from Paper
to Electronic Payments

In an effort to "electronify" the billions of checks written in America each year, SVPCo is launching an ambitious check image exchange program that is expected to result in a fully operational national interbank check image exchange service by first quarter 2004.

SVPCo (which stands for Small Value Payments Company) was founded in 1998 by a group of large U.S. banks with a mission to build an electronic foundation for payment system initiatives. These banks (individually and collectively) possess the technical skills and transaction mass needed to effect real change in the payment-processing arena.

Twenty of the largest banks in the nation hold ownership positions in SVPCo. Together, these banks processed more than 60% of the 40 billion-plus checks that were written last year by American consumers and business and government agencies. They represent 55% of U.S. commercial bank deposits, totaling $2.3 trillion.

As further testimony of its owners' sphere of influence, last year SVPCo's Electronic Payments Network (EPN) service processed more than one billion Automated Clearing House (ACH) items.

"The SVPCo strategy for success," said Hank Farrar, President and COO, "is to offer banks a low-cost, industry-led alternative for migrating to electronic payments."

In the new check image exchange program, SVPCo is working closely with several image-enabled large U.S. banks, the Federal Reserve, BITS (the Banking Industry Technology Secretariat), and ECCHO (Electronic Check Clearing House Organization, the electronic check rules group).

Eliminating the Interbank Paper Shuffle

Despite the increasing popularity of electronic payment instruments (such as debit cards), paper checks remain the most popular method of non-cash payment in the U.S. economy. The Federal Reserve estimates Americans wrote 42.5 billion checks in 2000. By comparison, retail electronic payments, such as credit and debit cards and retail ACH transactions, totaled 28.9 billion.

SVPCo banks – and the entire banking industry, for that matter – have invested heavily in technologies and processes that have made interbank check clearing a highly efficient operation. The industry also supports electronic payment systems.

Rather than scrapping one set of investments in favor of another, SVPCo provides banks with a means to "electronify" the check-collection process and stop (or at least delay) the interbank paper shuffle normally associated with checks.

SVPCo supports three separate businesses; each addresses a different point along this check-to-electronic payments migration path:

• SVPCo's Electronic Clearing Services (ECS) unit converts more than 3.4 million checks a day from paper to electronic files, expediting the interbank clearing and settlement process.

• The Electronic Payments Network's ACH service handles 28% of the industry's ACH transactions, clearing and settling these electronic transactions between banks throughout the nation. By the end of 2003, EPN expects to capture 40% to 50% of the ACH processing market in the U.S.

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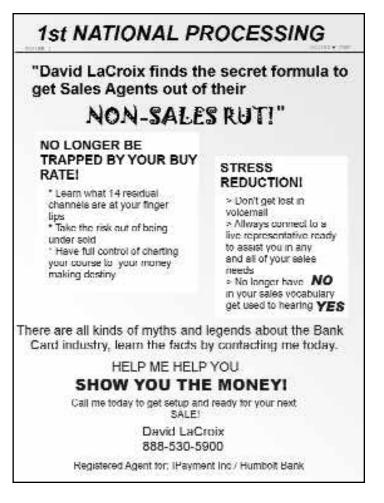
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• SafeCHECK is an industry-owned electronic verification and conversion service for checks written at the point-of-sale (POS), operated by SVPCo in collaboration with regional ATM networks.

"SVPCo provides a truly electronic infrastructure for payment clearing and settlement, and this infrastructure is owned and operated by the banking industry," Farrar said. "SVPCo demonstrates that banks can cooperate and compete while supporting and enhancing their payment system franchise. Bankers understand the efficiency improvements an organization like SVPCo can bring to the payments business."

Electronic Clearing Services (ECS)

ECS embraces the notion that Americans will continue to write checks for the foreseeable future. Collecting banks using ECS digitally capture bank account and payment information from deposited checks, load that information into electronic files and transmit those files in advance of the physical presentment of checks to paying banks.

The process, commonly known as electronic check presentment (ECP), gives banks a head start on the clearing cycle, which in turn reduces operating costs and opportunities for check fraud.

Coupled with check imaging technologies, ECP eliminates the need for physical check exchanges altogether. Imaging makes digital pictures of checks, and the various check clearing and settlement routines are performed using those images to the maximum extent possible, in lieu of the paper checks.

"The confluence of imaging and ECP is the single most important event in check processing since the introduction of MICR technology," says Susan Long, Executive Director of ECS. "With over 40 billion checks written annually in the U.S., the opportunities for growing ECP volume seem almost limitless." That's why the volume of ECP items handled by SVPCo is expanding at a rate of about 70% a year.

Today, SVPCo operates the nation's only private-sector ECP system, with connections to 91 sites nationwide. Last year, SVPCo helped banks clear and settle an average 2.4 million electronified checks each day, up from an average 400 million items a day in 1998. In 2003, SVPCo is expected to clear in excess of 4.1 million electronified checks a day.

The next strategic undertaking for ECS is Image Exchange, which eliminates any need for the physical exchange of paper checks.

A study, conducted for ECS in May 2002 by Deloitte Consulting and Global Concepts, revealed significant opportunities for savings on the part of banks and ECS through such consolidations. The study identified key efficiencies for individual banks, with benefits comprising 67% operational-cost savings and 33% from accelerated posting. Overall, the study indicates annual industry savings of nearly $2.1 billion, even if interest rates remain low and check volume falls.

Electronic Payments Network (EPN)

EPN is the ultimate check electronification method, replacing the use of a check with an electronic file record, processed through the interbank ACH system. ACH transactions are electronic alternatives to routine consumer check payments, such as paychecks and insurance premiums, and also are used for corporate transactions.

EPN is the largest of two private-sector networks that process ACH payment exchanges in competition with the Federal Reserve, a long-time provider of ACH services to financial institutions.

Of critical importance to financial institution executives, EPN is the lowest-cost option for ACH processing. It achieves this, in part, by sharing a technology infrastructure with ECS.

In 2001, U.S. financial institutions used EPN to exchange more than one billion ACH transactions, worth a total

value of $4.1 trillion. But that was just the beginning of an exceptional growth trend that anticipates EPN processing 5 billion ACH items in 2005 and challenging the Federal Reserve as the nation's largest provider of ACH processing services. Last year, financial institutions exchanged more than 5 billion transactions via the Fed and private-sector ACH networks combined.

"EPN provides an important alternative for the payments industry because its governance is under control and direction of the nation's banks," said Kevin Purcell, Senior Vice President, Wachovia Bank, and Chairman-elect of the EPN Board of Directors.

Collectively, the financial institutions represented on the EPN Board of Directors originate 70% of all commercial interbank ACH transactions. Fourteen of those banks are originating ACH files through EPN;

taken together, these banks represent about 28% of the national ACH processing market.

EPN's latest expansion is a strategic partnership to provide ACH services to the Western Payments Alliance (WesPay), which includes more than 1,000 financial institutions in the western U.S. and Pacific region. WesPay members, combined, processed nearly 800 million commercial ACH transactions in 2001.

"Electronic Payments Network will give WesPay members yet another quality option for executing their growing number of ACH transactions at competitive prices," explains WesPay CEO Gerard F. Milano.

As more banks move ACH transactions to EPN, overall costs are sure to drop. "We expect our ACH transaction-processing costs to continue decreasing as the other financial institutions in our markets complete

their migrations to EPN," said Quintin Sykes, Executive Vice President of The South Financial Technology Group.

With a membership that includes the largest banks in the country and customers in all 50 states, EPN offers products and innovations that aren't available from other ACH networks – innovations such as transaction warehousing.

EPN is participating in a project dubbed iC&S. The goal of this project is to facilitate straight-through payment processing (STP), or the automation of electronic payment and remittance information from payment origination to account posting.

The iC&S project will result in both system enhancements and industry best practices. The first feature developed under iC&S is the proprietary Universal Payment

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Identification Code (UPIC), which has been available to EPN members since early 2002.

The UPIC is a unique number assigned to a company's bank account that masks confidential banking information while facilitating the transmission of payment instructions via electronic networks.

"We understand the payments business, and we understand what our participating financial institutions need from a payments system to accommodate electronic commerce," says George Thomas, President and COO of EPN. "And we can move quickly to adopt lower-cost innovations that help financial institutions offer a wider range of options for customers."

SafeCHECK

SVPCo's latest innovations support the conversion of checks presented at the point-of-sale into online electronic transactions. SafeCHECK – a cooperative venture undertaken by SVPCo, three of the largest EFT networks and 11 banks – practically eliminates POS check fraud. That's because SafeCHECK is the only retail payment mechanism to support real-time access to demand deposit account (DDA) information at the point of check acceptance. With SafeCHECK, checks written by consumers to a retailer effectively become "single-use debit cards."

"This is a huge step in the fight against check fraud," said Carol Malicki, Senior Vice President of Strategic Payments Migration at Wachovia and Chairman of SafeCHECK. "Just as important, SafeCHECK is the only industry-owned initiative on check verification and conversion."

SafeCHECK made payment-system history by becoming the first company to move check debits over EFT networks in January 2001.

Combining check conversion with valuable real-time account information requires no major investment in new technology by merchants or by check processors who provide the capability to retailers.

Consumers write more than 10 billion checks each year at supermarkets, restaurants and other retail establishments. Banks participating in SafeCHECK include many of the nation's largest. Collectively, these banks hold more than 45% of DDAs at U.S. financial institutions.

"The ability to turn a check into a real-time debit is unprecedented," Malicki said. "The conventional wisdom in banking for years had been that check information could not be moved across retail EFT networks; SVPCo proves this thinking wrong with this new service that creates substantial new opportunities for electronifying check payments."

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How Many ISOs Can Walk through the Eye of a Needle?

There was room to spare at the ETA Midyear Meeting & Expo in Seattle. ETA announced that attendance was 1,512, with 99 exhibitors. The ratio of exhibitors to attendees roaming the exhibit floor was estimated to be about 3-to-1.

There was a difference of opinion as to why this show's attendance was so much lower than the previous meeting in Orlando. However, conventional wisdom boiled down to, "It's the economy, stupid!"

Other opinions on the show ranged from "Two shows a year is too expensive," to "Why Seattle? It's always raining there." (For the record, the weather was mostly warm and beautiful.) There was a vocal minority who invoked the "9/11 effect." Undoubtedly, business travel has yet to recover.

Those who braved the "code orange" reports and weather reputation experienced a meeting of flying fish and quality networking. Each person we met with confirmed that while the numbers were down, those who came were the

players. They were ready to deal.

The list of exhibitors included Hypercom, VeriFone, First Data, Concord EFS, Thales and U.S. Wireless Data, all showcasing their newest offerings. Lipman, TASQ, Schlumberger and MagTek highlighted solutions, services and strategic alliances. ThruComm, CrossCheck, Global eTelecom, Chase Merchant Services and Paymentech were joined by newcomers FraudScrub.com, Yaga, Creditel and Exadigm.

CONVENTION REPORT:

At the opening ceremony, ETA President Mary Gerdts took the podium and introduced the new Board of Directors. The association's committees were named next – all volunteer, all vital to the workings of ETA.

Keynote speaker Earl Woods, father of golf superstar Tiger Woods, shared his own brand of family guidance and wisdom, but is this really the right group for a "wealth should be redistributed" sermon?

The tone of the session changed quickly when the Pike Place Fishmongers took the stage. Between fish throwing and enthusiastic audience participation – bringing an entirely new definition to a "cold fish" handshake – this world-famous company told its story of success.

"Facing bankruptcy 15 years ago, we all made a commitment to fight it and agreed to a vision," said owner John Yokoyama. "We decided to become world famous."

Pike Place Fishmongers did just that through communication and a plan that incorporated having fun at work and being there for its customers. The company motto: "Catch the energy and release the potential."

Many of the attendees did catch the energy at this year's meeting.

On display at Hypercom's booth were the ICE and T7Plus terminals, boasting more functionality, more sophistication, more software – all without a higher price, in part because of the scalability of Hypercom. Also prominently showcased was Hypercom's new MegaNAC 180, a high density point-of-sale concentrator providing a wide range of POS functions that promise significantly lower costs per port in POS dial-access networks.

"It's more than just the box, it's what's in the box," said O.B. Rawls, President of Hypercom North America. "We're putting a fresh face on an old business with more connections, more communication, more solutions."

Did Hypercom happily embrace this year's midyear

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show? "We had good meetings with quality people," said Rawls. "While it does become a bit of an extravagance doing it twice a year, the quality has been here. There have not been a lot of ISOs and [there have been] less decision-makers at this show, but the response has been extraordinary."

Hypercom reportedly spent close to $250,000 to come to the ETA gathering. "We'd prefer once a year," said Rawls. "It's all about economy for ETA, but you cannot not be here. We're proud of our products. Our confidence shows. Our presence is felt."

News at VeriFone centered around its solutions for the QSR (Quick Service Restaurant) market, already in full force. As of September, more than 50,000 VeriFone terminals were installed in QSR locations, including Burger King, Chick-Fil-A, KFC, McDonald's, Pizza Hut, Quizno's and more.

VeriFone also has introduced a point-of-order solution specifically designed for the drive-thru with unique features that set it apart – for example, integrated refrigeration in the unit, a smart idea since these devices sit in the sun day in and day out in many parts of the country.

The drive-through solution has been running for almost two years at a Wendy's in Redwood City, Calif., and three Burger King sites in Atlanta have had the solution installed and working for the last six months.

VeriFone offers stand-beside and integrated QSR solutions supporting more than 65 different point-of-sale systems, and while many QSR franchisees are allowed to select their own payment systems, VeriFone's was the system of choice selected by Burger King for its payment pilot in Atlanta.

The ETA show also showcased

VeriFone's re-dedication to the ISO market and its efforts to make ISOs successful.

"Our booth represents our vision of a renewed operation," said VeriFone CEO Douglas Bergeron. "We are about growth, technological advantages and, most important, people making the difference. The difference is the quality of people at VeriFone. Our products speak for themselves. The hottest thing at our booth is the people."

The people Bergeron was talking about are the 20 new faces of "The Payment People," VeriFone's innovative ISO program. The idea behind this new program is getting VeriFone's message of innovation and solutions directly to the merchant.

The answer is to work with the middleman and to make a direct connection with ISOs. VeriFone formed a special group whose only responsi-

bility is the happiness and effectiveness of the ISO channel.

Bergeron's overall thoughts about the midyear meeting: "The timing is good for the rollout of our ISO program and the continued emphasis on our message of high standards, reliability, connectivity and comfort."

For MagTek, the midyear show was an opportunity to continue goals of awareness and education about new products and technology. MagTek's new product, the MICRImage, was generating attention with a new exterior design, a different interface from the older readers and an integrated modem.

Word on the street is that merchants and ISOs love this new device because of ease of functionality and cost reductions for retailers as well as increases in residual income for ISOs.

"While our product has been out on the market for nearly a year, a lot of people needed to be educated about it," said Daniel Bailey, Southwest Regional Manager for MagTek.

"We really didn't see anything 'new' here at the show. We did see other vendors in similar situations, making customers aware of the latest technology and educating them about their products. The show has been a little slower than anticipated, but it's worth your while to be here. Anytime you get in front of your customers, you're doing the right thing."

ThruComm chose this meeting to launch its latest solution – the Turbo800. This integrator delivers three- to five-second POS transaction response times and connects up

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>
> – Daniel Bailey
> Southwest Regional Manager, MagTek

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to six devices simultaneously, allowing merchants to lose multiple phone lines and increase sales.

Working with existing stand-alone or integrated POS systems as well as back-office devices, ThruComm's new product was one of the hottest offerings in the exhibitor hall.

"The location wasn't ideal and not very convenient for a lot of vendors, but we saw everyone we hoped to see," said Bill Caylor, Senior Vice President of Sales for ThruComm. "We sent out personal invitations. Everyone showed up and then some, but we wished there had been an even bigger turnout.

"We had a phenomenal reaction to our product here at the show. Seeing is believing ... and understanding the value."

Other participants also valued their time in Seattle.

Paymentech rolled out new alliances, new imaging solutions, met vendors, strengthened relationships and established new contacts with West Coast ISOs.

First Data had steady, solid traffic at its booth and forged new ISO relationships.

TASQ's sales team got great leads, and SchlumbergerSema representatives said it was a fantastic show that produced a positive response to its product offerings.

iShop Secure acknowledged that this year's show was not quite as crowded as Orlando, but its reps appreciated spending more quality time with attendees.

First-timer Fraud Scrub.com had nothing to compare it to and felt the response was very positive to its innovative risk-management solutions.

The biggest story out of Seattle might prove to be the changes at ETA. Sheila Navis resigned as Associate Director and is leaving ETA to join another association. Gerdts is putting her stamp on the association.

Additional changes were rumored, and several attendees invoked the "off the record" protection.

Oh, in case you were wondering: The winner of the first annual "Sheila R. Navis Memorial Tschotski Award" for the best display feature went to Thales e-Transactions for its blinking stemware. Special recognition went to Vital Processing Services, which featured "first aid" at its booth.

For years, The Green Sheet has encouraged all ISOs, sales professionals and agents to join the ETA. This is your trade association. If you want it to work FOR you, you must get involved. In this time of consolidation, investigation and regulation, it's time to strengthen the ETA through action. ◼

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Meeting Blazes the Trail of Education, Inspiration for Women in Industry

CONVENTION REPORT:

Financial Women International

FWI

Set against the majestic backdrop of Mt. Hood, the 2002 Financial Women International 80th Annual Conference in Portland, Ore., was tightly scripted with general sessions, breakout sessions, workshops, training seminars and power lunches, all led by notable industry leaders and spokespersons.

Strategic seminars ranging from "Thriving in 24/7" to "How to Sustain Sales" and inspirational sessions such as "Celebrating Women" and "Enhancing Your Potential" were well attended by FWI members from Canada, Russia and the United States.

Issues that all financial services professionals face or will face were discussed in depth. Supportive materials for all topics were well constructed and readily available. The meeting provided an impressive forum where financial planning, customer management, strategic negotiation, effective sales and personal development were just some of the issues highlighted.

The meeting also included a show of appreciation for President Julie Cripe and the other outgoing officers and board members in a ceremony that included the induction of the newly elected officers and board members. The new President is Vicki Daughdrill.

The financial role of today's women has expanded greatly, as has FWI. While there are many professional organizations in the industry that boast exceptional membership, valuable opportunity and access to knowledge, FWI delivers it.

As a proud sponsor of FWI, The Green Sheet encourages you to contact the organization.

Here's an association that every woman working in the financial services marketplace would benefit from ... and one that every financial services company looking to sponsor a viable group would benefit from as well.

For more information on FWI, visit its Web site at www.fwi.org.

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Looking Through the Glass Ceiling

By Lisa Dowling

"**W**omen at the Top," a series of surveys conducted by Financial Women International, has produced some profound data that clearly reflects the disproportionately small number of women who hold top executive positions in the financial services industry.

The series collected data from annual reports, interviews and Thomson's Global Banking Resource. It showed:

Of the 100 largest U.S. commercial banks:
• Women comprise 16% of executive management, up 3% from the July 1999 study.
• Only eight of these banks have female CFOs.
• Only two have female CEOs, an improvement from July 1999, when there were zero.

Of the 100 largest U.S. credit unions:
• Women comprise 35% of executive management.
• Twenty-one have female CFOs.
• None has a female CEO.

Of the 100 smallest U.S. community banks:
• Women comprise 29% of executive management.
• Nine have female CEOs or presidents

Of the 100 largest U.S. community banks:
• Women comprise 16% of executive management.
• Three have female CFOs.
• None has a female CEO.

When one considers that 75% of the 1.4 million people employed in commercial banking in America are women and that 83% of the 203,000 people employed in credit unions are women (Bureau of Labor Statistics figures), the data is extraordinary. Does it reflect the unbalanced ratio of women to men in management in most industries and not just financial services? Probably. And while changes are being seen, it is a slow and often challenging process for women to achieve what they are worth.

Perhaps part of the challenge lies in recognizing one's own self worth, the value you bring to the table and effectively demonstrating that value. Strategically positioning yourself and anticipating the obstacles you'll face once you're in that position are skills that are invaluable to grabbing that executive washroom key.

To view the full versions of "Women at the Top," visit the News page at www.fwifoundation.org.

With Merger Complete, PayPal CEO Resigns

I t's official. eBay's acquisition of PayPal is complete, the companies announced Oct. 3, 2002, along with the news that PayPal CEO Peter Thiel, who led the merger, has resigned. Matt Bannick, eBay's Senior Vice President, Global Online Payments, will assume all of Thiel's responsibilities.

Several pending shareholder lawsuits attempting to block the merger did not stop nearly two-thirds of holders of 61.6 million outstanding shares of PayPal from voting in favor of the acquisition. The two-thirds represented more than 99 percent of the shares voting.

Keeping with the provisions announced on July 8, 2002, eBay acquired all of the outstanding shares of PayPal in a tax-free, stock-for-stock transaction using a fixed exchange ratio of 0.39 of an eBay share for each PayPal share. Based on eBay's average closing stock price over the period two days before and after the acquisition was announced, the transaction is valued at approximately $1.5 billion.

eBay said PayPal will continue to operate as an independent brand, keeping the PayPal name. Billpoint, eBay's current payment solution, will be phased out in the first half of 2003 along with PayPal's divisive processing of transactions to online casinos.

eBay also said it expects the acquisition will contribute as much as $64 million in net revenues in the fourth quarter of 2002. eBay estimated costs related to the acquisition at $17 million.

In other news, PayPal announced it has hit 20 million registered users, which is twice the number of account-holders the company had one year ago. PayPal said it expects more than $10 billion in member transactions has been sent through its network.

"By focusing on what we do best – providing secure, convenient online payments –PayPal has continued to attract new users and enjoy phenomenal growth," said David Sacks, PayPal's Chief Operating Officer.

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Non-Discount Pricing Trends in the U.S. Market

By Charles Marc Abbey

The following report summarizes research on acquirer pricing that was recently completed by First Annapolis Consulting. The Green Sheet is collecting data for our annual Bankcard Acquiring Report. Watch for our further analysis of pricing and other issues in the acquiring marketplace in the January 2003 issue of GSQ.

White hot competition in the U.S. market continues to drive great experimentation in pricing among acquirers, according to research recently completed by First Annapolis Consulting. As price competition continues to put great pressure on discount rates, acquirer use of creative discount calculation methodologies has increased. In addition, acquirers are broadly increasing their reliance on non-discount sources of revenue. Greater uniformity in acquirer pricing, however, might signal that competitive differentiation through pricing innovation represents a limited window of opportunity.

First Annapolis' research investigated pricing practices of U.S. acquirers specifically with respect to merchants with annual volumes of less than $5 million in Visa/MasterCard sales. The research updated similar research completed in 1999 and 2001 and included 33 acquirers, accounting for more than 67% of industry market share.

Like interest and average-balance calculations among issuers, U.S. acquirers long have used various discount calculation methodologies, each of which has a significantly different impact on total revenue collected from a given merchant.

• Net Discount means the application of the discount rate to gross purchases less refunds. Historically, this has been the most common pricing approach in the U.S.

• Gross Discount means the application of the discount rate simply to gross purchases; therefore, acquirers effectively get to keep returned interchange on refunds.

• Gross-Gross Discount means the application of the discount rate to gross purchases plus refunds, so not only do acquirers keep the returned interchange on the refunds, they also charge discount on the refund.

Sixty percent of U.S. acquirers now use Gross Discount as their primary discount calculation method with respect to small merchants, an increase from 36% in 1999. The use of Gross-Gross Discount has remained near constant, actually declining by two percentage points (within the margin of error of the research) to 17% in 2002.

Considering industry average refund rates, the increased usage of the Gross Discount calculation method alone increased total industry revenue approximately 2% to 4% annually over the past three years.

Acquirers are more conservative, on the margin, with transaction fees than in the past. The median transaction fees for Visa, MasterCard and American Express are unchanged from 2001 and 1999 at $0.10 to $0.25. However, the percentage of acquirers that charge no Visa/MasterCard transaction fee has increased from 9% in 1999 to 21% in 2002, and the percent that charge $0.25 or greater has declined from 26% to 6%.

Statement fees are even more prevalent than a few years ago with 88% of acquirers charging between $5 and $10 and only 3% of acquirers not charging the fee at all. In 1999, 43% charged a statement fee between $5 and $10 and 22% did not charge the fee. Annual fees are still rather uncommon with 67% of acquirers electing not to charge such a fee, down insignificantly from 1999 and 2001.

Finally, chargeback fees have become nearly as prevalent as statement fees with only 6% of acquirers not electing to apply the fee, down from 19% in 1999. Moreover, the percentage charging a chargeback fee greater than $20 has doubled since 1999 to 30%, though the median fee of $10 to $20 remains unchanged.

Termination fees, downgrade surcharges, application fees: In total, 64% of U.S. acquirers charge 10 or more discrete fees in addition to discounts to merchants with volume less than $5 million. First Annapolis estimates revenue from these fee sources represents greater than 30% of U.S. industry-wide revenue.

However, the absence of significant increases in fee levels in 2002 was noteworthy. The only fee that had an increase in median value was the application fee, which now averages more than $50.

All other median fees remained unchanged, and, in most cases, acquirers are pricing very similarly to each other; the percentage of acquirers charging the median fee has increased over time.

We take this as a sign that acquirer pricing innovation may have peaked, and most of the industry has now followed the more aggressive, early acquirers who lead the move to unbundled pricing. We do not believe acquirers are gaining significant advantage from these pricing tactics any longer, and in some of the data we see the beginnings of price competition that is already common in discount-rate pricing.

Marc Abbey is a partner at First Annapolis and is responsible for the acquiring practice area for the Baltimore consulting and M&A advisory firm.

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American Express Retires Green Card

Because beauty is only skin deep and mere appearances aren't everything, when American Express revamps its classic credit cards, the company also will add new customer rewards and perks as benefits to using them.

The green (and gold) cards that once imparted status of ownership upon its users will be redesigned with bolder colors and more options to allow holders to earn merchandise points and frequent-flier miles for every dollar earned – just as less "prestigious" Visas and MasterCards have been doing for years.

American Express found that even if cardholders didn't leave home without it, those who were enrolled in the "Membership Rewards" program charged four times as much on their cards as non-enrollees, according to the Wall Street Journal. Competition with Visa and MasterCard cards – both credit and, more recently, debit – also contributed to AmEx's decision to revamp its familiar classic.

During the 1980s, large banks and financial groups influenced customer spending with the introduction of earning airline miles for dollars spent using branded Visas and MasterCards. Since these cards already were accepted at more retail establishments than AmEx cards, consumers began to use the other cards for all sorts of purchases. In the 1990s, though, American Express pushed for acceptance of its cards at more types of retail locations, such as grocery stores, drug stores and gas stations, and introduced the Membership Rewards program.

To entice both current cardholders as well as new customers to get with the program, AmEx will offer two Membership Rewards points for every dollar they spend at most retail establishments. The company also is offering the option of choosing to use the points for merchandise or airline tickets.

Annual membership dues and eligibility fees for the current rewards program will be eliminated; now one fee will cover both.

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INDUSTRY LEADERS

GEORGE WALLNER

Hail to the Chief

The payment-processing industry witnessed a changing of the guard during the summer at one of its superpowers. Hypercom's founder, George Wallner, stepped down as Chairman to lead the new in-house Secure Systems & Transactions (SST) group. According to Hypercom, the new entity was created to address growth opportunities in areas not traditionally associated with the payments market.

Under Wallner's guidance, it will integrate Hypercom's recently developed biometrics, secure identification, age verification and transaction-security products and systems.

The release announcing the news described Wallner as Hypercom's "chief strategist." To countless professionals in this industry throughout the last two decades, he has been much more. Even the outspoken Wallner goes so far as to call himself "the man with the message."

Born in Hungary in 1951, Wallner came from a working-class family. "They pushed me to work hard," says Wallner. "Some of it stuck!"

After attending college to study electrical engineering, Wallner opted for the military rather than the marketplace and continued his education, but this time in radio and telecommunications engineering.

Upon returning to civilian life, Wallner left Hungary and traveled down under to Australia, where he accepted a position in a factory, soldering screw taps on a transformer production line.

Within a relatively short period of time, Wallner secured a better job in an electrical engineering environment. Working for a company that developed telephone systems, Wallner laid the groundwork for a career that would take him down an extraordinary path.

"Because of the unions in Australia, there were peculiarities in their systems," he says. "My qualifications weren't truly recognized even though I moved up fairly quickly. At the end of four years with that company, I decided to go out on my own as a private consultant."

Staying in the engineering field, Wallner spent the next few years working independently on interesting projects for telecommunication companies and airlines. "I was really more than just a consultant," he says. "I was involved in designing and building electrical telecommunications systems."

It was during this time that an idea started to take form. "I always wanted to do something on my own," he says. "I felt the money was there. As I was working as a consultant, I had control of my time, so I tried several different things."

Those "things" involved designing a communications systems that addressed a multifeature environment.

"If you look at your phone today, it has display, multiple buttons, speaker capability, but back in the '60s and '70s, every phone was standard," says Wallner. "If you designed a complicated system, it was difficult to work the phone from the standard button. You needed a multifeature telephone. At that time, systems manufacturers made the systems, and all phones were compatible with those systems. That just wasn't going to work in the future. You needed to put some intelligence into phones."

Wallner felt as if he delivered that intelligence with his new product idea. Unfortunately, the telephone company to which he presented the idea didn't share his vision. So he did what every great entrepreneur has done throughout history. He produced it himself.

"I went home and sold my only asset, a car," says Wallner. "I started my own company with a name to reflect my message – high-performance communications."

In 1978, Hypercom was born. It's first offering: a multifeature telephone. Shortly thereafter, Wallner got a partner who was good at selling. With no outside capital, doing it all on its own, Hypercom targeted small businesses by going door to door with Wallner's new telecommunications model. His hard work and efforts paid off.

"Our units sold very well," says Wallner. "We got more money and built more units. Then we rented a small space and built a small factory. We then hired employees and suddenly, with expenses under control, it came together."

Within a few short years, Hypercom grew to nearly 80 employees, all selling and servicing communications clients. Ironically, the company that had rejected Wallner's idea even became a client.

By 1982, Hypercom was getting serious competition from Japan. "In the Taiwan corridor, the phones were easy to copy without high technology," says Wallner. "They were also priced better, so we decided to look for another product line with more knowledge, more software and not so easily copied. When you think about a phone with a display microprocessor and keyboard, it's not that much of a leap to card reader and modem."

In 1983, under Wallner's vision and expertise, Hypercom designed its first card reader, its first terminal. Simultaneously, Hypercom also came out with a network-access control unit, a telecommunication box to allow terminals to dial into networks.

"There were no networks in Australia at that time to take these types of transactions," says Wallner. "In order to be able to install terminals, banks needed front-end boxes to interface with. Providing both the terminals and the networking equipment – that was the basis of our approach."

This new approach allowed Hypercom to successfully compete in Asia. By the end of 1983, Hypercom derived little if any revenues from its telephone units. Within the year, Wallner switched his company over to terminals. Teaming up with Omron in Japan, Hypercom combined its networking equipment with Omron terminals and created a powerful solution.

"In that relationship we were designing terminals and Omron manufactured them, combining some of their designs," says Wallner. "We modified them, resold them and enjoyed a great relationship with them."

So strong was Hypercom in the Asia Pacific region by the late '80s that Wallner made a major decision – to take on the American market. In 1989, Wallner relocated Hypercom's headquarters to the United States.

"We had serious competition when we arrived in the U.S.," says Wallner. "We were number 30 in a field of 30."

How did Wallner face the competition? What was his business philosophy? "We didn't have time for one," says Wallner. "The underlying strategy was what we were doing quite religiously, selling products that were differentiated and provided features and functions that were not available with other products."

Wallner claims it was that philosophy – selling products that combined premium service and features – that pro-

pelled Hypercom forward. "It was not by accident that we got American Express as our first customer," says Wallner. "We specifically targeted them because we knew they would appreciate our philosophy – a premium card with a premium product."

Once Amex was aboard, Hypercom expanded into other areas. Citicorp was added to its client roster a year later. More followed shortly thereafter. Hypercom started selling as many terminals as networking equipment.

"Within three years, we become a very strong player," says Wallner. "By 1992, we were number two. That stayed like that for a long time, until VeriFone self-destructed. It took us just under a decade to hit top shop."

Another important philosophy that played into the success of Hypercom involved Wallner's financial strategy. "We believe in not taking any debt to the point that in 1997 when we went public, we had $70 million in revenue and zero debt," he says.

Wallner's leadership strategies are just as impressive as his corporate achievements. Take his approach to teamwork, for example.

"Teamwork ... I just tell them what to do!" says Wallner. "Seriously, though, it depends on what we're working on. If I'm not sure of myself, I let the team work, then I make a decision. The only thing I require is that while we meet, everyone should speak his mind. Don't come back to me after the decision is made. Up until that point, speak your mind. Don't tell me later."

> **"If I'm not sure of myself, I let the team work, then I make a decision. The only thing I require is that while we meet, everyone should speak his mind. Don't come back to me after the decision is made. Up until that point, speak your mind. Don't tell me later."**
>
> – George Wallner

Wallner continues, "In many cases, I felt I knew better. I know what I know and I know what I don't. In those areas that I am not an expert, I defer to other people. In the other areas, I defer to myself. You cannot run everything like a committee. There is a place for working with a team. A committee sometimes is a life form with six or more legs and no brain."

Since every successful team demands a successful leader, how does Wallner define one?

"A leader just happens; everyone does it differently," says Wallner. "I have seen a lot of people who I consider leaders. Most important, you have to have a vision and the ability to impart that vision and excite that vision with other people so they come on board with you."

Wallner contends he maintains that vision and excitement

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> **"Nothing has changed much in the last 15 years. Hypercom's business did very well with ICE terminals and established a new performance level. Display and keyboards have changed, but fundamentally we haven't change much. I'm setting the stage. The time is ready for the next generation."**
>
> — Wallner

by succeeding, one step at a time. "You have to be able to demonstrate at all times that you are moving in the right direction. That's key. Nothing beats that," he says.

As a leader, it is obvious Wallner has accomplished much. What is he most proud of? "Getting Hypercom to where it is today is my biggest accomplishment," says Wallner. "Many of Hypercom's achievements today are not mine, but what I did personally was get Hypercom to the U.S., get American Express' business and put Hypercom on the map. My other big accomplishment was the establishment of the technology basis that Hypercom is built on."

The flip side of the accomplishment coin: mistakes. Finances play on that side for Wallner. "After we went public, I let expenses run the finances of the company," he says. "Very simply, I accepted experts telling me it was so complicated I was better off letting them handle things. That assumption is always wrong. No matter how complicated a situation may be, it can be broken down into a bird's-eye view."

Today, however, Wallner is faced with new challenges. "Within the industry today, the really big challenge I have is convincing the industry that the electronic payment terminal space is ready for another major step," he says. "Nothing has changed much in the last 15 years. Hypercom's business did very well with ICE terminals and established a new performance level. Display and keyboards have changed, but fundamentally we haven't change much. I'm setting the stage. The time is ready for the next generation."

Wallner hints at that generation:

"Ten years ago we had highly diverse networks, dialing up into proprietary networks. Today we have the Internet, but the point is the Internet has changed everything for transactions. When a terminal dials into the host, everyone is connected through the Internet. From that comes the possibility of changing how we process transactions."

Wallner sees the core of the payment-processing industry focused on converting paper to electronic transactions. "What are paper transactions? Not just credit and debit. Now it's checking – even printing licenses on terminals," he says. "There are a lot of paper transactions today – 38% of all transactions are electronic, 62% are paper. By 2010 it will reverse. We have a ways to go, and we're not going to do it with traditional terminals. Many low-value transactions are being touched too many times – dial-up to processor to card to switches many times. Why not go right to where you have to go? And since I am the man with the message, I am the one with the challenge."

Wallner views technology as the weapon of choice to meet his challenge. In fact, Wallner believes technology will meet most challenges facing the industry today.

"The common goal is to get more transactions from more merchants," says Wallner. "Value is lower, but volume is increasing. Increasingly, the business case will have to get better and better. The terminal will have to be used for more than just debit and credit alternatives.

"One can say all we have to do is make a cheaper terminal for smaller merchants. The problem is that there

are many other costs that are substantial besides the cost of a terminal. That philosophy won't get you far because small merchants get less practice with their terminals with the less transactions they do.

"Cheaper usually means a smaller keyboard, a smaller display, a smaller terminal. But the small merchant needs a bigger display and a bigger keyboard because they don't have efficiency on their terminals. They need a large, easy-to-operate terminal with lots of buttons and a big display. If you don't make it easy to operate, you set a minimum requirement for user interface. You go below that and you generate more help desk calls than transactions. That's not cost effective."

Speaking of technology, does Wallner see smart cards playing a big role in future industry processes?

"Smart card is not a payment product, it is a technology," says Wallner. "The consumer doesn't care whether the card has a chip or bar code or stripe. All they care about is annual fee, interest rates, etc. When people say consumers won't accept it, the truth is consumers could care less. The controversy comes from the industry itself."

He added, "There was an unfortunate period four to six years ago when banks and associations latched onto stored-value smart cards. This was two separate things lumped into one. Smart cards were the best way to implement stored value. However, stored value had no business case and serious security issues.

"Stored value has a fundamental

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problem in that it is real money. The card had to be good to make it secure. Therefore we had a situation with this brand new payment technology. It also was intended to be used for microtransaction applications that generated very little margins since electronic cash has little margin. So we had this new, expensive technology targeting lowest and cheapest transactions. It was a mismatch. The stored-value smart value card did not work then and doesn't work today."

Wallner believes those issues created the controversy that resulted in headlines proclaiming consumer rejection of smart cards. "The stored-value application was what was rejected, "says Wallner. "It didn't make a difference what the card was, it was the stored value that made the difference."

Today, Wallner sees a separate issue surrounding smart cards. "The magnetic stripe has no protection against certain types of fraud," says Wallner. "It is 25-year-old technology that both MasterCard and Visa know needs to be replaced. Smart card technology is the best technology to replace the magnetic stripe. Even though it works beautifully, the magnetic stripe is obsolete."

Like every other new technology, the smart card creates a controversy at the bottom line, in how the numbers stack

up. According to Wallner, those figures are not yet stacking up nicely.

"Smart cards would instantly combat certain types of fraud such as skimming, which is growing and becoming sophisticated," he says. "Smart cards could wipe it out, but right now paying $1.25 to eliminate a 60-cent expense doesn't work yet. It's coming, though, because the cost of smart cards is going down as the cost of fraud goes up. If fraud justifies 80% of the cost of the card, smart cards will come. And if people add multi-apps to smart cards, that will contribute to acceptance as well."

What could shatter this scenario? Biometrics.

"Biometrics can be implemented much cheaper than smart cards," says Wallner. "I don't see it replacing cards for a long, long time, but it will add security to using cards. The government will get people to start using it. Consumers will get more comfortable putting their fingers on sensors.

"We started talking about electronic signature capture six years ago. The response was, 'No way you're going to get people to sign on a screen.' Then UPS did it and the next thing we know, electronic signature capture terminals take off and everyone is using it. The sky didn't fall in. While consumers may suck their teeth over it, they'll give their fingerprint. Personally, I'd rather give my fingerprint than my signature."

Wallner sees another unique capability of biometrics as paramount to its appeal and acceptance. "It is possible to make fingerprint-based identification verification dumb in that it can only verify identity but doesn't really know the identity," says Wallner. "It is a zero-knowledge system. Hypercom is already working on this technology."

As for the future of the payment-processing industry, Wallner predicts more consolidations, continued drive and a split of certain classes of merchants. "One class of merchants will be putting in terminals that will do more while another class will just go after simple, cheap terminals," he says. "The sad thing is that some of the financial fundamentals, including fee structures, will change. It will be huge."

What does the future hold for George Wallner?

"I will continue to do what I am doing now, in charge of strategic initiatives at Hypercom," says Wallner. "There is a lot that can be done to make transactions more efficient and secure. Our industry also has a good shot at identification-verification security activities that government organizations will be pursuing. It will be big business in the U.S. Our industry is very closely related, and the smart ones in our industry will go after those activities before the government does. After all, we are the experts."

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COMPANY PROFILE ◄ ◄ ◄

Electronic Exchange Systems Processing

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E-mail: peter.scharnell@exsprocessing.com

Company addresses:
3931 MacArthur Blvd., Suite 205
Newport Beach, CA 92660
Phone: 800-949-2021

2201 Cantu Court, Suite 116
Sarasota, FL 34232
Phone: 888-949-2021
Web site: www.exsprocessing.com

ISO benefits:
- Exceptional customer support for both ISOs and their merchants.
- Extensive ongoing training covers all products and services for ISOs.
- Comprehensive, end-to-end, high-quality processing services and products.
- Emphasis on maintaining the highest level of quality through all aspects of business.

Processing in the New Millennium

The key to any successful business is finding a need and offering a service or product to fill it. A healthy, growing company results from settling into a niche and expanding your position from there.

One payment processor has found that by blending the not-very-high-tech concept of good old-fashioned customer service, the highest-quality products, flexible programs and knowledgeable people to represent the company, its niche not only fits like a glove, it has allowed substantial growth as well.

Electronic Exchange Systems (EXS) found its niche in 1991 and used that foundation to expand. By combining flexible programs and state-of-the-art technology with high-quality service, the company offers businesses, both large and small, end-to-end electronic payment solutions.

Since October 2001, EXS has been operating as its own processor, known as EXS Processing, through Global Payments Inc.

Peter Scharnell, Vice President of Product Marketing for EXS, says the business is built on the company's ability to be a comprehensive, one-stop resource for merchants, offering the most current and best equipment and software available to them, as well as establishing and maintaining relationships with ISOs.

"We provide all aspects of transaction-processing solutions, from back end and equipment to service and support, including gateway services for e-commerce," he said. "The focus has been on quality from the beginning, and that's still the case.

"We are truly an end-to-end solution. We hand-select all of the products we offer. We offer training for our ISO agents, and we'll go out on calls with them if necessary. We provide all the tools and training the customer will need.

"We like to provide everything and see that all the merchant's needs are met. Mixing and matching products is OK, but we'd rather provide everything – our reputation depends on service and support."

Scharnell said EXS has chosen Lipman NURIT terminals as its preferred line of POS solutions. "There are lots of cheaper products out there, and we sell them, too. But, again, we prefer Lipman quality," he said. "It's the best product out there, and we're really pushing it.

"EXS prides itself on exceptional customer support – for ISOs and merchants. We really stress values and ethics and have an excellent training program for our reps."

For businesses and organizations of all sizes, EXS has been able to custom-design programs that best suit the needs of specific clients. Through a network of more than 100 affiliate offices, EXS has grown substantially over the years. Companies that process with EXS include major league and minor league sports stadiums, city governments and nationwide chain outlets.

EXS has offices in Newport Beach, Calif.; Sarasota, Fla.; Absecon, N.J., and Atlanta and has 28 employees, Scharnell said. Three regional directors oversee the affiliate ISOs the company works with across the country.

EXS's ability to provide its customers with superior support and state-of-the-art technology has been, and will continue to be, the cornerstone for the company's expansion.

"EXS has always looked at the marketplace and tried to determine the needs for the small and medium-size ISOs. This is and always will be our focus," said Garry O'Neil, CEO of EXS.

EXS is recruiting ISOs to accommodate the company's ongoing expansion. In partnering with ISO agents, Scharnell said, "Our main concern is quality. Through the qualification process, which involves interviewing and reviewing their organization, we're looking for people with good business practices, ethics and morals."

> **EXS provides a direct window into its system, meaning that monthly fees to gateway services are eliminated. EXS will assist in the application processes, provide required merchant numbers and enable access to all of the ISO's merchant information and residuals data.**

Sales reps can expect a number of advantages to working with EXS, Scharnell said. There is one application process, one transaction base rate and no hidden fees for the services. Scharnell explained that the transaction base fee can be adjusted to give a better rate for volume and that credit and high-risk issues are also factors in determining the percentage.

EXS makes partnering advantageous with approvals within 24 hours; online reporting; turn-key solutions, including state-of-the-art equipment and EXS' excellent customer support; download services; and competitive commissions and vested residuals.

ISOs can pass these services on to any of its merchants, who also get easy-to-read statements and access to the 24-hour help desk. Merchants deal with only one processing provider instead of several vendors for equipment and various services, and they also get centralized support.

EXS offers the full range of transaction-processing products, including ACH software and check guarantee; templated Web sites and e-commerce-enabling software; loyalty programs; gift card programs; wireless- and smart card-compatible terminals; and processing for all card types, including credit, debit and EBT.

When working with EXS, ISOs can accept almost any merchant as a DDA relationship or merchant relationship. Merchant retention remains high, allowing ISOs more time to cross-sell their services and increase revenue. EXS will process for all types of operations, including small- and large-size businesses, multi-terminal merchants; retail; restaurants; MO/TO; new businesses; government agencies; utilities; non-profits; business-to-business; and depending on the product, questionable credit merchants.

EXS provides a direct window into its system, meaning that monthly fees to gateway services are eliminated. EXS will assist in the application processes, provide required merchant numbers and enable access to all of the ISO's merchant information and residuals data.

EXS Processing has combined the technology of tomorrow with the service necessary for business today. Its focus on doing the right thing for the customer and its full range of payment-transaction programs available to businesses of all types means high merchant retention and continuing revenue for ISOs. Not a bad little niche to find yourself in.

LinkPoint AIO

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The LinkPoint AIO is a sophisticated, **all-in-one** payment solutions with a sensible, user-friendly design. The AIO delivers **quick transaction** times and **superior reliability**, with support for a full range of payment needs, including multiple applications and merchant IDs.

An intuitive user interface makes the AIO easy to learn and easy to use. Its high-speed, integrated thermal printer streamlines installation and everyday operation.

The LinkPoint AIO: it's all you need to provide your merchants with efficient, all-in-one payment processing.

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COMPANY PROFILE ◄ ◄ ◄

SyTec, Inc.

ISO contact:
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    Sales/Marketing
Phone: 800-775-7551
E-mail: johnfrank@paidcheck.com

Company address:
1 Market Plaza
Spear Street Tower
Suite 3700
San Francisco, CA 94105
Phone: 800-775-7551
Fax: 715-262-8877
Web site: www.paidcheck.com

ISO benefits:
- All-inclusive EBT processor with unique system for accepting and processing checks.
- P.A.I.D system converts paper checks into real-time debit transactions.
- Enables whole new market of clientele to accept checks safely and inexpensively.
- Looking for qualified ISOs to present P.A.I.D to merchants, including restaurants and grocery stores.

Hot off the Press:
Merchants Getting P.A.I.D

This just in: A new electronic check verification product went live July 13, 2002. It's a whole new approach to accepting and processing checks. Craig Tims, President of SyTec, Inc. said it's the biggest thing since electronic credit card processing.

Simply put, the P.A.I.D system (Payment Authorized Instantly Debited) converts paper checks into real-time debit transactions. The merchant gets paid without a lot of transaction fees, volume-percentage fees or fund-collection fees.

SyTec's P.A.I.D program is a merchant acquirer processor for SafeCHECK, which is jointly owned by 11 leading financial institutions, three EFT Networks and SVPCo. Tims said that, as the first POS processor for SafeCHECK, P.A.I.D is making it possible for a whole new clientele to accept checks safely and inexpensively.

Tims founded SyTec with his wife, Terry, in 1994 as an ISO working with preferred merchants. They changed the corporate structure in 2000 to become a fully independent acquirer processor.

Now they're an all-inclusive EBT processor and, together with partner John Frank, they are creating market opportunities and looking for qualified independent agents to present P.A.I.D to merchants ranging from grocery stores to restaurants.

P.A.I.D works with an SVPCo-patented processing methodology, Tims explained. Merchants can accept a check at the point-of-sale, run it through the special reader and within seconds know that the account is valid and contains funds sufficient to cover the transaction amount.

The amount of the check is instantly debited, is guaranteed for 100 percent of the face value and can never be returned for non-sufficient funds.

The system is based on an interchange/revenue model, Tims said. Data travels via the same EFT networks used by ATMs. Unlike check verification, data files are never old or inaccurate.

By accessing all available DDAs, P.A.I.D enables retailers to verify online and in real time from the point-of-sale that checks are legitimate.

P.A.I.D accesses 13 ATM networks, including STAR, Interlink, Pulse and NYCE. It also virtually eliminates all risks normally associated with accepting checks. NSF checks, closed accounts, bank-return fees and the high cost of check guarantee programs are problems of the past.

Unlike other check verification systems, data files are never old or inaccurate because the process happens in real time.

The process is fairly simple: The cus-

> **"Merchants have always wanted something like this because we're able to verify the amounts in the accounts immediately. This is the first time we've physically gotten into accounts. We have merchants standing in line. One major retail chain wants 400 units, and all they're asking is, 'When can you install?' "**
>
> — Craig Tims
> President, SyTec, Inc.

tomer writes a check to pay for a transaction, which the merchant runs through the reader that sends the information to the merchant acquirer, or P.A.I.D. It is then processed through SafeCHECK and one of its issuer-bank members.

Verification is returned through SafeCHECK and P.A.I.D, which then settles the transaction with the merchant's bank with a direct deposit.

Once a check is inserted into the reader, the merchant will receive an authorization number. When approval has been ascertained, the check is accepted and the funds are immediately set aside, just like a debit card/check card transaction.

Settlement occurs within 24 to 48 hours, and funds are deposited directly into the merchant's checking account.

The system features the P.A.I.D All-in-One Terminal, which accepts pay-ments for transactions made with credit, debit and smart cards, loyalty and gift cards, and checks. The terminal includes the check reader and will process the checks and print receipts.

Even though the program was just rolled out in July, Tims said it already is drawing raves.

"Merchants have always wanted something like this," he said, "because we're able to verify the amounts in the accounts immediately. This is the first time we've physically gotten into accounts.

"We have merchants standing in line. One major retail chain wants 400 units, and all they're asking is, 'When can you install?' "

The program gives merchants the opportunity to accept checks. "Businesses like restaurants, who in the past wouldn't even have considered taking checks, are now able to.

In fact, checks are often the preferred method of payment – it costs the merchants less than credit cards," Tims said.

"Grocery stores are another excellent market. Although most small stores have their own systems in place, we do have several large chains looking at us because accepting out-of-state checks is not an issue with P.A.I.D. The program also works well with e-commerce businesses and debt collection."

Normal debit rules of dispute prevail when transactions made through the P.A.I.D system are challenged. "You have to have a pretty strong fraud case," he said.

The cost for running checks through the P.A.I.D system is a flat 75 cents per check with no percentage fees. "There is just no comparison to the cost of check-guarantee services. This is just a fraction of the cost," Tims said.

The program is being marketed to mid-volume merchants on up, or those who take 100 checks a month or more, he said. At some point in the future, the pricing model might be changed to a tiered model based on average check size.

To keep pace with demand, Tims said SyTec has instituted an ISO program, and the emphasis is definitely on working with quality people.

"Our concern is that we are the first to offer the P.A.I.D program in the general market," he said. "The 11 banks backing SafeCHECK want the system presented to the market with high standards.

"We have a staff of 11 people right now but no in-house sales force. We're signing up 30 to 40 merchants from all over the country a day, though, despite that. We are not a blood-and-guts, hip-shooting kind of operation – we're firmly entrenched in the financial services

industry. We look at ISOs as partners, not competition. As a processor/acquirer, we're very sensitive to ISO concerns, and in the case of a conflict of interest, the tie goes to the ISO."

Still, the emphasis will be on looking for dedicated, committed ISOs to partner with, Tims said.

"I can't stress enough that we are going to be selective in who we'll be working with," he said. "We're not looking for weekend warriors. We want serious, career ISOs.

"We've been around long enough and know enough people in the business, but there are lots of new organizations out there we'd like to get to know. We're going to be giving them something special.

"We think we're going to change the face of the entire merchant check acceptance industry."

NEW PRODUCTS ◄ ◄ ◄

New Look for Credit Cards

Bank of America Mini Card
BANK OF AMERICA

The latest trends in card-issuing competition are taking shape (and size) with the latest credit card offerings from Discover Bank, Bank of America and Visa. Perhaps hoping to entice customers into using a certain card more often than others, rival companies are providing new looks for the plastic.

In March 2002, Discover introduced the Discover 2GO Card, a compact, kidney-shaped (and kidney-colored) companion credit card that comes with a similar-shaped plastic protective case designed to attach to a key chain ("Will New Cards Bring Tears of Joy to Users and Issuers?" The Green Sheet, issue 02:06:01).

Bank of America (BofA) recently announced plans to offer its own version of a companion credit card, the Bank of America mini card, about half the size (1 1/2" X 2 1/2") of a regular card. Like the Discover 2GO card, the Visa mini card also can be attached to a key chain, allowing cardholders the convenience of carrying their card without needing a wallet or a purse.

To introduce the card, Bank of America partnered with Visa, and for a year BofA will hold exclusive rights in issuing the mini card. Following that year, Visa member banks will be permitted to issue Visa-branded mini cards under a license agreement from BofA, whereby BofA will receive royalty payments.

Like a regular Visa credit card, the BofAmini cards can be used at point-of-sale terminals with magnetic stripe readers wherever a Visa is accepted – more than 24 million locations worldwide. A debit card version is planned for the future.

Bank of America Corp.

800-732-9194
www.bankofamerica.com

POS Peripheral for Check Conversion

CR 1000i
VERIFONE

VeriFone offers a practical and efficient solution for converting paper checks to electronic documents at the point-of-sale with the VeriFone CR 1000i, a check-imaging peripheral that can integrate with a merchant's existing payment terminal.

When a customer pays with a check, the merchant slides the check into the CR 1000i, and a contact-image sensor captures a high-resolution black and white image of data on the check such as the name, address, bank information

and signature line. The CR 1000i reduces the size of check data for storage and transmission purposes – the device can store up to 400 check images in its memory before transmitting data to a bank or clearing organization.

The CR 1000i's compact design houses an internal 56 kbps modem and is fully compatible with VeriFone's Omni 3200, Omni 3300 and Omni 3750 terminals in a dial-up environment.

Using advanced imaging technologies for electronic check conversion such as the CR 1000i, merchants can reduce costs related to handling, storing, processing and collecting checks. ISOs are provided with an opportunity to generate additional equipment sales as well as continual revenue from the check conversion services it supports.

VeriFone, Inc.

2455 Augustine Drive
Santa Clara, CA 95054
1-800-VeriFone
www.verifone.com

Multifunctional POS Terminal

LinkPoint 3000
FIRST DATA CORP., LINKPOINT INTERNATIONAL, INC.

First Data Corp. and LinkPoint International, Inc., a wholly owned subsidiary of First Data, recently introduced the LinkPoint 3000 point-of-sale terminal for processing electronic payments.

The multifunctional terminal is capable of processing credit, debit, electronic benefits transfer (EBT), gift card services/Valuelink Gift Card, loyalty, purchase card, TeleCheck guarantee and TeleCheck electronic credit application (ECA).

Some of the LinkPoint 3000 features include color-coded screen-addressable keys, a two-line, 20-character backlit display and clearly labeled dedicated function keys and ATM-style prompts. The terminal's serial ports consist of one printer port as well as two ports for PIN pads, check readers and bar-code wands. The terminal also offers a built-in calculator function and password protection from unauthorized downloads.

The LinkPoint 3000 terminal can be combined with LinkPoint's PrintPoint 3000 thermal printer and BackPoint PIN pad for the Low Cost Complete Sales Solution offering, or the terminal can be combined with other manufacturers' products for a full electronic-payment solution. Add on Ingenico's eN-Check 2500 check reader for split-dial ECA.

First Data is targeting small to medium retail, business-to-business, mail order/telephone order and restaurant merchants with the LinkPoint 3000.

First Data Corp.

6200 South Quebec Street
Greenwood Village, CO 80111
800-735-3362
www.firstdata.com

LinkPoint International, Inc.

Hardware Division
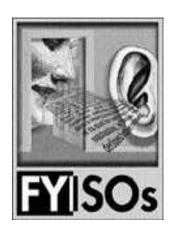PO Box 436
Simi Valley, CA 93062
www.linkpoint.com

NEWS

Hypercom Lowers Q3 Revenue

Hypercom Corp. says it is lowering its third-quarter 2002 revenue forecast by $10.4 million and its operating profit by $5.1 million because of a delay in the release of its T7Plus POS terminal. The company previously had projected revenues for this quarter to be $80-82 million. Hypercom says it expects a $2 million third-quarter operating profit and a $36.9 million net loss, or 77 cents per share.

Hypercom announced plans to improve its profits by restructuring operation of its POS Terminals and Network Systems Group, reducing its presence in Latin America and eliminating any unprofitable operations. The company expects these actions to result in charges totaling $16.1 million in Q3 2002 but says the actions have potential to increase annual operating profit by $6 million.

Smart Card Shipments Doubled

The **Smart Card Alliance**, a not-for-profit, multi-industry association working to further the acceptance of smart card technology, released the results of its study conducted by KPMG: Smart card shipments to the U.S. and Canada for the first half of 2002 doubled from the same period last year. Smart card shipments totaled 31.2 million cards, a 111% increase from the first half of 2001. Eighty-one percent of cards shipped were microprocessor cards, and 19% were memory card shipments.

Visa Sales Grow 17 Percent

Visa International announced a 17 percent increase in its global sales volume over last year, reporting more than US$2.3 trillion for the fiscal year ending June 30, 2002. Visa attributes its growth to increases in:

• The number of merchants accepting Visa for payment, such as in quick service restaurants, which have grown 60 percent.
• New co-branded cards, such as the Target Visa card in the U.S.
• New payroll programs in the U.S. and Europe.
• Promotions for using the Visa card such as Visa's sponsorship of the 2002 Winter Olympics.

Visa says retail payments with a Visa card account for 7% of the global personal consumer expenditure (PCE), which represents the market value of all goods and services purchased (excluding homes) by households and non-profits. Visa also said it hopes to achieve a 12% share of the PCE by 2010. The current global PCE is US$19 trillion and is driven by cash and check payments.

ANNOUNCEMENTS

Survey Finds Debit PIN Popular

Results from a recent survey released by **Paymentech** polling 800 adults reported 50 percent of Americans with debit cards prefer using a PIN versus signing a sales receipt. The survey respondents said the main reason for this preference is that PIN debit transactions are faster than signature debit transactions; security was cited as the second most popular reason for paying with a PIN. In addition, more than a third of the respondents said they would be more likely to shop at a store where PIN debit card payments are honored.

Smart Cards in Demand

A U.S. government Homeland Security agency has placed an order for 6,500 cryptographic smart cards with **Datakey Inc.,** developer of smart card solutions for securing e-business. The smart cards will be used to protect sensitive data stored on employee laptops. To gain access to the laptops and encrypted data on the hard drive, employees of the agency will use a Datakey smart card containing unique digital identification information and a password.

PARTNERSHIPS

SPS Wins First Hawaiian's Business

First Hawaiian Bank, Hawaii's oldest financial institution, has selected **Secure Payment Systems, Inc. (SPS)** to provide all authorization, terminal management, ACH settlement and risk-management services to its entire portfolio of electronic check conversion merchant customers as well as check and gift card processing solutions. First Hawaiian Bank, founded in 1858, is a subsidiary of BancWest Corp.

Wireless Payment Service from Vital

Vital Processing Services and **U.S. Wireless Data, Inc. (USWD)** have signed a reseller agreement whereby Vital will provide wireless coverage for processing transaction services by offering USWD's Synapse Adaptor technology, which converts a merchant's terminal into a wireless workstation. Vital's offering will support credit and offline and online debit transactions over the Lipman Nurit 3010 and the Thales Artema POS wireless terminals. Vital's payment services are available across 90% of the wireless coverage areas in the United States. With this

partnership, Vital is positioned to penetrate the mobile merchant market.

TSYS Renews Processing Contract

TSYS has renewed a 10-year service agreement with **5Star Bank** to process its MasterCard and Visa credit cards. TSYS is a provider of electronic payment services. Under the terms of the five-year agreement, TSYS will continue to provide consumer and commercial card account processing for 5Star's 200,000 cards. 5Star provides financial services to members of the U.S. armed forces, including its parent company, the Armed Forces Benefit Association (AFBA).

Terminal Leasing Made Easier

Hypercom Corp.'s **Golden Eagle Leasing, Inc.** and **Credit**_discovery_ have joined forces to simplify and expedite the process for ISOs and merchant service providers and acquirers to apply for merchant credit card processing and POS lease financing via the Internet. Golden Eagle Leasing will integrate its microticket (less than $5,000) leasing programs with Credit_discovery_'s ISOExpress products to accept online credit applications around the clock, authenticate identity, obtain a credit report, approve or deny a application and obtain a legally binding electronic signature.

Joining of Two at the POS

San Diego-based **SalePoint, Inc.** will be a reseller of **Ingenico**'s eN-Touch 1000 touch-screen and signature-capture terminal. The terminal will be integrated with SalePoint's Trovato, a point-of-sale solution. SalePoint and Ingenico have integrated the products to provide electronic signature capture and online debit PIN entry at the point-of-sale.

Check Processing Comes to Sunoco

TeleCheck Services, Inc., a check-acceptance provider and subsidiary of **First Data Corp.**, announced plans to bring check transactions to 110 **Sunoco, Inc.** convenience stores. TeleCheck will provide the stores with electronic check acceptance (ECA) service and Eclipse payment terminals. The ECA service converts a paper check to an electronic image at the point-of-sale and delivers funds to a merchant's account in two business days. Eclipse terminals are all-in-one payment terminals that provide merchants with check, credit and debit authorization and processing.

TeleCheck, VeriFone Integrate for Conversion

TeleCheck announced plans to integrate its electronic check acceptance (ECA) service with **VeriFone**'s SoftPay and Verix software solutions. Combining the solutions will help merchants convert checks to electronic transactions at the point-of-sale. With this agreement, First Data channel partners will be able to extend the ECAservice to their existing merchant base. By using VeriFone's advanced Verix multi-application architecture, terminals can support ECA transactions, regardless of the processing host or payment application. The companies expect the integration to be completed in Q4 2002.

U.S. Merchant Services Goes Digital

U.S. Merchant Services, provider of credit card processing, electronic checks, gift cards, prepaid gifts and payroll management services, announced it will provide **Florida Digital Network of Orlando (FDN)** with the ability to accept credit cards. As part of U.S. Merchant Services' "It Pays to Switch" program, customers of FDN can receive up to $500 to transfer their credit card merchant account to U.S. Merchant Services and will be able to purchase processing equipment at wholesale prices directly from the company.

New Merchant Referral Program

Mechanics Savings Bank and **Diversified Acquiring Solutions (DAS)** have entered into a merchant referral program whereby Mechanics Savings Bank will refer both new merchant business and non-traditional merchant business to DAS. DAS will manage the sale, set-up and servicing of the bank's processing relationships; in return, Mechanics Savings Bank will receive a referral fee and monthly income on all processed volume.

Comstar, Concord Go Wireless

Comstar Interactive Corp. announced that **Concord EFS**, Inc. has certified Comstar's CHARGE ANYwhere wireless credit card processing solution for merchants using Concord's electronic transaction processing services. Concord EFS also will distribute CHARGE ANYwhere to mobile merchants through its direct and ISO sales channels.

Prepaid Services for Sale in ATMs

Financial Technologies, Inc. (FTI), provider of ATMs and financial services, and ATM manufacturers **Tidel Technologies, Inc.** and **Triton Systems, Inc.** announced they have partnered to provide a suite of prepaid wireless services, prepaid long-distance calling plans, Western Union money transfers and cash payroll services to consumers for purchase from the Tidel 2000 and Triton 9100, 9600 and 9700 series ATMs.

APPOINTMENTS

Knutson Takes Over as TransFirst President

TransFirst has appointed **Marla Knutson** to President of Agent Bank Services. Knutson, who has more than 20 years' experience in the banking and financial services industry, joined TransFirst in 1999 as Vice President of Agent Bank Services. Before TransFirst, Knutson served as National Sales Manager and Vice President for Agent Banks in the Merchant Services Division of Chicago-based Harris Trust and Savings Bank. Her background also includes the position of Merchant Product Specialist for Norwest Card Services.

Industry Veteran Is New CashWorks VP

CashWorks Inc., provider of check-cashing technology solutions, has appointed **Dennis P. Kraft** to Senior Vice President of Sales and Marketing. Kraft is a veteran in sales and marketing, with more than 20 years' experience in payment processing-related technology solutions for retailers and financial institutions. Kraft previously served as Vice President of Sales and Business Development for @POS, Inc., which recently was acquired by Symbol Technologies. Kraft also has held senior sales and marketing positions with InfoSpace, First USA Paymentech and Moneymaker EFT.

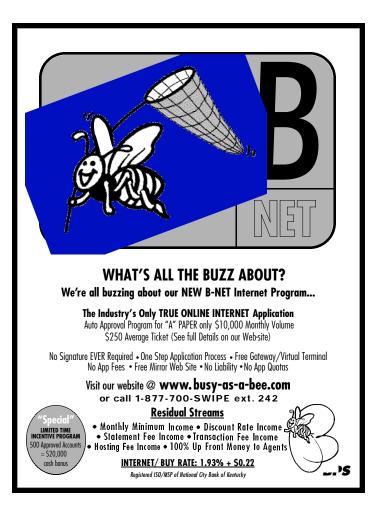### ACQUISITIONS

TransFirst Increases Market Share to 20%

Dallas-based **TransFirst**, a transaction processing services provider, has acquired **BA Merchant Services, Inc.**'s agent bank merchant acquiring portfolio. The merger will add 10 percent in market share – $3 billion in annual sales volume – to TransFirst's Agent Bank Services division, giving it a total market share of more than 20 percent. This is the latest of three acquisitions for TransFirst. The TransFirst Agent Bank division will now service more than 520 banks with $6 billion in annual sales volume.
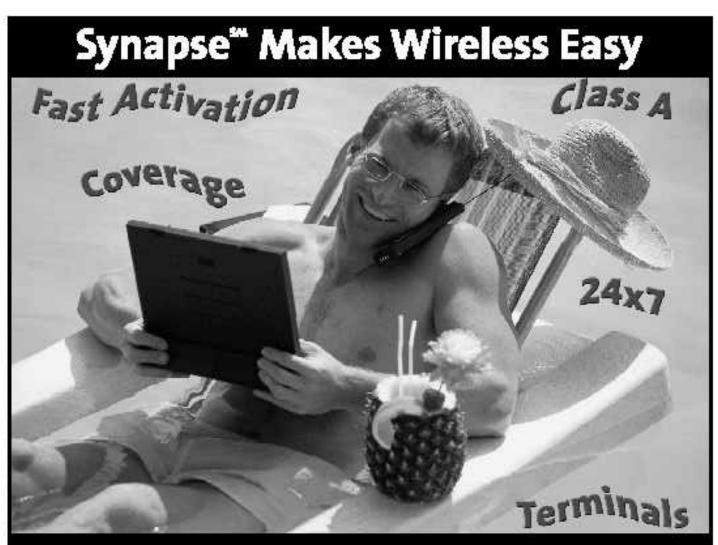
Cardtronics Adds to ATM Network

Cardtronics has acquired 1,200 ATMs and placement agreements from **Diebold, Inc.,** including several new corporate accounts such as Barnes & Noble College Bookstores, ExxonMobil, Rite Aid and Uni-Mart. Cardtronics' ATM network now includes more than 9,000 owned and/or managed ATMs nationwide, including 1,100 ATMs from its acquisition of McLane Financial Services Plus last October.

First American Picks Up ATM Contracts

First American Payment Systems, L.P., a merchant bankcard and ATM processing acquirer, has acquired **FirstCard Financial Services, Inc.** with 636 ATM-processing contracts. FirstCard Financial Services now operates as FirstCard ATM, Inc. and has signed a long-term agreement with First American to provide ATM, credit and debit processing services.

INSPIRATION ◄ ◄ ◄

Giving Great Value

In an industry saturated with buzzwords, one phrase that is used again and again is "value added." New technology promises value-added products. New processors promise value-added services. What is not heard as frequently on the business boulevard is anything about value-added relationships.

While new products and services may set you apart from the pack on the surface, creating, building and maintaining strong sales relationships with partners and prospects is critical to sales success.

Selling is a relationship-based profession. It's all about consulting as opposed to just selling. If you're seeking ways to add value to your portfolio, here are tips that aren't based on technology but rather on a true appreciation of the human approach.

• **Tell the truth.** First and foremost, don't be a know-it-all. If you don't have the answer to a prospect's or customer's question, readily admit it and then immediately promise to research and return. The value of appearing honest and earnest greatly outweighs acting like an expert.
• **Find where it hurts.** Not every merchant feels the same business-related pain. Ask pertinent questions and prepare a specialized treatment to alleviate their particular stress. If you can cure them, you'll keep them.
• **Don't always look for a return.** The truest friends help one another without receiving a direct benefit. Whether it be info or assistance, doing more than is basically required or reimbursed ensures a greater return on services rendered. Instant gratification has no value for professionals in it for the long haul.
• **Stay in touch.** Past associates and old friends all are valuable in maintaining relationships and creating new ones. Everyone is a potential recruit for referrals. Even more important, staying in touch also means returning every call every day. Leave a message unanswered and you'll run the risk of being left behind.
• **Be aware of the action.** It's not enough to know your client. Today, you've got to know your client's competitors as well. Your merchant will appreciate you keeping them informed of what their rivals are doing. By watching your merchant's back, you'll cover your own.
• **If you can't say anything nice ...** A prospect doesn't want to hear you bashing your own competition, espe-

cially if that prospect had a favorable meeting the day before with them. Instead, point out the valuable benefits of your products that meet their special needs better than anyone else's. That requires you knowing the good things about your competitors, not just the bad.
• **Keep a little black book.** Birthdays, anniversaries, important events in the lives of your clients are invaluable to maintaining a strong bond. Acknowledgement can be as simple as a congratulatory phone call or a quick note. Sometimes, it's not the size of the service but the sentiment.
• **Make an impression.** Do it with humor, do it with style, just do it. Always leave your prospect or customer feeling good, but always leave them knowing that you are a professional whose knowledge of their business model, their special needs and their sales goals is solid.
• **Share your wealth.** Providing value to your merchants includes sharing ideas on how to sell more efficiently and

DATEBOOK

COMDEX Fall 2002

Highlights: It's time again for COMDEX, an institution among trade shows in its 23rd year in Las Vegas. The global IT industry gathers at COMDEX every fall because this is where industry leaders set the tone and agenda for the coming year; new products are launched, and buyers and sellers can meet face-to-face. An outstanding keynote program, world-class conference programs and a dynamic show floor featuring many new products are all part of the event. To address specifics of the challenging times and road to recovery for the IT industry, Carlos Bonilla, Special Assistant to the President, National Economic Council will participate in the keynote series on Wednesday, Nov. 20, with reflections and comments on what lies ahead for the global IT marketplace. This year's illustrious roster of keynote speakers includes Scott McNealy of Sun Microsystems, Carly Fiorina of Hewlett-Packard and Bill Gates of Microsoft.

When: Educational Programs – Nov. 16-21, 2002
Exhibition – Nov. 18-22, 2002

Where: Las Vegas Convention Center

Registration Fees: Vary by programs attended. Visit www.comdex.com for complete schedule of events and fees.

How to Sign Up: Online at www.comdex.com. By phone at 888-568-7510.

National Retail Federation Convention and Expo

Highlights: Opportunities to increase profits and grow in retail are harder to identify than ever before, and the margin for error is shrinking in this difficult economic climate. When the upswing comes, only the smartest retailers will have positioned themselves to take full advantage of it. The retail industry will gather once again for three days of up-to-the-minute educational sessions, discussions of best practices and new technologies, and tips to improve existing operations and grow profits. NRF has assembled leading industry analysts, experts in all facets of retail operations, innovative industry business partners, economists, investment analysts, suppliers and top retail executives to provide their insights into the future of retailing. Informative sessions will focus on the latest developments and strategies in marketing, technology, merchandising, store operations, finance, channel optimization, supply chain and more.

When: Jan. 12-15, 2003

Where:: Jacob Javitz Convention Center, New York

Registration Fees: Vary by membership status, events attended and registration date; early registration deadline is Nov. 15, 2002. Visit http://nrfannual03.expoexchange.com or phone 301-694-5243 for details.

How to Sign Up: Online at http://nrfannual03.expoexchange.com

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effectively on a regular basis. While they may not incorporate your ideas every time, when they do have a situation that requires special attention, they'll contact the person who presents solutions regularly – that's you.

In the Right Place

Ben Franklin once said, "It is better to strike as good a bargain as one's bargaining position admits." Putting yourself in an optimum negotiating position takes more than being in the right place at the right time. It takes skill. It involves preparation. It takes awareness and understanding of your prospect's needs as well as your own. But, most important, it's about having the right attitude.

Successful sales professionals rely on a positive attitude in all of their negotiations. They recognize conflict as a normal and constructive element of doing business. They embrace conflict with skills they've learned and honed to perfection through practice. They know those skills will provide them with the self-confidence and courage necessary to effectively tackle any situation. Their winning attitude translates to a win-win negotiation. And that's what successful negotiation is all about – both sides able to come away with something of value.

Consider the following statements. If you find you disagree with most of them, it may be time for an attitude adjustment. If they reflect your attitude, you are already in the right place!

• It doesn't bother me when my prices, products or services are questioned.

• Conflict is a fact of life, and we all have to work together to resolve it.

• Conflict is a positive opportunity for me to re-examine my opinion, ideas and perceptions.

• Conflict stimulates my thinking and sharpens my judgment.

• I consider the needs of the other person when resolving conflict.

• Conflict often can result in more productive solutions.

• Compromise is not a sign of weakness.

• Conflicts that end satisfactorily strengthen relationships.

Good Selling!

Paul H. Green

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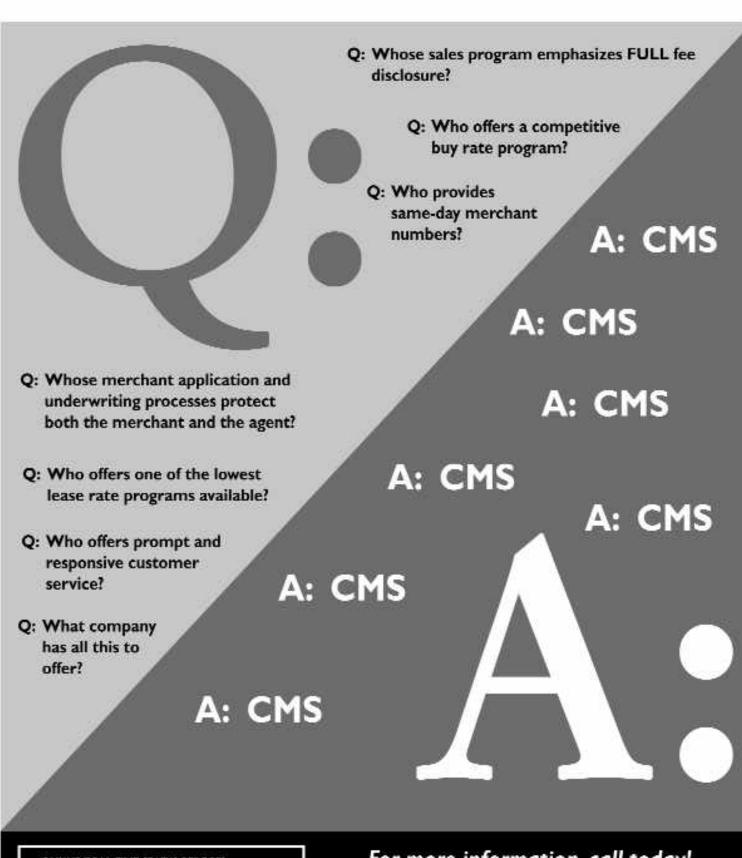SwipeCard, Inc
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