Making Payments Possible for 30 Years

Give all the credit to General Credit Forms' people, experience and approach to service

The people at General Credit Forms (GCF) don't talk about themselves a lot. They'd rather have the spotlight pointed somewhere else, preferring the focus to be on their customers. But give credit where it's due: GCF's products have been making it possible for the payment processing industry to run for over 30 years.

If you think about it, it makes sense that a company that produces the basic components on which all payment transactions are based should have a long healthy life. What's unusual, though, is that a company that manufactures paper forms has emerged as the trusted, venerable advisor to an industry where things change more rapidly than they do in Oz.

Consumer attitudes and habits, as well as the gadgets and gizmos used to process payments, have changed over the years, and GCF has seen it all happen. There are few corporations who've been at it longer than General Credit Forms: after the Visa and MasterCard credit card associations, GCF is the one of the oldest continu-ously owned companies in the payment industry.

By earning their customers' trust, changing to meet new demands in the marketplace and getting involved in industry organizations outside their own company, the people at GCF have made their company an integral part of the transaction processing industry.

In fact, several GCF staff members can be credited with not only helping to run various regional acquirers' associations; they were instrumental in getting them off the ground in the first place. The Midwest, Southeast and Northeast regional acquirer associations were all started and are managed with the assistance of GCF employees. The recently disbanded Bankcard Association of Southern California had a GCF staff member on its board, who will also continue helping to run its soon-to-be-named replacement association.

GCF has managed to stay viable and relevant, operating behind the scenes as an independent but important element in the processing of transactions. Its products don't come with a
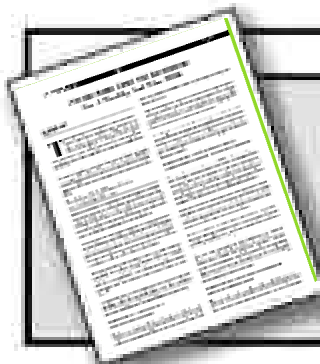
Notable Quote:

Do you see yourself as this harbinger of change? Customers will not balk at additional cost if there is perceived value within the proposed equation. Demand more of yourself—and your suppliers and processor—so that your customers can demand more of you.

The Green Sheet

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

WHY FEBRUARY 16 IS SO IMPORTANT...

1852
STUDEBAKER AUTO COMPANY FOUNDED.

1878
CONGRESS AGREES TO MINT THE $1 COIN.

1979
SATURDAY NIGHT FEVER SOUNDTRACK WINS GRAMMY AWARD FOR BEST ALBUM

Luis, I don't care what you promised your new account! We're <u>not</u> naming our baby after him.

Requests for 'Interchange Untangled'

I think that your article entitled 'Interchange Untangled' is great. However, I only have part 5, and I was hoping that I could have the past Green Sheets with Parts 1–4 sent to me.

If so, I would really appreciate it. I look forward to your reply and thank you in advance for your assistance.

Sincerely,
Kyle K. Jackson
Chairman and CEO
Approve America! Inc.

Kyle:
You can view these articles online at www.greensheet.com. Go to Green Sheet online and search for 'Interchange Untangled.'
Editor

In The Green Sheet Issue 03:10:02 you wrote regarding "Interchange Untangled-Part 2" and in my most recent GS I received Part 6. Thanks, great information.

However, I cannot locate which issue of GS has 'Interchange Untangled-Part 1.' Can you help as to which issue I can find this first Part in? I've looked but no luck!

Thanks,
Mel Livengood
American Merchant Services

FORUM ◀ ◀ ◀

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ing⊜nico]

Mel:
Your confusion is understandable. Part 1 of the series appeared in our 03:06:01 issue. You can view the article in our archive at www.green-sheet.com
Editor

Keep It Up

Dear Green Sheet:
I use The Green Sheet for so many things. If I simply want to know what the latest issues are within our industry, I go to The Green Sheet. When I want to learn about other similar businesses and the neat things they are doing, I go to The Green Sheet. And when I need to find professional sales agents to market our product, I know they will be reading The Green Sheet. Keep doing what you are doing.

Terry L. Crane
Director of Business Development
Jettis, Inc.

Visa and MasterCard Guidelines

Where do I get a PDF file of the Visa and MasterCard guidelines for ISO/MSP companies and for the merchant as well?

rhendrix76

rhendrix76:
We have published, with permission, the ISO relevant Visa/MasterCard regulations in our Industry FAQs section online: http://www.greensheet.com/mlsportal/industryfaq.html
Editor

▶▶▶ INDUSTRY UPDATE

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VeriFone.

NEWS

Retailers' Lawyers in Visa/MasterCard Settlement Get $239 Million

Lawyers who represented Wal-Mart and millions of other retailers in the settled class-action lawsuit against **Visa** and **MasterCard** over debit card fees will get $220.3 million along with $18.7 million in expense reimbursement—an overall amount much smaller than the $600 million they had proposed earlier in the fall.

U.S. District Court Judge John Gleeson, the presiding judge in the case, gave his final approval on Dec. 19, 2003, settling all claims in the class action lawsuit. In his final report, Gleeson called the proposed sum "excessive," Reuters reported. The New York law firm of Constantine & Partners represented the retailers and worked (without pay) with 29 other firms throughout the seven-year case.

First Data and Bank One Resolve Dispute

First Data Corp. (FDC) and **Bank One Corp.** have resolved their differences over a card processing agreement. First Data has agreed to continue providing card-processing services, including output services, to Bank One beyond June 30, 2004 and up to Sept. 30, 2005.

In March 2003, Bank One announced plans to move its credit card processing business in-house and said it would not renew its contract with First Data. While Bank One transitioned to its own system, First Data offered to continue processing through September 2005 unless given six months notice. The agreement was never finalized.

By Aug. 2003, FDC and Bank One had failed to agree on final terms of their partnership—whether FDC would charge Bank One the current rate for processing after their contract expires—and decided to go into arbitration to settle the matter.

ANNOUNCEMENTS

Qualtex Moves to Bigger Office

Qualtex, manufacturer of the WeatherMaster ATM, announced in December 2003 that it moved its corporate office and manufacturing facility to a larger office in Chicago to accommodate recent growth. The new space has more than 10,000 square feet. According to Brad Zerman, President of Qualtex, monthly sales of the WeatherMaster ATM have increased more than 60% since October 2003.

First Data Certifies TPI Software

TPI Software, LLC announced connectivity to **First Data Merchant Services** (FDMS) North Platform in its Payment Server product line. The FDMS certification supports: credit cards, online debit cards with DUKPT PIN pads, authorization/settlement, multi-merchant and account truncation. The TPI Payment Server enables merchants to process payments in retail, e-commerce and wireless industries entirely over the Internet.

VECTORsgi Gets Patent for Check Capture Solution

VECTORsgi, formerly the banking systems division of Sterling Commerce, received patent (No. 6,608,274)

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

➤ **McDonald's Corp.** announced that global system-wide sales increased 14.9% in November 2003 compared with November 2002. In the United States, November marked the third consecutive month of double-digit comparable sales growth, up 10.2%.

➤ The Federal Office of the Superintendent of Financial Institutions approved **Sears Canada Inc.**'s request to set up a bank, so Sears is aggressively pursuing new MasterCard customers.

➤ **The Conference Board** projects that real GDP growth will hit 5.7% in 2004, making it the best year economically for the United States in the last 20 years.

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Online Agent Information Center & 24hr Agent Infoline

We created a powerful online resource for real-time merchant status, residual reports, lease approval information, download instructions, marketing tools, and more... and when you're out of the office, on the road, you can access all your account information via telephone with our 24hr Agent Infoline.

We offer our Agents the power to succeed.
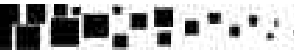
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from the U.S. Patent and Trademark Office for its method and system of online communication between its check management system and check sorters or capture devices.

The new check capture solution will allow financial institutions to send and receive images of checks instead of paper checks. VECTORsgi provides financial transaction processing, image exchange, item processing, dispute resolution and e-commerce solutions to financial institutions and corporations around the world.

Wells Fargo Using Verified By Visa

Wells Fargo and Co. offers its Wells Fargo Global Payment Gateway service to help merchants fight online fraud, and the bank has now incorporated Verified by Visa in its solution. **Verified by Visa** provides merchants and consumers with increased security in accepting and using credit cards and debit cards over the Internet.

PARTNERSHIPS

Alogent and DSS Partner to Process Checks

Alogent Corp., a provider of payment transaction pro-

cessing solutions for financial institutions and payment processors, and **Data Support Systems, Inc.** (DSS), a provider of image-based Day 2 (handling paper the day after the check is received at a processing center) processing software, have partnered to develop and jointly market Sierra T.R.I.P.S (Touchless Return Item Processing System). Sierra T.R.I.P.S. is an integrated image exchange solution for processing exceptions and returns. Both Sierra T.R.I.P.S and the integrated products are expected to be available in the first quarter of 2004.

Cardtronics Selects TNS to Provide ATM Connectivity

Cardtronics picked **Transaction Network Services** (TNS) to provide ATM network connectivity to its network of more than 12,500 ATMs. Under the multi-year agreement, Cardtronics will use TNS Connect, a dedicated, private IP-based network, to support its nationwide ATM portfolio.

Belk Signs with Certegy

Certegy Inc. will provide check warranty services to department store company **Belk, Inc.** Belk operates 221 stores in 13 Southeastern and Mid-Atlantic states.

FDC Processing Center in Latin America

First Data Corp. (FDC) and **Banco General, S.A.** have joined forces to form a new company, called Processing Center, S.A. (PROCESA), that will provide card processing services to financial institutions across Latin America and the Caribbean. PROCESA's operations center is located in Panama City, Panama and uses First Data's VisionPLUS transaction processing software to process credit, prepaid, gift and corporate cards. PROCESA currently processes for 15 institutions.

Calif. ISO Renews with Global Payments

Global Payments Inc. and ISO **Century Bankcard Services** renewed a multi-year agreement whereby Global Payments will provide Century Bankcard with payment processing services (both front and back end) and technical support for credit and debit card, EBT and check processing services. Century Bankcard Services first signed with Global Payments in 2001. The company is based in Chatsworth, Calif.

Atmel and OTI Involved with PayPass

MasterCard International will use **Atmel Corp.**'s and **On Track Innovations Ltd**'s (OTI) contactless secure microcontroller solution in MasterCard's PayPass deployments in the United States. Using PayPass, consumers simply tap or wave their payment card on a specially equipped merchant terminal, eliminating the need to swipe a card through a reader. MasterCard selected

Atmel to supply the secure contactless microcontroller and has partnered with OTI to provide the contactless solution expertise including the operating system, application support and inlay technology.

NCHA Begins Check Image Settlements

On Dec. 22, 2003, the **National Clearing House** (NCHA) completed its first "live" check image exchange settlement for NCHA Image Exchange members using **CheckClear L.L.C.**'s Endpoint Exchange Network. The network has more than 3500 financial institutions enrolled. This initial exchange occurred between **Sterling Savings Bank** in Spokane, Wash. and **Western Corporate Federal Credit Union** (WesCorp) serving over 1000 members nationwide. WesCorp became the first corporate credit union in the 12th district of the Federal Reserve to deliver value and efficiencies authorized by Check 21 Legislation.

Shift4 Processing Canadian PIN Debit

Shift4 Corp. has expanded its $$$ ON THE NET solution to include the processing of Canadian debit PIN pad transactions. Shift4 Corp.'s $$$ ON THE NET is a Web-based e-payment gateway solution offering real-time electronic payment authorization, settlement, reporting and fraud control capabilities. In partnership with **Retail Technologies International,** Shift4 has installed the new solution at several Canadian retailers including Niagara Parks Commission and Build-A-Bear Workshop.

ACQUISITIONS

CheckFree Corp. Buying American Payment Systems

CheckFree Corp. signed an agreement with **UIL Holdings Corp.** to buy UIL's subsidiary **American Payment Systems, Inc.** (APS). APS provides walk-in bill payment services. As part of the deal, CheckFree will own APS' prepaid stored value MasterCard business; CheckFree will not acquire APS' prepaid telephony business, which is managed via a joint venture. Under the terms of the agreement, and pending receipt of regulatory approvals, CheckFree will pay approximately $110 million in cash for the outstanding APS stock. The transaction is expected to close before June 30, 2004.

First Data Buying Cashcard Australia

First Data Corp. announced plans to acquire **Cashcard Australia Limited**, a leading electronic payments serv-

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ice provider in Australia. Cashcard provides various services to major financial institutions and retailers, and operates a merchant ATM acquiring network. The merger remains subject to Cashcard shareholder and regulatory approval. Financial terms of the transaction were not disclosed. First Data expects the deal to close in the first quarter of 2004.

Global Payments Acquires Czech Processor

Global Payments Inc. announced plans to acquire 52.6% of the outstanding shares of **MUZO, a.s.** from Komerцní banka, a.s. (KB) for $34.7 million in cash. MUZO is the largest indirect payment processor in the Czech Republic; it holds approximately a 50% market share and processed approximately 62 million ATM transactions and 33 million point-of-sale (POS) transactions during calendar 2002. As of June 30, 2003, MUZO had 1,212 ATMs and 19,138 merchant POS terminals connected to its authorization system. The transaction is subject to regulatory approvals and closing conditions and is expected to close during the first calendar quarter of 2004.

iPayment Acquires FDMS Portfolio

iPayment Inc. acquired an agent bank and merchant account portfolio from **First Data Corp.'s Merchant Services** subsidiary for $55 million in cash. The portfolio has approximately 18,000 small merchant accounts representing approximately $4 billion in annual bankcard volume. The companies said the deal strengthens an existing strategic relationship between them to grow by adding new merchant accounts generated by approximately 170 small agent banks.

iPayment will continue to use processing services from First Data for the acquired portfolio and new merchant accounts generated by the banks. iPayment is currently a customer of First Data for merchant processing services. To finance the purchase, iPayment expanded its revolving credit facility from $30 million to $65 million from Bank of America. The transaction was effective Dec. 31, 2003.

Verus Acquires Global eTelecom

It's official. Nashville, Tenn.-based based payment processor **Verus Financial Management, Inc.** purchased the assets of Destin, Fla.-based **Global eTelecom, Inc**. on Dec. 16, 2003. Global eTelecom provides electronic check processing services to merchants, banks and independent sales organizations. This is Verus' fifth acquisition since its inception in 2002. Verus now provides payment services to more than 58,000 merchant sites in the United States.

APPOINTMENTS

Signature Leasing Hires Kevin Gilroy

Signature Leasing, LLC appointed **Kevin Gilroy** to serve as National Sales Manager. Gilroy previously was a Vendor Account Sales Manager at Hypercom Corp.'s Golden Eagle Leasing. He has seven years of point-of-sale leasing experience. Gilroy's primary duties at Signature Leasing are to develop vendor relationships.

Two New Appointments at Cynergy Data

Cynergy Data hired **Reginald Mattison** as Regional Manager of ISO/Agent Relations. Mattison will be based in Duluth, Ga., and his focus will be to maintain and grow Cynergy's presence in the Eastern United States. Mattison previously served at Cornerstone Payment Solutions, where he was Regional Sales Manager. He has also worked at National Data Corp. and Bank of America Corp.

In addition, Cynergy Data promoted **Andres Ordonez** to the newly created position of Chief Information Officer. Ordonez was previously Manager of Cynergy Data's IT department. Before joining the company in 1998, he ran his own computer business.

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Gift Cards Take Off for the Holidays but Come Under Scrutiny

Sales of value-added services such as loyalty programs and pre-paid and stored-value products are highly touted by just about everyone in the financial services industry.

Any way you look at them, they can't be beat as revenue generators, considering the advantages they provide in upselling, distribution, inventory control and employee shrinkage.

Stored-value cards are now issued by malls, chain and individual merchants including retailers, restaurants and coffee shops, and often by banks with Visa- and MasterCard-branded logos.

ANational Retail Federation (NRF) survey estimated that holiday shoppers would spend $17.24 billion on preloaded plastic cards in 2003; that would account for 8% of all holiday sales, according to the survey. The NRF also found that 69% of consumers planned to buy one-size-fits-all gift cards.

18,000,000

Number of gift cards issued by Starbucks since 2001

$17.24 billion

Amount spent on pre-loaded plastic cards during 2003 holiday season

Payment service providers and retailers aren't the only ones talking about gift cards these days. As they become more popular with merchants and consumers (Starbucks has issued 18 million gift cards since 2001), some lawmakers are calling for tighter regulations on hidden fees often attached to stored-value cards.

Consumers are usually not aware that the cards can be assessed per-transaction fees and additional service fees of up to $2.50 a month beginning as early as six months after purchase.

Legislators, including Sen. Charles Schumer, D-N.Y., are hoping to put an end to this; Schumer has promised federal legislation in early 2004 to crack down on fees that diminish the value of the cards without recipients' knowledge.

Schumer will base his legislation on California and Massachusetts state laws that prohibit monthly fees, allowing the cards to retain their full value no matter when they're used.

In December 2003, the Massachusetts Attorney General's office issued a warning expressing strong concerns about what it calls the "worst consumer deals out there: the so-called debit card gift card," to which the state laws don't apply.

These bank-issued gift cards can be used like a Visa or MasterCard-branded debit card—even at ATMs—but they also come with fees not typically associated with debit cards. Several major retail chains offer gift cards that don't come with monthly fees but may have expiration dates, including Sears, Macy's, Home Deport, The Limited Brand stores, Blockbuster and Starbucks.

Pack the Snowshoes and Bathing Suit!

The long list of tradeshows scheduled for 2004 (see the "2004 Calendar of Financial Services Events," The Green Sheet, Dec. 22, 2003, issue 03:12:02) opens in February on opposite ends of the Eastern Seaboard: you can snowshoe in Vermont at one event and sunbathe in Florida at the next one. Along with hitting the slopes and waves, you'll have two terrific opportunities to see what's new and meet who's who in payment processing.

While you're at it, get involved and help set the organizational agenda for the National Association of Payment Professionals (NAOPP).

To show our support for participation in these associations and their meetings, The Green Sheet will serve as a media sponsor for and will attend each of the following events. The meetings below are in chronological order.

First Stop: Mt. Snow, Vermont

National Association of Payment Professionals (NAOPP) Membership Meeting

Grand Summit Hotel, Mountain Road, Mount Snow, Vt.
Feb. 3, 2004, 9:30am – 12:30pm EST
Admission: Free; a buffet lunch is included
Hosted by: NAOPP Board Members
www.naopp.com

Scheduled to coincide with the opening of the Northeast Acquirers' Association meeting, the NAOPP meeting will focus on continuing membership development and the formulation of committees to help establish the association's agenda for the future. Organizers invite all attendees to "Come help to shape your own future," and let them know what you'd like the NAOPP to be. Board members Andy Pitts, Jared Isaacman, Corey Saftler, Henry Helgeson and Rusty Martz will be available to answer your questions and concerns regarding this new organization; they're planning an open Q&A format for the meeting.

Northeast Acquirers' Association (NEAA) 2004 Winter Meeting and Seminar

Grand Summit Hotel, Mountain Road, Mount Snow, Vt.
Feb. 3 – 5, 2004

Admission: $150 – includes lunch with the vendors
www.northeastacquirers.com

The Northeast Acquirers' Association's Winter Meeting and Seminar will be held Feb. 3 – 5 at the Grand Summit Resort Hotel and Conference Center, Mt. Snow Vt. Organizers expanded this year's meeting schedule to cover two full days because there has been such an increase in attendance and interest in the association overall.

NEAA is a not-for-profit organization and participation at all levels is strictly voluntary. As has been the case for the past 18 years, registration fees collected are crucial to making this event a success. While attendee registration is important, vendor registration fees provide the majority of the funds that NEAA receives and make it possible for many people to attend, network and gain useful working information at the seminars.

NEAA strives to keep the MLS attendee fee as low as possible to encourage attendance; registration is set at $150 per person. To make it even more affordable, a discount of $50.00 per person may be applied if registration is received prior to Jan. 19, 2004.

The meeting begins on Tuesday, Feb. 3 with the "Basics of Payment Processing," an educational seminar presented by Linda Ford of CardSystems and sponsored by CardSystems. She will cover the history of payment processing and touch on today's evolving processing requirements.

Tuesday's events will include a snow tubing party hosted by NEAA and a reception with refreshments and food sponsored by American Express, Global eTelecom, Paymentech and NEAA, with entertainment provided by a local group, Action Attraction.

The seminar continues on Wednesday with vendor exhibits and sessions including "Portfolio Analysis," presented by First Annapolis Consulting; "ISO vs. Bank, Sales Strategies;" and "Understanding Check," focusing on new rules for ACH and check conversion. MasterCard, Discover and American Express have all committed to present on an industry topic.

Secure your reservation at the Grand Summit Hotel no

later than Jan. 10, 2004 to take advantage of special room rates beginning at $149—don't forget to mention the NEAA. Find complete details on the NEAA2004 Winter Meeting and Seminar, including registration and hotel information, please visit the Web site listed above.

Second Stop: Tampa Florida!

ATM Industry Association

Fifth Annual Conference East: ATMs in the Americas
Tampa Marriott Waterside Hotel & Marina
Feb. 17 – 19, 2004
Admission: $775/$1,075 (members/non-members)
www.atmiaconferences.com

The ATM Industry Association's (ATMIA) Fifth Annual Conference, "ATMs in the Americas," is scheduled for Feb. 17 – 19 in Tampa, Fla. Last year's event drew over 400 attendees, and organizers anticipate an even bigger turnout this year.

The conference kicks off with a comprehensive workshop on security issues to cover challenges and cost-savings in cash security. Larry Cutter of LaGard, will deliver the keynote address on the newly formed Coalition Against Online Identity Fraud to assess the impact of the fastest growing crime in the United States.

Other presentation topics include: "Simple Methods for Reducing ATM Fraud," "Paychecks Anytime at ATMs," "ISO Growth: Show Me the Money!," and "How to Prepare and What to Expect From an ISO Review."

The ATMIA event offers opportunities to network with vendors from the ATM industry segment, including Tidel, De La Rue, Diebold, LaGard, NCR, Tranax and Triton. Scheduled speakers include Brad Adrian, Gartner Inc.; Gwenn Bézard, Celent Communications; and J. Michael "Mickey" Brown, Innovus, Inc.

Registration and hotel information are available online at the ATMIA Web site listed above and on The Green Sheet Tradeshow Directory online.

Now Setting the Itinerary for Las Vegas!

Electronic Transactions Association (ETA) 2004 Annual Meeting and Expo

MGM Grand, Las Vegas
April 20 – 22, 2004
www.electran.org

ETA's Annual Conference and Expo is right around the corner, returning to the MGM Grand in Las Vegas. As in years' past, this event will include the usual variety of quality workshops, presentations and fabulous networking opportunities; the President's Dinner and golf tournament are both on this year's agenda, too.

This year, the breakout sessions have been focused more on the ISO/MLS audience and include:
- "Managing Your Customers: Tools to Help," presented by Linda Mahy, ReD Consulting, Inc.
- "Gift Cards: The Gift That Can Keep on Giving," presented by Dave Ingwersen, Open Payment Technologies and Jeff Hutchinson, Stored Value Systems
- "The Five 'Ws' of Wireless: Who, What, Where, When and Why," presented by Dean Leavitt, U.S. Wireless Data, Inc.
- "Proximity Payments: How Close Are We?," presented by Martyn Cooper, MasterCard International; Rob Regan, Global Business Development and Strategic Alliances; and Gerald Schoenecker, Hypercom Sales Support Division
- "ISO All Stars," presented by Garry O'Neil, Electronic Exchange Systems; Ed Freedman, Total Merchant Services; Mark Courchane, Wind River Financial; Ellen Hudec, Sterling Payment Technologies, Inc.; Marla Knutson, Transfirst; Joe Kaplan, Innovative Merchant Solutions LLC.

We hope to see many of our readers on the road in 2004.

Not the Same Tired Old Resolutions
For A Wealthy And Wise 2004

By Michelle Graff
VeriFone, Inc.

The beginning of a new year is a time for reflections, predictions, reviews and forecasts. It's also a time for resolutions. When the clock struck midnight Jan. 1, and you raised a glass and sang Auld Lang Syne, how many of the same tired resolutions from last year did you promise to really keep this time?

Instead of making promises that you're likely to break once again ("I will lose 15 pounds by April for ETA"), I want to suggest some business resolutions that are easy to keep and will help you stay wealthy and wise throughout 2004.

Resolution #1: I will learn about a new technology this year.

Read and research. As rapidly as technology has changed the world around us, those same technologies have had relatively little affect on the world of payments…until recently. The year 2003 saw the payment industry finally embracing some of the same technologies that have made our everyday lives easier and more productive.

Take the time to learn how advanced IP communications such as Ethernet and DSL, or CDMA and GPRS wireless reduce transaction times to less than four seconds. Study your merchant portfolio and look for new market opportunities, like Quick Service Restaurants (QSR) and mobile merchants, well-served by these technologies.

Security standards like Triple-DES and PED are currently mandated for rollout. As of January 2004, any newly deployed or re-deployed PIN pads must support 3DES and PED. Ask yourself, "Do I know enough about these mandates and the solutions that support them to sell them?"

It behooves you to visit www.visa.com/pin and become familiar with the terminals that meet the mandates. Understanding security can help you win new business, sell new hardware and increase revenue all year long.

Resolution #2: I will sell to a new merchant segment.

Explore new territory. It's time to break out of the box and explore new market opportunities that are ripe for payment and value-added services. As old farmers like to say, you can't expect different cream if you keep milking the same old cows.

Try something new. Explore a new market. Segment your portfolio around technologies like wireless for mobile merchants; around new opportunities for payment like QSR; or around value-added services like eligibility and claims processing for healthcare providers.

In selling to a new kind of business, you are able to establish yourself as an expert in the payment field, and able to deliver custom-made solutions which might include services above and beyond payments. This increases the value you deliver to your customers and helps you realize new revenue streams.

Resolution #3: I will no longer simply "re-download terminals" to win new business.

Can you do a mini-makeover in 2004 and reinvent yourself? Are you someone who sells boxes or delivers total solutions? Are you a believer in the new opportunity equation? In order to maintain merchant retention, it's not enough anymore to provide the status quo: delivering the same product, with price being the only perceived differentiator. Win the business, but sell the right solution.

When you make an extra effort and take the time to learn a bit about your customer's business, you'll find out what needs you can meet as a payment solutions provider. Find out what's important to each one of your customers and what might help them be more profitable.

Needs as diverse as faster transaction times, improved security features, bigger buttons, color displays or more mobility can all be met—and may require the need for a terminal built in this century.

Do you see yourself as this harbinger of change? Customers will not balk at additional cost if there is perceived value within the proposed equation. Demand more of yourself—and your suppliers and processor—so that your customers can demand more of you. Demand drives revenue, and increased revenue is something worth keeping a resolution over.

Resolution #4: I will build relationships instead of booking sales.

Three simple words: upsell, upsell, upsell. Is the first time you win a new merchant's business most likely also the last time you'll ever see that merchant? Do you disappear

once the training is over? Do you wonder why your attrition rates haven't improved?

Does it feel like you're running in place? For every five new merchant accounts you win, are four existing accounts lost? Borrow a page from the cable companies and offer your merchants service enhancements that match their needs today and tomorrow. What do you have in your tool belt that gives you the ability to provide value-added services and products on return visits to your customers?

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Does it feel like you're running in place? For every five new merchant accounts you win, are four existing accounts lost? Borrow a page from the cable companies and offer your merchants service enhancements that match their needs today and tomorrow.

ity, on-the-spot age verification, electronic licensing and automated time & attendance, and you've got the right tools for the jobs of improving merchant retention and enhancing revenue.

Not only do these services enable merchants to effectively respond to consumer demands, they also strengthen the bond between ISOs and merchant customers. In addition, the newest wave of applications is helping acquirers and ISOs get an edge on competitors by obtaining new business from untapped markets.

It's been said that New Year's resolutions are hard to make and harder to keep. Even if you fall off the treadmill by February, follow the advice above and I predict that by this time next year, you will be all the more happy, wealthy and wise. Happy New Year!

Michelle Graff is Director of Global Marketing for VeriFone.

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ADVISORY BOARD

The Support is There!

One of the most common gripes from ISOs/MLSs is the "lack of training and support" available in the industry. I've addressed the plethora of seminars and materials available from associations and independent sources in a previous article ("No MLS Left Behind," The Green Sheet, Dec. 8, 2003, issue 03:12:01).

In November 2003, I went to our Advisory Board for input, asking our industry experts how they support the independent sales channel. The questions were:

1. What training opportunities do you offer to your independent sales team?
2. Does the training you offer your direct sales employees differ from what you offer ISOs/MLSs?
3. What sales support materials do you make available to ISOs/MLSs?
   a. Business cards
   b. Lay-by cards
   c. Product spec sheets
   d. Brochures
   e. Agreements
   f. List any other materials you provide
4. Do you charge ISOs/MLSs for training or sales materials?
5. How often do you proactively contact ISOs/MLSs (on average)?
6. Do you offer leads or telemarketing support to ISOs/MLSs?
7. Do you publish an in-house newsletter for your ISO/MLS reps?
8. Do you support, or would you consider supporting, your ISOs/MLSs through subsidies for conference attendance to the Electronic Transactions Association (ETA), regional acquirers' association meetings and /or the National Association of Payment Professionals (NAOPP)?

A number of the Advisory Board members took time to answer this inquiry in detail. Thank you for participating in this research. I think the complaint of a lack of support is a matter of being unable to "see the forest for the trees."

Training Opportunities Offered

The product, service and sales training available to independents and direct employees runs the gamut from teleconferences, in-house seminars, interactive Web sites, CDs and videos. While a few organizations focus on partnering only with experienced sales representatives, "education" is a hot buzzword right now.

Tony Abruzzio, GO Software, said, "We offer reseller training six to eight times per year at various geographic locations, often to correspond with reseller-heavy events like ETA, SEAA, etc. The training is a one-day course that covers how to identify a software lead, how to sell it (or how to turn it over to us so that we can sell it for the reseller, if he/she is not comfortable), etc. We also cover the tools that we have available to make it easy to sell software as a solution.

"If a reseller requests [it], we will conduct training on the Web, or we will go on-site to a sales meeting or company event. We plan to include regular online training sessions in our 2004 schedule to accommodate our resellers whose hectic schedules prevent them from participating in our face-to-face sessions."

Bob Carr, Heartland Payment Systems, said, "We provide a New Hire Orientation and substantial training to all of our relationship managers and sales managers. We pay for each person to come to the Heartland Service Center and provide two days of orientation on Heartland's culture and business philosophies, training and sales tools, a tour of our operations center and training on interchange, pricing and rates plus training on various equipment models.

"We also have a three day Annual Meeting with training sessions on products, services, awards and contests and companywide interaction with over 700 people attending in our most recent meeting this past October. In addition we have the Heartland Leadership Academy including Boot Camp and advanced training on products and business techniques for sales staff and all managers."

Steve Christianson, TranspayUSA, said the company focuses on hiring experienced sales professionals; the organization does not offer 'sales' training. "…We do a minimum of eight hours industry background and education, along with detail on application writing, price quoting and an overview of the other products we sell or service. Depending upon the situation, this can be done in our offices, at the IC remote office or by teleconference."

Russ J. Goebel, Retriever Payment Systems, has an extensive program on ongoing education. He summed it up as, "…Training is a process not an event.
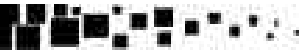
"We utilize a multi-prong training strategy. When a sales office chooses to partner with Retriever we bring all sales offices to our corporate offices in Houston where we thoroughly cover our internal sales and operating procedures.

"During this initial training we offer a seminar on building a sales office where we cover hiring, training and motivating commissioned sales reps. Discussions also include the evolution and understanding of the credit card industry and the sales process. We also cover and present insight on how successful existing sales offices run their business."

"In addition, we travel around the country throughout the year and hold what we call Retriever Road Shows. At these training seminars we have Divisional Managers of our various product lines conduct product and sales training. We cover the in's and out's of selling electronic check conversion, gift/loyalty card and leasing. We also hold seminars during these road shows on how to sell and secure Agent Banks that in return make our sales offices extremely successful."

Jared Isaacman, United Bank Card, Inc. (UBC), said UBC is very focused on training. He stated, "[UBC] has always been very proactive when it comes to training our ISO and agent partners. A lot of the effort we put into education can be seen regularly posted on The Green Sheet forums and in articles in The Green Sheet publication.

"Some of the most effective training and relationship building is done face-to-face at industry events or at United Bank Card-hosted events like this year's Sales Conference and Holiday Party. We regularly schedule conference calls and on-site training for our core product and service offerings.

"The relationship United Bank Card has built with our preferred terminal and service vendors is also beneficial to the training programs we provide. There is also an extensive amount of training documentation offered through our Interactive ISO System (IIS)."

Doug McNary, First Data Merchant Services (FDMS)/Cardservice International, explained, "Cardservice offers an intensive three-day new agent training. The training covers the mechanics and details of selling and managing merchant accounts."

Ken Osako, Electronic Exchange Systems (EXS), whose program is another example of an education-centric model. Osako said, "EXS incorporates a comprehensive ISO training strategy as part of our educational services. EXS offers quarterly regional training sessions, with one major training in the middle of the year. This is where we bring all of our ISOs in for live, hands-on training. We also provide monthly Web-conferencing and phone-conferencing training.

"EXS has developed an extensive Intranet that houses all of the presentations, agreements, guides, tutorials and sales materials. We've also begun using dedicated trainers as part of our training strategy. This is where we utilize trainers from our value-added partners. They either organize web-conferences on our behalf, or we have them come out to our offices to provide hands-on training for our agents."

Lisa Shipley, Hypercom Corp., shared this equipment vendor's insight into training: "We offer one-on-one training as well as large group sessions. We also have trouble shooting online [through] our Web site."

J. David Siembieda, CrossCheck, Inc., shared the training philosophy that the company has built over its 20-year history of growth. "We train all of our new offices over the phone and, in many cases, will send a trainer out to a sales office for a face-to-face training with a group of reps. We also do a lot of ongoing trainings that benefit offices with new reps or want information on new technology or services. Our sales support staff works closely with our trainers and can provide answers to many questions."

Dan D. Wolfe, Barons Financial Group, Inc., said, "We are big believers of education. We offer an in-house education program, as well as video or CD education. Our Web site also has a full resource library. We try to make it as easy as possible for our team to find the answers they need to compete. And, of course, each partner has a concierge to give one-on-one immediate help."

Multiple Sales Channels

Very few of the companies represented on our Advisory Board use both independent and direct-employee sales professionals. Those that do find the teams sell in very different environments and target different accounts; however, both need training and support.

Doug McNary, FDMS/Cardservice International, said, "…Our goal is to ensure that every independent sales agent and direct sales employee understands their individual role in providing value to merchants, upholding the company's values and Cardservice's commitment to best practices."

J. David Siembieda, CrossCheck, Inc., said, "The main overall training is the same—same concepts, same details. The main difference is that our direct sales reps

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are not selling credit cards so the direct trainings do not deal with the great add-on sale that check guarantee provides. Our direct sales employees have the opportunity to participate in our CrossCheck University. This in-house program offers advanced training on some of our specialized premiums."

Support Materials

Most people we surveyed responded that their companies typically provide the basic collateral materials at no charge to the sales reps. What we found most interesting was the diversity of the additional materials. Sales support now regularly includes: PowerPoint demos, interactive Web sites, demo CDs, video- and tele-conferencing, telemarketing scripts and dedicated one-on-one support personnel or "concierge" services.

The overwhelming majority of the respondents said their companies provide all of these support materials and

services to ISOs/MLSs at no charge. A few charged for printing collateral materials at cost. The consensus was that supporting the MLS was a necessary cost of doing business, an investment in growth.

Staying in Touch

Your relationship with each and every ISO/MLS representing your products and services is like a romance. The last thing you want to hear is, "You never call me." If the sales agreements have stopped coming in, it's probably too late. He or she has most likely moved on to the next relationship.

Many of the companies represented in this conversation produce periodical newsletters to keep in touch with the sales team. Several advisory board members mentioned contests and incentives as a way to maintain regular contact, beyond the sales proposals and agreements.

Jared Isaacman, United Bank Card, Inc., said, "Communication is essential to the success of an ISO/processor relationship. We make that type of communication possible with our ISOs and agents through sophisticated online systems and industry veteran support staff."

Doug McNary, FDMS/Cardservice International, said, "We provide a monthly newsletter that educates, informs and motivates the agent sales force, while reinforcing the company's values and commitment to best practices.

"As the main point of contact, our regional sales managers and Sales Support department receive all incoming calls from agent offices and are able to assist with any questions or concerns."

Ken Osako, EXS, believes in proactive phone calls and e-mail messages. He said, "We have a dedicated ISO support team that is in contact with our offices on a daily basis. Our marketing department e-mails our ISOs regularly to announce new products, training sessions, Interchange increases and new advancements within the processing industry."

Russ J. Goebel, Retriever Payment Systems, was most emphatic. He said, "We have implemented a proactive contact initiative with our sales offices. We have assigned officers of Retriever to contact our groups PROACTIVELY every day to be sure we have the pulse of our sales offices.

"We want to know what's going on in the industry so we can enhance the Retriever experience."

Meetings and Events

For some companies, namely United Bank Card and Heartland, annual sales gatherings and parties are

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Allen Berryman	CFO	16 yrs
Russ Goebel	VP of Sales	10 yrs
Lincoln Kokaram	AVP of Sales	14 yrs
Jonathan Hughes	AVP of Sales	12yrs
Dennis Buxbaum	AVP Leasing	12 yrs

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becoming legendary. Many of the companies surveyed mentioned regional road shows, gatherings and training events. Most agreed that supporting ISOs/MLSs to attend ETA, Northeast Acquirers' Association (NEAA), Midwest Acquirers' Association (MWAA), Southeast Acquirers' Association (SEAA) and NAOPP meetings was to their advantage.

However, a few did not see an advantage in enabling their reps to meet the competition. If you want to attend an industry event, I suggest that you contact the support personnel at your major vendor, processor or ISO.

Bob Carr, Heartland Payment Systems, replied, "We will [consider supporting ISOs/MLSs through subsidies for conference attendance] if and when the agenda for these meetings is tailored to deliver meaningful information to our sales professionals, which is actionable with today's merchant population."

Steve Christianson, TranspayUSA, said, "We have not offered most of the ICs an opportunity to attend ETA, as ETA is also a prime recruiting ground for ISO management. We will pay for and support any reps that want to become members of NAOPP if they are willing to become certified when that program is in place."

Jared Isaacman, United Bank Card, Inc. said, "Right now United Bank Card is very active in the National Association of Payment Professionals and the regional acquirer shows. We encourage attendance and support of these organizations."

Ken Osako, EXS, said, "Absolutely! Garry O'Neil, our CEO, is on the advisory board of the ETA and is the co-chair of the membership committee. They are actively reviewing modifying the membership policies to enable fair access for all ISOs.

"In addition, Peter Scharnell, our VP Marketing, is on the ETA education committee and Jim White, our EVP Contract Management, is on the ETA Emerging Markets committee.

"We are all voicing our opinions as to how we can ensure that the smaller offices and the independent agents gain access to these organizations and their resources. EXS is also an active vendor/participant at the regional acquirers' association meetings."

J. David Siembieda, CrossCheck, Inc. said, "In the past, we have made it possible for reps to attend ETA meetings and have even flown them [to Calif.] for meetings.

"We are also finding that the regional acquirers' meetings and other industry seminars are great opportunities to get together with our ISOs, and we are now inviting reps to join us at those. We'll be doing more of that in 2004 and reps can find out more about these programs by contacting us."

In closing, I want to share a comment from Keri Golden, Integrated Payments. Golden is an MLS, a regular reader of The Green Sheet and a participant online in The Green Sheet's MLS Forum:

"Great article on 'No MLS Left Behind.' It is true...if you want to know something the information is everywhere. What is disconcerting is the lack of attendance and motivation for learning, researching.

"I have noticed on The Green Sheet [MLS] Forum people just want the answers laid out for them...amazing... a lot of the fun of it is the process of learning because it creates a bigger picture—a basis for understanding."

If you want to succeed in this industry, the support, information and opportunity are available. To borrow a line from Nike, "Just Do It!"

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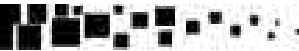◆ INTERNET & WIRELESS ◆
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2004 Financial Services Event Calendar

Event	Date
WesPay Workshop: ACH Rules Implementation and Check 21	Jan. 7, 8, 13, 14, 15, 20, 21, 22
Institute for Payment Professionals (IPP) Seminar	Jan. 14
Mid-America Payment Exchange Check 21 Executive Symposium	Jan. 15
National Retail Federation 93rd Annual Convention and Expo	Jan. 11 - 14
Global Electronic Payments Conference	Jan. 20 - 21
Institute for Payment Professionals (IPP) Seminar	Feb. TBA
Electronic Retailing Association Spring Conference & Trade Expo	Feb. 1 - 3
National Association of Payment Professionals (NAOPP)	Feb. 3
Northeast Acquirers' Association (NEAA) Winter Seminar and Outing	Feb. 4 - 5
WesPay Workshop: Basics of Checks	Feb. 10, 11, 12
ATMIA Conference East	Feb. 17 - 19
The Food Marketing Institute MARKETECHNICS	Feb. 29 - March 2
Institute for Payment Professionals (IPP) Seminar	March TBA
WesPay Workshop: Basics of ACH Receiving	March 9, 10, 11, 16, 17, 18
Global Retail Technology Forum	March 9 - 11
NACHA Payments 2004	March 21 - 24
COMDEX Canada	March 24 - 26
Institute for Payment Professionals (IPP) Seminar	April TBA
WesPay Workshop: Fundamentals of ACH Origination	April 13, 14, 15, 21, 22
ETA Annual Meeting and Expo	April 20 - 22
13th ACA International National Internet & Check Services Conference & Expo	April 21 - 23
The Food Marketing Institute Show	May 2 - 4
Midwest Petroleum and Convenience Tradeshow	May 4 - 6
WesPay Workshop: ACH Audit and Compliance	May 11, 12, 13, 18, 19, 20
NACStech	May 17 - 19
Retail Systems Conference and Expo	May 17 - 20
National Restaurant Association Show	May 22 - 25
Northeast Acquirers' Association (NEAA) Summer Event	June 8 - 10
WesPay Workshop: Federal Govt. ACH Payments (Green Book)	June 9, 10, 15, 16, 17
NACHA Payments Institute West	June 20 - 24
WesPay Workshop: RCK, POP, ARC, WEB and TEL	July 14, 15, 20, 21, 22
ACA International's 65th Annual Convention and Exposition	July 14 - 17
NACHA Payments Institute East	July 25 - 29
Midwest Acquirers' Association Conference	July 28 - 30
WesPay Workshop: TBA	Aug. 11, 12, 17, 18, 19
Financial Women International Annual Meeting	Sept. TBA
ETA Mid Year Meeting	TBA
ATMIA Conference West	Sept. 13 - 15
WesPay Workshop: Basics of ACH Receiving	Sept. 14, 15, 16, 21, 22, 23
Electronic Retailing Association 14th Annual Convention & Exposition	Sept. 26 - 29
NACHA e-Check Conference	Sept. 27 - 28
Southeast Acquirers' Association (SEAA) Conference	Oct. TBA
WesPay Workshop: AAP Review Course	Oct. 5, 6, 7
Shop.org Annual Summit	Oct. 6 - 8
Smart Card Alliance Annual Meeting	TBA
National Association of Convenience Stores (NACS) Show	Oct. 17 - 20
Mid-America Payments Conference	TBA
WesPay Payments Symposium	Oct. 18 - 20
NACHA Accredited ACH Professional (AAP) Exam	Oct. 19
Financial Insights	Oct. 26 - 27
BAI's Retail Delivery Conference & Expo	TBA
CSI 31st Annual Computer Security Conference and Exhibition	Nov 8 - 10
COMDEX Fall Exhibition	Nov. 14 - 18
WesPay Workshop: ACH Risk Management	Nov. 16, 17, 18
The Food Marketing Institute Retail and Electronic Payment Systems Conference	TBA
Electronic Funds Transfer Association Event	TBA

Dates and Locations verified at press time, please consult organization's Web site before making travel arrangements.

Location	Phone Number	Web Site
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Ft. Lauderdale, Fla.	N/A	www.i4pp.org
Kansas City, Mo.	816-474-5630	www.mpx.org
New York City	202-783-7971	www.nrf.com
London	703-561-1100	www.nacha.org
Los Angeles	N/A	www.i4pp.org
Key Biscayne, Fla.	703-841-1751	www.retailing.org
Mt. Snow, VT	N/A	www.naopp.com
Mt. Snow, VT	603-692-2408	www.northeastacquirers.com
Varies	415-433-1230	www.wespay.org
Tampa, Fla.	605-528-7270	www.atmianortham.com
San Francisco	202-452-8444	www.fmi.org
Philadelphia	N/A	www.i4pp.org
Varies	415-433-1230	www.wespay.org
Barcelona, Spain	617-527-4626	www.retailsystems.com
Seattle	703-561-1100	www.nacha.org
Toronto	415-905-2300	www.comdex.com
Atlanta	N/A	www.i4pp.org
Varies	415-433-1230	www.wespay.org
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Miami Beach, Fla.	952-926-6547	www.acainternational.org
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Chicago	617-527-4626	www.retailsystems.com
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Varies	415-433-1230	www.wespay.org
Dallas	952-926-6547	www.acainternational.org
Atlanta	709-564-1100	www.nacha.org
Chicago	N/A	www.midwestacquirers.com
Varies	415-433-1230	www.wespay.org
Nashville, Tenn.	703-807-2007	www.fwi.org
TBA	800-695-5509	www.electran.org
San Diego	605-528-7270	www.atmianortham.com
Varies	415-433-1230	www.wespay.org
Las Vegas	703-841-1751	www.retailing.org
San Francisco	703-561-1100	www.nacha.org
Atlanta	800-325-1158	www.southeastacquirers.com
Varies	415-433-1230	www.wespay.org
Anaheim, Calif.	202-661-3053	www.shop.org
TBA	800-556-6828	www.smartcardalliance.org
Las Vegas	703-684-3600	www.nacsonline.com
TBA	816-474-5630	www.mpx.org
Universal City, Calif.	415-433-1230	www.wespay.org
Varies	703-561-1100	www.nacha.org
Boston	508-620-5533	www.financial-insights.com
TBA	888-284-4076	www.bai.org
Washington D.C.	415-947-6320	www.gocsi.com
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Justice Department Settles with First Data and Concord Over Merger

The U.S. Department of Justice (DOJ) and First Data Corp. reached a settlement over antitrust concerns raised by the DOJ regarding First Data's proposed acquisition of competitor Concord EFS, Inc, including Concord's STAR subsidiary—the largest PIN debit and ATM network in the United States. Pending Concord shareholder approval, the merger is expected to close in the first quarter of 2004.

Under terms of the agreement with the DOJ, First Data agreed to sell its 64% stake in the NYCE network—the third largest PIN debit and ATM network in the United States. The merger deal was also revalued at $6.9 billion, based on the closing price of First Data stock ($39.30) on Dec. 12, 2003. The acquisition was originally valued around $7.2 billion.

"The First Data takeover of Concord eliminates a strong competitor in the marketplace for merchant acquiring," said Bob Carr, Founder, Chairman and CEO of Heartland Payment Systems. "First Data will have a lock on the supermarket and petroleum retailing industries for the foreseeable future. ISOs and merchants will have one less alternative to serve their needs.

"This is good news for those companies that can compete effectively with the First Data model but is bad news for everybody else. I believe First Data will eventually become disappointed that it paid so much for the STAR debit network. Fewer and fewer banks are going to want to issue cards with the STAR bug now that it is controlled by FDC."

First Data said the combined company would have approximately $10 billion in annual revenues and more than 31,000 employees worldwide.

"This settlement is a victory for American businesses and consumers," R. Hewitt Pate, Assistant Attorney General in charge of the DOJ's Antitrust Division, said in a statement.

"The Division was prepared to show at trial that the acquisition, as originally proposed, would have caused merchants to pay higher prices for PIN debit transactions, which could have forced them to pass on those price increases to consumers.

"This settlement ensures that American businesses will

> "The First Data takeover of Concord eliminates a strong competitor in the marketplace for merchant acquiring. First Data will have a lock on the supermarket and petroleum retailing industries for the foreseeable future. ...
> This is good news for those companies that can compete effectively with the First Data model but is bad news for everybody else."
>
> — Bob Carr
> Founder, Chairman and CEO
> Heartland Payment Systems

pay competitive prices for PIN debit transactions and that consumers will benefit from that competition."

In April 2003, payment processing powerhouse First Data Corp. proposed a merger with its smaller competitor Concord, arguing that the acquisition would enable First Data to better compete with Visa and MasterCard's signature-based debit card networks.

First Data planned to combine the NYCE network with Concord's STAR network. By joining these two networks, the DOJ speculated that the combined companies would then have about 50% control of the market, and this could potentially reduce competition among PIN debit networks and increase prices for debit card transactions.

In October, the DOJ Antitrust Division and eight states and the District of Columbia filed a lawsuit seeking to block the deal.

To complete the transaction, First Data will issue approximately 175 million common shares to Concord shareholders. Upon completion of the transaction, Concord shareholders would own approximately 19% of the outstanding shares of the combined companies.

As a result of the settlement, the New York Stock Exchange (NYSE) advised First Data that it will not require it to obtain further shareholder approval under the NYSE's Shareholder Approval Policy in connection with the amendment to the merger agreement entered into with Concord EFS, Inc.

First Data shareholders already approved the original merger agreement on Oct. 28, 2003. To allow more time for Concord shareholders to vote on the deal, there is a new scheduled end date for the transaction, however; it was previously Jan. 31—it's now April 30.

MasterCard Says PayPass Faster and Easier Than Cash

Following a year-long pilot program that included 16,000 cardholders and 60 retail locations in the Orlando, Fla. area, MasterCard International will introduce its new payment technology for credit and debit around the country by summer.

PayPass lets cardholders wave their cards over a special reader to make purchases. PayPass is based on technology using an embedded microprocessor chip to transmit account data wirelessly through radio frequency identification (RFID)

The system is designed to speed up transaction times because cardholders don't need to fumble for cash, or hand over or swipe the cards and sign receipts.

The Orlando pilot showed that PayPass transactions were 12 – 18 seconds faster than those made with cash.

The Orlando test targeted smaller purchases of $20 or less made at participating merchants including Chevron, Eckerd drug stores, McDonalds locations and Loews Universal Cineplex. MasterCard hopes PayPass will replace cash in environments like these.

The technology is compliant with industry security standards, and consumers may feel increased confidence using a card they don't have to hand over to a clerk or waitperson.

But the system could receive a lukewarm reception from several fronts. The readers cost a few hundred dollars each, so some merchants may be reluctant to install them initially. Also, PayPass' national introduction will be successful only if enough retailers and consumers support it.

The system's convenience may have a downside for consumers (but an upside for merchants and acquirers), say credit counselors. MasterCard's trial program showed a transaction volume increase of 23% and increases in usage frequency and account reactivation.

For consumers already up their eyeballs in debt, the increased ease and speed with which PayPass will let them add to their account balances could have negative consequences.

American consumers have a collective debt of almost $2 trillion, said a November 2003 Federal Reserve report.

Security Concerns at Windows-based ATMs

By Ann All

The bogeyman of ATM security has a face—and it's Bill Gates, or more accurately, the legions of computer wonks that target Gates' Windows operating systems to test their hacking skills.

A recent revelation by Diebold that Windows-based ATMs operated by two unnamed financial institutions were affected by the W32/Nachi worm last August has heightened the concerns of bankers who are planning a switch from the OS/2 operating system to Windows.

"Security has always been absolutely the biggest issue for me," said Ted Josephson, Vice President of eBusiness and Operations for Bridgeport, Conn.-based People's Bank. "Now that this has happened, it's like 'oh no, it's a real deal.'"

With the large number of hackers and hacker wannabes who are well versed in Windows, "it's a surprise not that something happened but that things haven't happened more often," said Richard Bell, Research Manager for Retail Channels for consulting firm Financial Insights.

In contrast, OS/2, the IBM operating system that has powered most ATMs for the past three decades, never gained enough popularity to attract the attention of hackers.

"Theoretically OS/2 running on a bisync network is just as vulnerable, but how many hackers know how to do it?" said Stuart Spinner, Director of Enterprise Data Security for Concord EFS. "Outside the ATM world, there's been very little exposure to that technology. With Windows, any 16-year-old kid running a TCP/IP network in his basement can download hacking tools from the Internet."

The IP Factor

While the details of how the worm infected ATMs are shadowy, breaches apparently occurred on ATMs that were linked to networks—operated either by the bank or another company—via IP connections. While not all Windows-based machines are configured for IP, many FIs are moving in that direction to integrate their ATMs with other Windows-based channels.

"No bank is looking at Windows without looking at IP-enabling their software distribution as well. It would be too cost prohibitive to switch to Windows without looking at extending your enterprise functionality into the ATM channel," said Steve Osborne, NCR's General Manager of Enterprise Solutions for APTRA (its multi-vendor software).

"You've had IP-enabled ATMs since the late '90s, but most of them have been on OS/2 rather than Windows," he said. "There's still a threat of infection, but it's significantly reduced. Similarly, there is a threat with Windows in a non-IP environment, but it's not as great."

Others, including FleetBoston Financial, have maintained a dedicated, leased-line connection for standard ATM transactions, routing them to a Tandem mainframe via SNA (IBM's Systems Network Architecture). Newer, Web-based transactions, such as a bill payment application the bank is piloting at some 75 ATMs, are routed to Web servers via a VPN.

"We didn't want to re-invent the wheel," said Jim D'Aprile, Fleet's Vice President of ATM/Self-Service Banking, in a July interview with ATMmarketplace, noting that security concerns played a part in the bank's decision.

Such dual communications systems will likely remain popular for some time, said Bell of Financial Insights. However, he expects more FIs to switch to all-IP networks in the future to cut the costs of maintaining legacy systems, which will become increasingly costly to support as newer technologies supplant them.

"You've got to weigh the benefit of the convergence of channels versus the risk," Silva said.

Including the ATM

Nachi worm notwithstanding, it's more difficult for worms and viruses to spread to ATMs because they lack e-mail capabilities, Microsoft Word programs and other common points of entry, said NCR's Osborne.

"Communication is limited to a very specific group of hosts and servers," he said. "The software should know which servers the machine is allowed to talk to, and through which IP ports."

Common-sense measures such as firewalls and virus scans dramatically reduce potential exposure to hacking, said Tom Sonby, Concord's Vice President of Technology Systems. "I'd say that 99.9% of the time, all it takes is the implementation of some very sensible procedures to min-

imize your exposure to attacks."

While such measures have been widely implemented elsewhere in the enterprise, few of them have made it to the ATM world because of the limited risk of exposure.

"Software security is not something that this generation of ATM executives has had to deal with much," Osborne said.

However, the ATM mindset is beginning to change, said Kevin Carroll, Director of ATM Services for Concord, which drives "several thousand" Windows-based machines and a similar number of ATMs on IP—some, though not all, of which overlap.

"For the first time, I'm seeing bank security departments get involved in discussions about ATM deployments," Carroll said. "When an ATM is Windows-based, you've got to consider it another desktop in your network. It's part of the enterprise, and you need to adopt the same security measures there that you have in place elsewhere. Don't assume that everything is OK, and that this has been done."

"This will require a whole new mindset for most IT folks," agreed Josephson of People's Bank. "If they don't stay on top of ATMs, they're going to become another potential point of compromise—unfortunately, one that's very visible to the customer."

While intrusion detection services and tools can be helpful, they tend to yield a high number of false positives, indicating breaches where they have not occurred, said Concord's Sonby. "You've got to train staff to distinguish the real from the fake."

Even with the vulnerabilities of Windows-based platforms, IP networks and the combination of the two, it would be nearly impossible for a hacker to manipulate ATM transactions to steal money, Silva said. "That would require far more resources and programming skills. It would probably have to be an internal job."

Much more likely are disruptions in service, such as the ones that occurred when ATMs were hit by the Nachi worm. In those cases, the machines' owners took them out of service to prevent further infection until security patches could be downloaded.

Plenty of Patches

Availability of patches could represent a weak link in security, Josephson said. "You just can't go out and slap patches on (ATMs). You've got to wait for the vendors to certify them."

Vendors must test patches because Microsoft does not test them with specific ATM devices and drivers, said Steve Grzymkowski, a Senior Product Marketing Manager for Diebold. However, Diebold typically makes a patch available to ATM deployers in less than 24 hours, he said.

NCR, which uses Windows XP Pro on its ATMs rather than the Windows XP Embedded (XPe) used by most of its competitors, contends that patches for XPe lag behind the release of patches for XP Pro—sometimes by several weeks.

"Microsoft has provided us information and patches very quickly for Windows XPe," Grzymkowski said. "The information and software they have provided have allowed us to turn around security patches so quickly that in at least one case, for the Blaster worm, we were able to make a patch available to our customers before it was even available for Windows XP Pro on Microsoft's Web site."

However, he added, "We make patches available to our customers. They make the decisions on when and how to implement them."

Later this month, in a partnership with Sygate Technologies, Diebold will begin shipping its Opteva and ix series of ATMs with Sygate's firewall software. Field upgrades for already-installed Windows-based ATMs will be available, and Diebold will resell Sygate's management servers.

Although most FIs already have firewalls installed elsewhere in their networks, a firewall at the ATM level "provides an additional layer of security," Grzymkowski said.

Installing firewalls at ATMs "might be a bit of a knee jerk reaction," said NCR's Osborne. "We believe it's a wiser use of resources to focus on the broader network beyond the ATM."

Sorting through all of the available security options may slow the progress of some deployers considering rollouts of Windows-based machines, said Josephson, who is trying to develop a migration plan for his bank's 230 ATMs.

"Instead of just slapping Windows in there, I think this is going to add a couple of months to the planning process," he said. "I want to be completely comfortable with patch management processes, with remote software updates and with everything else that's involved."

Insider's Report on Payments

2004: Year of the PIN?

By Patti Murphy

Will 2004 be the year of PIN debit? Probably not; but PIN-secured payments are on the minds of a lot of folks these days and probably will be for some time.

Consider, for example, that a key issue raised by the U.S. Department of Justice in its attempt to block First Data Corp.'s acquisition of Concord EFS in 2003 was that the combined company would control more than 50% of the PIN debit market.

The final resolution of that conflict requires First Data to divest its ownership stake in NYCE, a large ATM/POS debit network it bought into a few years ago.

Remember, also, that the Wal-Mart settlement untied credit and check card (signature-based debit card) acceptance at the merchant check out. Now that the artificial price supports for signature debit have been removed, check card usage could be slowed. And that might provide a lift to PIN debit.

Alan Lacy, Chairman and CEO of retailing giant Sears, Roebuck and Co., hopes for such an outcome. Addressing a group of high-level bankers brought together by the Federal Reserve in November, Lacy urged banks to adopt PIN security for all forms of payment—credit, debit and stored value.

"Then, retailers would have the incentive to change equipment," Lacy told the bankers and the Fed's payments staff. (These staffers guide all of the Fed's payments initiatives.)

Today, only about 30% of retailers are PIN enabled at the point of sale. So, there are plenty of opportunities to sell PIN pads and PIN-enabled POS terminals into this market. But will all those merchants want to upgrade to PIN security?

I don't have a crystal ball, so I don't know for sure. But one thing is certain: a lot of things have been changing in the payments space the last few years, and folks are getting a lot more comfortable with debit cards and other electronic payment instruments that use PIN security.

Consumers made more than 3 billion PIN debit transactions in 2000; those transactions represented just over $139 billion in payments, according to the Federal Reserve's data. (Those are the most recent data available; updated research should be released later in 2004.)

In 2002, for the first time, the use of electronic payments by consumers for in-store purchases exceeded the use of cash and checks. And Dove Consulting says debit applications are driving the growth in electronic payments.

Dove's latest research on retail payments trends, conducted on behalf of the American Bankers Association and several payment companies, reveals that nearly one in three (31%) in-store payments last year were with debit cards. In 1999, debit represented just 21% of in-store transactions.

While this may sound impressive, the numbers can be deceiving because they make no distinction between off-line (signature) and online (PIN) debit card usage. We know, anecdotally, that signature debit has grown in popularity over the past four or five years, but attempts at tallying the numbers have been futile.

The latest GSQ (Vol. 6 No. 4) serves as testimony to this. In an attempt to provide a more inclusive picture of the payments acquiring market, we asked leading acquirers to breakout check card transactions from their credit card transaction totals.

Among those companies that responded to our requests for information, only a few were able to provide the breakouts, and none of the top five could (or would).

One of the banks that did provide breakouts was Bank of America (BofA), which is reported to have the largest base of checking accounts in the country and is a big issuer of debit cards. Since both online and off-line debit cards provide consumers with access to their checking accounts, using BofA as a proxy should provide a rough sketch of debit card usage.

BofA expected to acquire just over 257 million signature debit and nearly 342 million PIN debit card payments in 2003. That's roughly a 40/60 split. Applying that math to the Dove data suggests PIN debit is more popular with consumers than the Visa or MasterCard check cards. (Comparing check card to credit card payment tallies, about one third of all "credit card" transactions acquired by BofA were check card debits.)

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The next evolution in merchant services.

Alan Lacy, in describing the experience at Sears, confirmed that consumers like debit cards. But he also said consumers have concerns that could thwart further rapid growth. Chief among those concerns were lack of standards, security and pricing.

I think it's fair to say that pricing is an issue with merchants as well as consumers. Merchants, we all know, disliked the fee structure for signature debit and succeeded in pressing Visa and MasterCard last year to slash the interchange fees on check card payments.

Meanwhile, some banks (many of the largest, in fact) are hitting consumers with fees for POS cash-back transactions. As a consumer, I find this new fee really annoying, and so do many of my friends and colleagues.

After years of touting the convenience of POS cash-back features, now my bank wants to charge for it! (And to think, I've been getting cash back at the checkout all these years to avoid those darn ATM surcharges.)

Security? Well that's an issue best left for the computer geeks. I don't pretend to understand all the technology considerations. Physical security, of course, is another issue; and there are obvious concerns on that front as it relates to debit card use.

Standards? These could be a problem, especially as the topic relates to procedures for using PIN debit cards at the retail checkout.

I'm a pretty savvy consumer. And I think it's fair to say that I know more about how POS systems work than the average person. Yet, each of the three grocery stores at which I regularly shop has different procedures for accepting PIN debit cards for payment. I'm always asking the clerks to help me through the process, which certainly makes me feel like a jerk. I can only imagine how it must affect folks like Aunt Mary Lou.

The lack of standardized procedures for PIN debit card usage is not only a problem at stores in my area, it is a problem in stores all over the country.

Conversations with consumers and store clerks nationwide suggest that a lack of procedural standardization puts a damper on usage of PIN debit cards at the retail check out.

Lacy's recommendation—that PIN security be adopted for all payment types—addresses this issue. It also could help merchants (and banks) avoid billions of dollars a year in payment card fraud. (That, alone, should be a big selling point.)

The Verified by Visa program for Internet purchases looks like a good first step in the direction Lacy suggests. But that program is a bit clumsy and was developed to address the unique situation of online stores.

A broad-brush approach to PIN security for payment cards will take time. And conversion to a PIN-based POS environment will likely occur one merchant at a time.

Time is a force to reckon with in the payments space. Seventeen years ago, when I was working on a few EFT newsletters, we could run a list of POS debit locations on a single page. Today, about the only EFT list that size is the list of networks.

When I first started out as a reporter covering the Fed 20 years ago, check truncation was no more than a glimmer of hope in the eyes of a very few bankers and consultants. Later this year, with implementation of the Check 21 Act, check truncation will finally begin to take off.

So, PIN-secured payments is an idea that probably needs a few more years of incubation.

Patti Murphy is Contributing Editor of The Green Sheet and President of Takoma Group. She can be reached at patti@greensheet.com

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lot of bells and whistles, but the company's influence goes well beyond paper forms and receipts. It extends to every corner of the market and is felt by virtually everyone who sells or provides payment processing services, or who has anything to do with any sort of retail business.

Through three decades and non-stop innovations in transaction processing, GCF has been most adept at staying in tune with its customers' needs and adapting to meet them. The company has unparalleled longevity in an industry where companies spring up and evaporate seemingly overnight.

GCF is headquartered outside St. Louis, in Earth City, Mo. Its 160,000-square foot facility serves as a printshop/warehouse/distribution center. In 1995, the ownership of GCF acquired a complementary printing company, Golden Business Forms located in western Missouri, and now it maintains five regional sales offices throughout the United States. GCF employs 150 people in its Earth City facility.

Manufacturing such decidedly low-tech items as credit card slips, rolls of receipt paper, guest checks, and other business forms has kept this family-run company in business. What's made it successful, though, is the people at GCF and their intentionally personable approach to working with their business partners.

Talking with Glen Taylor, GCF Vice-President and Chief Operating Officer, and John McCormick, the company's Director of Marketing and Southeast Regional Sales Manager—and one of the sons of founder Joe McCormick—gives the impression that despite the easy-going, down-to-earth way they describe their business, there really is a lot of serious hard work and thinking going on outside the box. There are plenty of reasons this forms printing company has earned its reputation as a trusted consultant to companies in all segments of the market, from retail and petroleum companies to payment processors.

One is that the company's tenure brings credibility to what it says. Through the years, GCF has sold materials and products to most people in the industry either directly or indirectly, Taylor said. And all those customers have come to trust GCF, depending on the collective expertise its people have, to get feedback on new programs, systems and products.

Another is that GCF has remained privately held with no affiliation to a larger parent company. As a result, it's able to talk to different people about a lot of ideas or upcoming projects it might not otherwise be privy to. And that information remains confidential.

In the Thick of Things

The high level of GCF involvement in association leadership stems from the social nature of the way it does business, and from the many contacts it's made over the years.

And that's the way it's been since 1973, when Joe McCormick started General Credit Forms to provide credit card slips to a transaction processor in St. Louis. Tom Hardin, then Vice President of Sales for GCF, was there at the beginning of the Bankcard Services Association, which is now the Electronic Transactions Association.

"There are no shrinking violets here," Taylor said. "It comes out of the social obligation that comes when you're thrust into the center of any activity going on, coupled with the history and heritage of the company. By definition, you're always involved in it."

"What we do is kind of boring," John McCormick said. "We sell low-tech, unglamorous items and just ship paper to where it needs to go. But we do get to go around and talk to people. You have to have good personalities to get out there and know everybody."

McCormick said the first one to get involved in a regional organization was Jacques Breton, who runs GCF's Northeastern sales office in New Hampshire. "When the Northeast [Acquirers' Association] began, it was just a bunch of friends getting together for a golf outing," he said. The NEAA's next meeting will take place in early February in Vermont, and they're anticipating the largest attendance yet.

McCormick said it didn't take long before the idea caught on to establish associations in other parts of the country. Again, GCF staff and board members—and members of the McCormick family—were involved.

"A couple of friends and I got together and thought we'd put on a show, too," McCormick said, who manages GCF's Southeast regional sales office. "We thought we'd see if we had any success and then decide if we'd keep it going. We just had our third one in October.

"My brother Jim is GCF's Midwestern Regional Sales Manager and did the same thing in Chicago," he said. "They're getting ready for the second meeting next summer."

Other GCF employees who make time to get involved in outside organizations include Sherry Friedrichsen, Western Regional Sales Manager, Debbie Dillon, Director of National Accounts, and Rich Barbieri, Vice-President of Information Services. They all play active roles in association management, according to McCormick.

What's the point? "Hopefully we're getting some good information out there with these associations," McCormick said.

An Open Ear For Customer Needs

Taylor's association with GCF goes back to 1978 when he was a customer; he became an employee in 1994. He knows the company—and Joe McCormick—well. "I realized quickly it was a young, fleet, well-managed company, doing some things right," he said. "Joe is the central pulse and heartbeat. He brings the culture to the company that has made it successful."

"We have a long history of bankcard and credit card relationships," Taylor said. "We're kind of the collective repository of the evolutionary history of this business."

The company may be stable, but it's not stale; Taylor and

McCormick cite GCF's independent status as one reason for its ability to go where the market is leading.

They're an inquisitive bunch, too, McCormick said, asking questions and then listening to the answers, which results in GCF coming up with new ways to serve its customers, including services and nine patented products. A willingness to try new things is certainly a factor in GCF's success story.

"We're not so smart as we are adaptive," Taylor said. "We're not very quick mentally, we're not visionaries by any stretch of the imagination, but I sure do see us as being responsive to industry needs. We're willing to make changes."

While GCF still makes and sells the manual credit card slips it started out with, it has since branched out considerably. It has developed several proprietary and patented security features for forms. GCF now also provides forms management, assists in outbound telephone services such as training and conversion, and helps design acquirer/ISO merchant supply programs.

It also offers comprehensive terminal deployment services, and the ability to store and ship equipment for manufacturers; it repairs and replaces POS equipment in emergencies.

Warehousing and distribution are two additional services the company now offers its customers, but the idea originated from discussions with clients.

"We had no real thought of becoming a distribution company," McCormick said.

"A number of banks and one large customer asked GCF if we would store product and ship to merchants for them. From a cost standpoint, we're more efficient, and we discovered we had a knack for it. And we have a great location—St. Louis is the central point in the United States, and we have a major UPS hub around the corner and a FedEx center nearby."

"This gets back to us being adaptive," Taylor said. "We might not have gotten involved in that aspect of the business except that a customer had a demand and asked us to do it. They gave us the idea.

"Once we got started, we found out we understood it and started investing in information technology to manage data and telecommunication systems, Internet processes, file transmission and database management of all merchant files and a very robust reporting mechanism.

"Then we invested back into warehouse and distribution

equipment. We found that efficiencies of scale made it very affordable for our clients."

One thing GCF won't do is get into payment processing. "Very deliberately, we set out to never compete with our acquirer customers," said Taylor. "We don't want to be seen as a competitor. We're independently owned, managed and spirited, and we have an obligation to our customers. They deserve to be able to rely on people without conflicts of interest, without competitive ties to other companies."

Something else the company doesn't do a lot of is sound its own horn. GCF does little proactive marketing, advertising or public relations, but instead believes its reputation says enough.

"We don't have to do a lot, we're so well known," Taylor said. "But we're also a very private company. Our strategy is that we don't want to get out there and be so visible that we appear to be a threat to one of our customers. We don't want to draw a lot of attention to ourselves."

As marketing director of a company in a sales-driven industry, McCormick said spending time with customers and getting to know them, their businesses and their needs is the best way to promote GCF. It's also an excellent way to learn. "When you're face-to-face with folks in the industry, you learn the most," he said. "I can't overstate how much we value that personal relationship."

Knowing the Ropes and Sharing What They Know

Considering that many of the employees have been with the company for 15 or 20 years (McCormick said he's known some since he was in grade school), that adds up to a collective knowledge base not found elsewhere. For example, Taylor said the top six executives at GCF have a combined 200 years' experience in the industry.

McCormick credits Breton and Friedrichsen's involvement in the credit card industry since its infancy with their abilities to advise clients. "They're able to take that knowledge and really help their customers out as advisors, as much as they do selling supplies to them," he said.

McCormick, who has a law degree from Washington University in St. Louis learned the ropes about the way GCF does business when he came on board; Breton and Friedrichsen taught him there's more to it than selling product.

"When I first started doing sales with the company, I was traveling with Sherry and Jacques on sales calls," he said.

"I realized that in a meeting that took an hour or so, not once did we talk about paper or supplies. They were just bouncing ideas off each other about different ways to work in the business."

This approach has worked very well for them over the years. Taylor said, "The reason you don't talk about the product much is that it's a given; if you're going to buy tangible products like sales receipts, ribbons and rolls, we just come to mind.

"Anyone who's in this industry for any period of time knows who we are, what we do and how we do it—and the integrity with which we do it," he said. "Many times we make sales calls where not one mention was made of actual products that we make, service or sell. It's not uncommon at all that a discussion will focus on technological and operational consultation than on product.

"It always consumes most of the time, because those areas are less defined than the product lines are."

GCF's role as consultant springs from these informal discussions—it doesn't charge a fee and never will, Taylor said, to share information with clients. "Our customers know we've seen a lot of things over a long period of time, and have seen many different needs as described and defined by many other players who also had a specific interest or need.

"We never once considered selling our consulting services—we see this as something you get free when you do business with us."

Taking Steps to Stay in the Game

As the payment industry moves toward electronic methods in processing all transactions, what's in store for General Credit Forms, manufacturer of printed forms, money orders and receipt paper? Taylor is more than confident the company will remain in the game.

"What's going to change in the next 10 years? I don't know, but we'll be there," he said. "Strategically, we may make some acquisitions of synergistic companies—a ribbon manufacturer, for example, or label companies around the world that would benefit our business."

"But we don't want to stray too far from our core interest. We'll stay central to those things we know how to do and understand how to make. Because of the culture of GCF, we're able to staff the company with innovative people with an open ear to change," Taylor said.

"We may have to take many steps, but wherever the industry goes, we will be there."

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STREET SMARTS by Ed Freedman

Top Ten List of MLS Fraud

There is so much fraud in the merchant acquiring business that, frankly, most companies are scared of entering the business. Think about all the different ways an organization taking liability for losses is exposed on a daily, even hourly basis: merchant fraud, consumer fraud, identity theft, risk from merchants going out of business, chargeback liability, future service delivery issues… are you starting to get the picture?

MLS fraud—when the salesperson is the source of the fraud—scares me the most. Bad actions from MLSs can produce some of the biggest losses and problems in the industry.

There are things you can do to prevent identity theft; there are steps you can take when dealing with risk associated with a certain type of merchant processing activity (e.g. checking financial statements, previous processing track records, establishing reserves, etc.); and from a risk management standpoint, you can even manage the transaction processing activity of your merchant portfolio.

But MLS fraud? Good luck trying to minimize losses when a real fraudster starts sending you merchant applications. You can get your butt kicked, and it's going to hurt. It also may be the quickest and worst beating you've ever taken—I'm talking hundreds of thousands of dollars.

Most of the horror stories—those dealing with losses of $100K, $200K, $500K or even $1 million from either a single merchant or a few merchants—usually start with a bad sales rep who was involved in a scheme.

But there are also those small omissions that so-called "honest" MLSs are engaged in— such as fudging an average ticket or not fully disclosing all facts on the applications. The industry is taking hits from these MLSs, too. Don't kid yourself. Your ISO partners are taking huge losses because of these actions. This is fraud, and these MLSs are the problem.

My goal is to show you what's going on out there and fur-

ther explain why everyone's a little scared of doing business with you.

By giving you examples of what you should *not* do, I hope you come away from this with more information about how to be the most ethical and honest MLSs in the business. If you run your business with strict ethical standards, your long-term success, pride and happiness in your profession will be assured.

We recently discussed fraud on The Green Sheet's MLS Forum. Someone even suggested putting out a post entitled "Top Ten List" of MLS Fraud. Responses were numerous. Here's what you had to say:

> "Telling merchants they can cancel in 30 days. Telling merchants that they only have to pay 'X' amount per month, no swipe, etc. Telling merchants there is only a discount rate. We have dealt with this when we try to be honest and other companies tell these lies that merchants choose to believe." —John

> "One of the main things I have [heard] merchants tell me is they didn't realize they were locked in on the 48 month lease. Sad thing is, they have read the 48 months on the contract but were told various lies by the rep. I've heard them say the rep told me I didn't have to pay until 1/3 of the volume was on credit cards.

> "The most common lie is the rep tells them to ignore the 48 months because he will just let them out if they decide they no longer want it! The majority of the lies are told by reps that don't see or service the merchants anyway." —Neil

"Reps don't have a bad [rap], bad reps do. Just like any other industry, the customer (MLSs in this industry) pays for the damages that bad reps incur. I don't think we hit 10 yet. But just what you see should be enough to explain why sometimes when ISOs don't know you from a hole in the wall, they remain guarded without a long-term established relationship. Again, the probation period could help. —Q

"As for those who blatantly lie...well they utilize that which is not truthful to sway and steal. If your local bankers did it, they would go to jail—period. Is there anything else that needs to be said? How do these people continue to succeed in the business? Typically these types of individuals write high margins—for both themselves and the acquiring company. The almighty buck is to be blamed for that—Greed." —Brett Mandsdorf

"The philosophy we all should live by is 'No deal is so great that you will be able to retire on it!'—Plastic World

From reading your posts and from my own personal experience, here is my Top Ten List of MLS Fraud in no particular order:

- When MLSs do not make the effort to obtain real signatures but instead forge them on applications and/or lease documents
- When MLSs help set up merchants with new merchant account providers using some type of "coaching" to get an approval they'd otherwise not be able to obtain (e.g. helping a person who was just placed on the CTMF file; and knowingly misrepresenting the actual owner, type of business, sales volume or range of tickets to obtain an approval just to make an equipment sale)
- When MLSs complete a site survey even though they did not actually visit the merchant location. They also may provide inaccurate or fictitious information just to complete the form
- There are several ways to commit leasing fraud: When MLSs do not properly explain the terms of the lease, or that it's non-cancelable. MLSs instead propose leaving the term blank, or the monthly payment blank, getting signatures and filling it in later. MLSs verify the lease on their own instead of having the merchant verify it with the leasing company. MLSs get two leases on one piece of equipment
- Regarding credit card processing, when MLSs participate in fraud and set up fake merchants to assist criminals in processing "skimmed" credit cards. MLSs get a piece of the action for assisting the criminals
- When MLSs use a personal voided check to get mer-

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chants' processing money

- When MLSs tell merchants they can cancel anytime and/or they only have a month-to-month commitment. They never mention a possible termination fee. And, if asked, they explain that they'll waive it
- In terms of rates and fees, when MLSs do not do a good job of explaining and disclosing in advance rates and fees to the merchant, either verbally or on the merchant application
- In terms of residual buy-outs, when MLSs sell rights to residual commissions and then, 6 – 12 months later, slowly move merchants from that provider to a new one that will re-start the residual commissions
- Regarding upfront bonus payments, when MLSs get upfront bonus payments, making sure there are no termination fees, and then move a merchant a few times each year to continue collecting the upfront conversion bonus payments

I never understood why anyone would ever get involved in any of these business practices. Don't they know that this business is so phenomenal they don't need to cheat or cut corners? You will produce better results by running your business honestly and ethically than by being involved with any type of fraud.

In order to improve the future of our industry, let's consider two strong ideas to combat MLS fraud. Although we all realize it's not a great idea to share information on good sales partners, one bad MLS can damage many companies—even the entire industry.

In the same way that risk management groups have come together to report on bad merchants, professionals responsible for recruiting and training new sales reps for ISOs and MSPs need to create a forum where information and experiences can be shared regarding fraudulent MLSs. In order to do so, we will need a strong and savvy group of ISOs and MSPs and a good group of point-of-sale leasing company providers.

Another idea is something that the Electronic Transactions Association (ETA) presently offers and the National Association of Payment Professionals (NAOPP) is also discussing.

ETA University has developed a Certified Electronic Transaction Providers (CETP) program whereby MLSs that go through this program can be acknowledged as having this certification. This concept is a terrific idea, and I'm going on record to say that I will support it. I also encourage other ISOs who are taking liability for merchant losses to embrace such a process that will train

MLSs on how to properly represent products and services in the most ethical fashion.

If we all agree to employ only MLSs that have gone through this type of training, then we can help rid the industry of fraudsters. Through these programs, MLSs can also let their merchants know they are certified payment professionals, and if anything is done improperly, merchants can report them to the certifying organization—sort of a Better Business Bureau for our industry.

According to a recent ETA statement, these certification programs are all about ethics, training and service that are "critical to your success." I couldn't agree more. For this reason, I'm calling on my competitors and colleagues to support these initiatives and make these concepts a reality. Please hear me. Let's step up to the plate and support any effort that will mitigate MLS fraud.

Some of you might be thinking, "If I have no liability for merchant credit losses, why should I care about these risk management issues?" My next column will deal with the answer to that question. Look for my post on The Green Sheet's MLS Forum regarding working together to combat fraud and manage risk effectively.

As always, your opinions are important to me and to this column. Please send any feedback on this topic and any other issue to streetsmarts@totalmerchantservices.com. Be sure to include your name and company if you want to be recognized. Your voice needs to be heard.

"Rather fail with honor than succeed by fraud."
— Sophocles

See you next time where the rubber meets the road.

Ed Freedman is founder and President/CEO of Total Merchant Services, one of the fastest-growing credit card merchant account acquirers in the nation. Ed is the driving force behind all business development activity as well as the execution of Total Merchant Services' marketing plan, including recruiting and training independent sales offices and establishing strategic alliance partnerships with leading vendors, so that Total Merchant Services can provide its customers with the highest quality and most reliable services available.

To learn more about Total Merchant Services, visit the website at www.totalmerchantservices.com. To learn more about partnering with Total Merchant Services, visit www.upfrontandresiduals.com or contact Ed directly at ed@totalmerchantservices.com

Interchange Untangled–Part 7

This is the seventh article in a series written in response to numerous reader requests for definitions of the various interchange levels. We are working with several industry experts to explain the interchange "buckets," and how transactions are assigned to the processing levels. For the most current rates, please refer to the table distributed with our August 25, 2003 issue of The Green Sheet.

Visa Custom Payment Service (CPS) Small Ticket Rate

Only consumer card types qualify for this rate. The transaction must meet all existing CPS fee edit criteria.

The transaction must occur at a merchant assigned one of the merchant category codes (MCCs): 4111 (local commuter transport); 4121 (taxicabs and limousines); 5812 (restaurants); 5814 (fast food restaurants); 7523 (parking lots and garages); 7832 (movie theaters); or 7841 (video rental stores).

The amount of the transaction must be less than or equal to $15.

Visa Express Pay Rate

To qualify for this rate, the merchant must be registered through its acquirer who must put a special indicator in the settlement record; no authorization is required.

The merchant does not have to obtain the cardholder signature or provide a transaction receipt unless one is requested.

The rate is restricted to restaurant, fast food, parking garages and movie theaters for transactions of less than $25. The parking garage maximum is $75. These transactions must be settled within three days.

Visa CPS Account Funding Rate

To qualify for this rate, the card and the cardholder are not at the merchant location and the cardholder is funding a host-based pre-paid product, a brokerage account or escrow account with a Visa credit or debit product in a secure Internet environment.

The magnetic stripe cannot be read. The point-of-sale terminal application must be equipped to provide additional data such as the merchant order number and customer service telephone number. Only one authorization per clearing transaction is allowed.

An Address Verification Service (AVS) request and Cardholder Verification Value 2 (CVV2) are required in authorization.

Visa Signature Card Electronic Rate

To qualify for this rate the merchant must be a Travel & Entertainment MCC. If the transaction meets CPS requirements, an electronic authorization is required; it can be keyed or swiped and the transaction must be settled within two days.

Visa Signature Card Standard Travel & Entertainment (T&E) Rate

To qualify for this rate the merchant must be a T&E MCC. Transactions that fail to meet CPS requirements or electronic transactions that are settled more than 72 hours from the transaction date or a paper transaction qualify for this rate.

NOTE: Visa Signature and Infinite cards are premium prod-ucts for high-end consumers. The cards have no pre-set spending limits and come with enhanced services and rewards.

Visa Consumer Standard Rate

To qualify for this rate the transaction will fail to meet any of the CPS categories, for example, an electronic transaction settled more than 72 hours from the transaction date or a paper transaction.

NOTE: Interchange fees are paid by the issuer to the acquirer on merchandise credits or credit vouchers. The interchange fee for a credit voucher transaction is determined by the combi-nation of card type and merchant segment.

Visa Passenger Transport Credit Rate

All card types with passenger transport MCCs 3000–3299, 4112 and 4511 qualify for this rate.

Visa Non-Passenger Transport Credit Rate

This transaction rate is for consumer cards with non-passenger transport MCCs (all MCCs except 3000–3299, 4112 and 4511) and commercial cards with non-passenger transport MCCs (all MCCs except 3000–3299, 4112 and 4511).

Visa Select Mail/Phone Order/ e-Commerce Credit Rate

To qualify for this rate, more than 70% of the dollar volume of the merchant's consumer sales processed during the prior three months must have received one or more of the following rates: CPS/Card Not Present, CPS/e-commerce Basic or CPS/e-commerce Preferred.

To find more articles in thi series, plesae visit our Web site, www.greensheet,com, and use our Fast Finder and search for 'Interhcange Untangled'.

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▶▶ EDUCATION [CONTINUED]

How to Promote Your Web Site

By Peter Scharnell
Electronic Exchange Systems

Y ou're like a lot of other merchant processing professionals out there; you've built your business Web site—now what? In order for you to maximize your Web presence, you need to make sure that people can locate you on the World Wide Web.

The following guide will help you promote your Web site and incorporate it into your overall sales and marketing strategy; more importantly, it will help people find your company before they find your competition.

Get in Compliance

Don't Get Fined by Visa and MasterCard
First things first: in order to avoid noncompliance fines, make sure that your Web site content adheres to Visa and MasterCard regulations. You must represent your-

self in accordance with the established rules or pay the consequences. The Green Sheet has published the ISO-relevant Visa/MasterCard regulations online at http://www.greensheet.com/mlsportal/industryfaq.html

Code Your Pages for Searches

Title Your Pages Effectively
Make sure each of your pages has a descriptive title. Search engines usually give the most weight to the words between a page's title tags.

You can use this to your advantage by adding a short, descriptive phrase in the title of each of your pages, which will ensure that certain keywords get the attention they deserve.

Make the Most of <META> Tags
You can control how search engines catalog your site with two types of <META> tags: META Keywords and META Description. <META> tags are part of the HTML code that some search engines, such as AltaVista, look for but most visitors to your site never see.

Put the Important Stuff First
Some search engines, such as Lycos, give precedence to text near the top of Web pages. If some of your must-see content is located far down on a page, move it up, put it on a separate page, or make sure the appropriate keywords from the text are in your <META> keyword tag.

Register Your Site

Register Via Submission Sites and Services
Sure, you can register with search engines and directories one by one, but there's a better way. At sites such as www.urlsubmitter.com and www.addme.com, you fill out one form with your Web site's title, URL, keywords and other pertinent information.

The sites guide you through the submission process for the most popular search engines and Web directories, filling in the appropriate fields in each form. Be aware that the most popular search engines now charge you for site submission.

Register Individually
Top search engines have standard forms for site suggestions. A link to a search engine's submission form can usually be found on its home page labeled "Add a Site" or "Suggest a URL."

Pay for Results
Directories (Yahoo!) and pay-per-click engines (Overture.com) can increase traffic to your site as well. "Pay-Per-Click" search engines allow participating sites to pay for high rankings in their results.

There are hundreds of site-submission services out there, including software packages, Web-based applications and companies specializing in custom site submission. Each option has pros and cons.

Promote Your Site on Your Own Site

Make Them Members
Don't just have visitors to your site—have members. By offering your readers a quick form to fill out, you can instantly learn about your audience and its demographics.

Who's Connected?
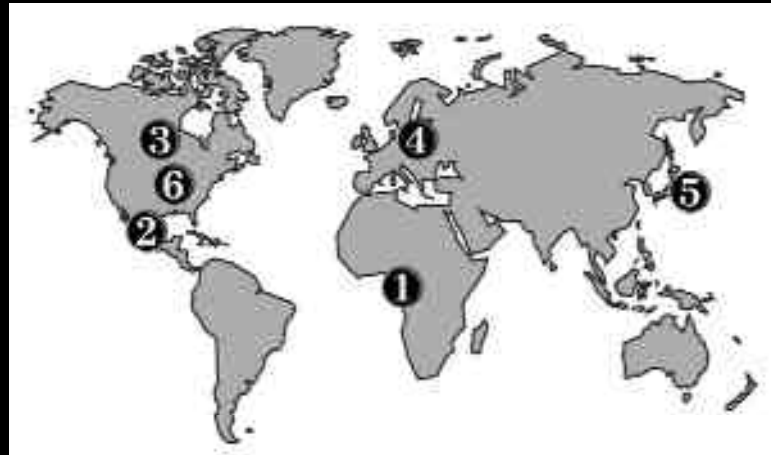
Sequence no indication of ranking.
Source: www.cyberatlas.internet.com

1. Equatorial Guinea	900 users	4. Germany	44,130,000 users
2. Mexico	3,500,000 users	5. Japan	56,000,000 users
3. Canada	16,840,000 users	6. United States	182,130,000 users

But be sure that your Web site is in compliance first. The Internet is the easiest way for Visa and MasterCard to locate those that are not playing by the rules.

You can tailor your site to fulfill their wishes, which will, in turn, bring them back.

Spread the News
When people become members of your site, give them the opportunity to sign up for your e-mail newsletter. Don't have a newsletter? Make one. Use it to tell your members about new features and happenings on your site. The newsletter is delivered right to your members' e-mail in-boxes, reminding them to stop by for another visit.

Promote Your Site Off-line

Put Your URL Everywhere
You've set up your service provider account, spent months developing your Web site and maybe even registered a custom domain name. Now it's time to flaunt your online presence.

Use the phone number rule: everywhere that your phone number is listed—on business cards, advertisements, brochures, letterhead and flyers—you should make sure your URL is listed, too. Also, don't forget to use your domain name in your business e-mail address.

Customize Your Domain Name
The value of a custom domain name (such as www.yourbusiness.com) is probably greatest off-line. In the non-cyber world, people don't have the luxury of hyperlinks; they get to your site by writing down or memorizing the URL. The fewer slashes, tildes and hyphens that your audience has to remember, the better.

Get Some Press
Send out a targeted press release to all industry-related publications. Many of these now have editors devoted to Web site topics. Also, send the press release to general business and consumer publications that fit the profile of your business.

Measure Your Success

Use Search Engines to Check Your Popularity
A few weeks after you submit your new site to the search engines, perform some test searches to see if your site is registered and how it ranks in keyword queries. If your pages fail search engine tests, you may want to beef up your page with more keywords.

Ask How Visitors Found Your Site
If you have a feedback form on your site, add a field asking visitors how they found your page. Direct visitor feedback is often the only way to find out if your site has been mentioned off-line. If visitors appreciate your site enough to fill out the form, they probably won't mind telling you how they found it.

By following some simple steps, you can increase the traffic to your Web site and greatly enhance your sales and marketing efforts. But be sure that your Web site is in compliance first. The Internet is the easiest way for Visa and MasterCard to locate those that are not playing by the rules. For those of you who are serious about marketing your Web site, please e-mail me, and I will send you our extensive Search Engine Submission and Optimization guide. 🖼

Peter Scharnell is VP Marketing for Electronic Exchange Systems (EXS), a national provider of merchant processing solutions. Founded in 1991, EXS offers ISO partner programs, innovative pricing, a complete product line, monthly phone/web training, quarterly seminars and, most of all, credibility.

For more information, please visit www.exsprocessing.com or e-mail peter.scharnell@exsprocessing.com

What MLSs Need to Understand About Underwriting

David H. Press
Integrity Bankcard Consultants, Inc.

Over the years, when I have been involved in underwriting merchant accounts, I have encountered Merchant Level Salespeople (MLSs) who repeatedly submit deal after deal that will never be approved by the processor. Simple things, including unreadable or incomplete applications, unverifiable street addresses or the type of business applying for the account, will factor into the processor's decision whether or not to underwrite that merchant.

Before their feet ever hit the street, MLSs should understand what underwriting is and everything processors take into consideration to determine if a merchant's business is legitimate.

The submitted application is just the first step. MLSs should make sure the application is legible and completed in its entirety along with all the required materials that need to be submitted with the application. This also prevents the MLSs from having to go back to the merchant to request more information. Get it right the first time and the approval will go through faster.

Most underwriting departments typically follow a process to review the following:
- The type of business the merchant operates
- Projected sales volumes and processing methods
- Whether the merchant has ever been terminated by the processor or reported to the bank through MasterCard's Member Alert to Control High-Risk (MATCH) system, previously known as the Combined Terminated Merchant File (CTMF or TMF)
- Whether the personal guarantor's (owner, officer or principal) credit is not considered excessively derogatory based on projected volume and historical product risk
- Whether the merchant premises have been inspected per MasterCard and Visa requirements
- That all paperwork is properly completed and all required signatures are properly affixed
- That all required documentation is filled out and submitted with the application
- That verification of the submitted documentation has been completed

It's important to make the underwriter's decision easier by supplying information that answers questions about the merchant, including:
- How does the merchant make money?
- How are customers directed to the merchant's Web site?
- How is credit card information captured and handled?
- What is the fulfillment process? ("The greater the time, the greater the risk.")
- What are the order and return policies?
- How long will it take to process refunds?
- If customer service is phone-based, how long is the wait on hold before calls are answered?
- Is there adequate disclosure of Terms and Conditions?
- Are customers subjected to aggressive 'save' programs?
- Are there available quality trade references applicable to the product or service?
- Does the product or service represent a reasonable value?

When making underwriting determinations, I have often been faced with situations in which the applications and materials submitted gave no clue as to what the merchant

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was really doing. Some of those applications were intentionally misleading and hid the true nature of the business; some MLSs were just too lazy to explain the business fully.

Underwriters need a clear understanding of what a merchant does in order to approve an application, so as a result, the response in these situations is to either ask MLSs to provide more information or to simply decline the application.

Certainly there are exceptions to the approval rules of thumb, but think 'exceptional'—it takes an exceptional merchant to be approved from the non-acceptable merchant list. For example, an industry leader, a merchant selling products with true value, or one with a financially fixed guarantor might fit the qualifications necessary for approval.

Some underwriting departments insist on reviewing copies of the original Articles of Incorporation. If you are asked to provide them, there are several places to access them. Some states make these documents available on their Web sites; some states also include information on limited liability corporations, partnerships, assumed names and other types of listings online.

The Integrity Bankcard Consultants Web site provides links to determine the status of an entity, including links to each state's corporate status lookup page. Access this information at www.integritybankcard.net

Sometimes businesses are incorporated in one state and are actually located in another; you can still find information on these corporations. For example, a business incorporated in Nevada or Delaware, but doing business in California, should be listed in California as a "foreign" corporation, as active and in good standing.

Through the state links, you should be able to locate current incorporation status, including the names and addresses of current officers and/or registered agents, which are usually listed on the state sites.

Some processors don't place as much importance on Articles of Incorporation as others do, however. They find them to be of limited use because attorneys, CPA's and other agents are often involved in filing the original documents as incorporators.

Applications for online merchants have to include additional information. For example, Visa requires that e-commerce merchants' Web sites provide the following:
- A thorough description of the goods or services offered
- A clear explanation of the returned merchandise and refund policies

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- A customer service contact, including e-mail address and/or telephone number
- Transaction currency (e.g., U.S. dollars, Canadian dollars) accepted
- Export or legal restrictions (if known)
- Delivery policy
- Consumer data privacy policy
- Security method used for the transmission of payment data

Some merchants such as telephone order, mail order, Internet and other high-risk category merchants may be acceptable if there is a way to minimize the risk exposure to the bank or processor.

Here is a list of creative approaches that may be available to make a deal acceptable to the underwriters:
- Assignment of service or databases
- Use of pre-funded reserves and/or irrevocable letter of credit
- Capital retention agreements
- Lengthening of settlement timeframes
- Mandate acceptance criteria (i.e. Fraud Scrubbing Services, AVS, CVV2/CVC2, Verified by Visa, etc.)
- Re-working of fulfillment arrangements or return policies
- Third-party indemnity

- Requirement of special administrative reserve accounts at acquiring bank
- Use of personal indemnity or personal guarantees
- Surety and insurance products

Accurately and completely fill out the Merchant Site Survey Report. Through these reports, you are verifying that the application and inspection of the merchant premises are true and correct to the best of your knowledge and belief. You don't want to spend time at "Club Fed" for a fraudulent application you submitted, as has happened to MLSs.

Remember it is important to take the time to completely and accurately fill out the merchant application and provide all the required paperwork. Give the underwriters a clear understanding of the merchant's business. If needed, be creative and obtain additional information through other sources, including advertisements, brochures, phone book listings, business licenses, photographs, samples of products, previous processor statements or financial statements.

David H. Press is Principal and President of Integrity Bankcard Consultants, Inc. Phone him at 630-637-4010, send an e-mail to dhp@integritybankcard.net or visit www.integritybankcard.net.

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Rewarding Loyal Customers at the Point of Sale

With so many major retailers and super stores cropping up all over the country, merchants who actually know their customers by name may be few and far between. But that doesn't mean merchants can't still know what their customers want and reward them for their loyalty.

Loyalty and incentive programs offer merchants numerous opportunities for bringing customers back into stores again and again, and by taking it one step further—integrating these types of programs at the point of sale—merchants are able to reward customers for their loyalty and customize these rewards for each customer. Catuity, Inc. has developed software that allows this to be done at the precise moment the sale is transacted.

"The questions are 'How do I just distribute incentives to the people that really need it?' and 'How do I get you to keep coming back to my store?'" said Michael Howe, President and CEO of Catuity.

"What we're providing is information about individual customers at the check-out so that stores can be smarter about their customers when transacting with them. It's probably the best time to have information about customers."

Catuity, Inc. (NASDAQ: CTTY) is a software company that develops real-time multi-program marketing platforms for loyalty and incentive programs delivered at the point of sale (POS) during the transaction process.

Catuity's system works with magnetic stripe cards, smart cards, radio frequency identification (RFID) devices or contactless tokens; and it can be used by both brick and mortar and e-commerce merchants.

Catuity's software records customers' purchase data and compares it to specific loyalty programs in which the customer is participating. If a "trigger" amount is reached, then it delivers an earned reward or an incentive to that customer right at the point of sale. This is an essential part of rewarding consumers and providing them with incentives to keep them returning to the store.

The software allows a POS terminal, for instance, to recognize an "entry device"—typically a card—which serves as an individual customer ID. An entry device can be a credit or loyalty card—a magnetic stripe or smart card, a contactless or RFID device or even a bar code. It all depends how merchants want to identify their customers.

"The entry device matches up with an acceptance device—a point of sale terminal, cash register, kiosk, the Web site—wherever the merchant is doing the transaction," Howe said. "The entry device and the acceptance device talk to each other."

Loyalty and incentive programs offer merchants numerous opportunities for bringing customers back into stores again and again, and by taking it one step further—integrating these types of programs at the point of sale—merchants are able to reward customers for their loyalty and customize these rewards for each customer.

When Catuity's software is installed in the terminal, the software instantly recognizes a card that's registered with the system. But Catuity's software tracks customer purchase data by number only—not by name—to avoid any of the privacy issues concerning data collection.

And Catuity doesn't have ownership of the data—the merchants or the processors own the data. "They follow the privacy rules as they relate to credit—all we're doing is automating the process," Howe said.

"Part of the reason for reward programs is that customers want to be rewarded. If they want to be rewarded, then they probably want you to keep an eye on what they do and buy so you can reward them with things that make sense."

Catuity sells its software to bankcard issuers and payment processors that then provide the solution to their merchant customers. In some cases, Catuity will sell directly to large-scale merchants who are looking to run their own loyalty systems. Catuity is not an application service provider (ASP), so it does not run the systems for customers.

"Instead, we make the software for others to run," Howe said.

The company also sells its products and services through the ISO sales channel. Catuity licenses its host software through a global channel partner program and some of these channel partners might include an ISO.

Non-affiliated ISOs will be able to market the Catuity solution via this network. Merchant Level Salespeople can benefit by marketing Catuity's gift and loyalty card programs as a value-added solution to their terminal sales.

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Catuity was founded in 1995 in Australia, and went public there two years later (ASX: CAT). In 2000, Catuity moved its headquarters to the United States and went public shortly after. At the end of 2003, Catuity employed 37 people across three offices: its headquarters in Detroit, a product and customer support office in Arlington, Va., and a development office in Sydney, Australia.

The company's reported sales volume in 2002 was $2,972,000. In 2003, it was named one of the "Fastest Growing Technology Companies in North America" in Deloitte Technology's Fast 500.

Catuity's system originated in Sydney, Australia. It was part of a trial contactless system involving Westbus passengers and the merchants surrounding the bus and train stations. Merchants sold cards to travelers that allowed them access to transportation, but they also included specials and discounts on the cards to incite customers back to their stores.

"The program was never really marketed in Australia—it was just run to see how it would work operationally," Howe said. "For it to really become a success it needed to become a U.S. corporation and it needed to be integrated with payment."

To do this, Catuity has created partnerships with many major POS terminal manufacturers including VeriFone, Axalto (formerly SchlumbergerSema), Banksys and Hypercom Corp., with more being added as demand dictates.

And the application is not limited for use with only point-of-sale terminals. It can be integrated with most point-of-sale systems, including Web environments, kiosks and multi-lane cash registers—even advanced mobile phone payment solutions. And if a merchant has multiple POS systems, the application can be integrated across all of them.

"This is so a merchant would not have to have different loyalty systems for their different channels," Howe said.

Some of Catuity's customers include Electronic Merchant Services; KESM Transaction Services; Maritz Loyalty Marketing; Visa USA; and Target Corp.

Catuity's system is scalable—from small "mom and pop" merchants to major national retailers (it's currently being used in all 1,200 Target stores).

It can be an affordable solution for all differently sized merchants because Catuity's pricing model is use-based, meaning the more the system is used, the more it costs; if it's used in small environments, then it doesn't cost as much.

The Catuity System is fully developed and has undergone extensive testing and trials with multiple customers.

It is being rolled out by customers with more than 13 million consumer cards issued, more than 42,000 point of sale terminals being enabled and 4 host systems installed.

One unique capability of Catuity's product is its ability to track by SKU (stock keeping unit). This means the Catuity system is able to capture and store information concerning individual levels of merchandise.

"For instance, our system can track a customer's shopping basket," Howe said. "We can track and store whether you bought a 40-ounce bottle of shampoo or a 20-ounce bottle. And we're not just tracking total amount spent, we're tracking actual items.

"This is important to the product good manufacturers who provide most of the incentives that the merchants use."

Howe said the Catuity system can track about 40,000 different SKU's for a particular merchant program.

The system also offers valuable reporting capabilities. The software comes with 25 standard reports, and additional reports can be created, too. Catuity's consulting services division will train customers on creating and customizing reports for their merchants.

In a loyalty or incentive program, reporting is key, Howe said. Viewing reports quickly after the promotion has ended to report back to the product good manufacturer, is especially important.

"We're creating a software program that will allow the merchant to track all of this stuff electronically and even change the program or launch new programs within 24 – 48 hours."

In terms of the type of incentive programs offered, the sky's the limit, Howe said. "Whatever rewards or programs that are out there today, we've pretty much built them into the software.

"I'm really happy with the space that we're in," he said. "The time is now and the technology is there to be able to integrate these systems directly to the merchant's cash register or point of sale system."

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It allows these types of merchants to accept credit and debit cards for payment anywhere within the Cingular Wireless network. No phone line or AC power is required.

Global Payments said as of November 2003, it is the only processor offering Cingular Wireless support on the MIST Freedom II point-of-sale terminal. The application is available in the United States.

The MIST Freedom II, manufactured by MIST, Inc., is a wireless point of sale terminal with a built-in thermal printer and PIN pad. Its LCD is backlit and displays four lines and 122 x 32 pixels. The device has a three-track magnetic stripe reader, a 32-bit microprocessor and gets its power from a rechargeable built-in battery back.

Global Payments provides electronic transaction process-

ing services to merchants, ISOs, financial institutions, government agencies and multi-national corporations in the United States, Canada and Europe.

MIST Inc.'s Transaction Services division designs, manufactures and distributes wireless, Internet-enabled and traditional wired POS terminals and hosts secure-transactional gateways.

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INSPIRATION ◄ ◄ ◄

A Golden Rule

thank-you: noun ('tha[ng]-"kyü) a polite expression of one's gratitude
(Merriam- Webster Dictionary)

Japanese - Domo arigato!
French - Merci!
German - Danke schön!
Spanish - Gracias!
Tagalog - Salamat!
Russian - Spasibo!
Latin - Gratia!
(source: http://www.elite.net/~runner/jennifers/thankyou.htm)

As the holiday rush wraps up, our lives return to their 'normal' pace, whatever that may be. The New Year marks new beginnings and new opportunities for us. Will you take advantage of one of the first opportunities you have been presented with? Show your clients you appreciate their business.

Now that the holidays are over, you have the perfect reason to strengthen relationships: saying thank-you can go a long way in keeping the lines of communication open all year long.

What do we mean when we say "thank-you"? As the definition above states, "thank-you" is an expression of gratitude. It means that we are aware of a benefit received (perhaps a benefit not expected or in return for a favor we have done).

We were all taught when we were young to say "please" and "thank-you." But as we grow older and our lives become more hectic, we sometimes forget these simple phrases. "Thank-you" takes little time and effort, but the benefits it brings can be great.

It lets people know that you are aware of them and their impact on your business. It lets your customers know that you are grateful they have chosen to do business with

you. Taking time to thank your customers for their support is important.

If you received any special gifts from them, a special thank-you is definitely in order. For some clients, a phone call may do the trick. For others, putting your gratitude in writing may be a better alternative.

For those customers you choose to call, make sure that the call is NOT a sales call. Just thank them for the gift or their continuing business and find out how they are doing. You will make them feel special if they think that you just called to talk to them and are not trying to sell them anything new. (This can pave the way for the next phone call, when you do have something to sell.)

When you send thank-you notes, make sure to personal-

DATEBOOK

Institute for Payment Professionals (IPP) Seminars

Highlights: The Institute for Payment Professionals offers a series of seminars in cities around the country to disseminate critical information about the industry and provide insights that will dramatically increase your revenue potential. Additionally, a variety of industry vendors will provide both information and hands-on experience with leading-edge technologies and services. The seminars are the cornerstone of the ongoing IPP training regimen and are recommended for all members. For complete information on seminar agendas and locations, please contact IPP at www.i4pp.org

When & Where: Jan. 14, 2004   Fort Lauderdale, Fla.
February, 2004   Los Angeles, Calif.

Registration: Visit www.i4pp.org; send e-mail to martaus@i4pp.org

ize them. There is nothing quite as insincere as a preprinted thank-you card. Make sure you not only sign the cards, but also include a note, letting your customers know that they are truly appreciated.

Use salutations and the customers' names. This way they won't think that you are writing to a long list of people and don't really know who you're thanking. If they gave you a gift, be sure to mention the gift and describe how it has been used or enjoyed. Close by saying something about the future such as, "I'm looking forward to seeing you in the New Year."

Another idea is to send a small gift with your thank-you note. This can be a promotional opportunity—consider actually putting your thanks on the gift, such as a coffee mug, inscribed with something along the lines of "Thank you for your business," and include your company name and logo.

You should still send a personalized note with the gift. Whether it's a note or gift, whether you're thanking a client for a gift or for their support, your expression of gratitude should be sincere and warm.

Don't just say thank-you at the holidays. Any time of year is the right time to make your customers feel that they are truly appreciated and that you are grateful for their business. In an industry where customer loyalty seems to be rare, take full advantage of every opportunity to shift that trend in your favor. By building relationships, you can foster loyalty from each of your clients.

And in keeping with this idea, the staff of The Green Sheet wishes to thank all of our loyal readers. Our continued growth is due to your enthusiasm and support. We welcome your comments and ideas, so please send an e-mail to greensheet@greensheet.com and let us know what you think. We look forward to providing you with more education, inspiration and actionable advice in 2004.

Thank you!

Good Selling!

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