



# The Green Sheet

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

Publishing Excellence Since 1983

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## The Faces Behind the Name

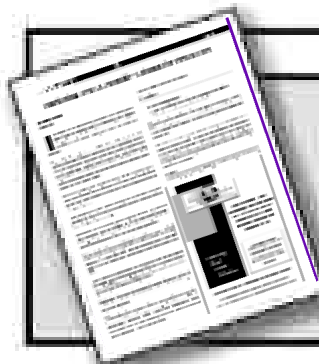


**T**he merchant level salesperson (MLS) network spans far and wide across the country, and it's not often that agents get to match the names with the faces of their ISO partners. Starting with its latest ad campaign, Westbury, NY-based IRN Payment Systems is one ISO you'll be seeing and hearing a lot more of.

The ads picture IRN's President and management team, and the company has several exciting new programs available: merchant cash bonuses, the launching of a proprietary point-of-sale check debit processing system and a new partnership with a gift card provider.



See IRN on Page 51



### Notable Quote:

In its simplest form, marketing is a quid pro quo—a deal between you and your potential customer that inherently implies, "I'll give you this, and in exchange you'll give me that."

See Story on Page 41

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- » Stacy Bell-Advanced Payment Tech
- » Audrey Blackmon-POS Portal
- » Shannon Byrne-Paradata Systems
- » Robert Carr-Heartland Payment Systems
- » Steve Christianson-Transpay-USA
- » Rob Connelly-VeriFone
- » Wayne Damron-Lynk Systems
- » Steve Eazell-Secure Payment Systems
- » Eric Duprat-Hypercom
- » Mike English-Ingenico
- » W. Ross Federgreen-CSRSI
- » Ed Freedman-Total Merchant Services
- » Patrick Gaines-LML Payment Systems
- » Marc Gardner-North American Bancard
- » Alan Gittes-Landmark Merchant Solutions
- » Russ Goebel-Retriever
- » Larry Henry-L. Henry Enterprises
- » Ginger Hollowell-Electronic Money
- » Jared Isaacman-United Bank Card
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- » Patti Murphy-The Takoma Group
- » Steve Norell-US Merchant Services
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- » Jeff Thorness-ACH Direct
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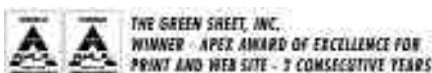
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I didn't just get back from Mardi Gras, Chad.  
Actually, I'm returning from a tradeshow.

## To All Sales Level Professionals

### *How to make the most out of career and make the Real Money*

I often read The Green Sheet, and I know that there are many ideas and views top executives have of the sales professional. Sales is one of the most important aspects of a business' ability to make money; if it were not for sales, not too many companies would be in business.

I have hired many individuals in the past few months. I see many flaws and would like to work on and share great ideas to help you make extra money.

For one, I don't think some of the individuals in the industry think and work hard enough to make that extra sale and go that extra mile. I do not know if the following will serve as motivation for you or not, but this is what I think:

First, if you are in sales and understand that the sky is the limit, then you would be eager to wake up each day to make money and have the great feeling of satisfaction. I see many individuals go through life, working 9 to 5 and not thinking out of the box. They aren't networking and working their leads from existing merchants.

I have been in the merchant services business for 2+ years and was approached by a friend who is a very well established ISO. After seeing how Wall Street works and how these sales professionals

make millions, I understand it is nothing more than being greedy and ambitious.

To be honest, I can sit here and tell you how to make a million dollars, that it is not that hard in this industry if you put your heart behind your motivation. (But I am not going to give you the tricks of the trade unless you are willing to give this 100% of your efforts.)

When you work on commission, it is you vs. the next guy. Don't take 'no' for an answer, and don't let yourself get hung up on. If you are, then you have to change your approach.

In sales you have to do what is necessary to get the sale whether it is the rate or just taking this to a personal level with each new prospect. But it can be done. You have the power, you are offering them the savings and the expertise—remember that.

I talk to so many people who have never even heard of interchange. When you work you have to be knowledgeable on the products and, of course, on your cost and how the business works. Since knowledge is power, without power you have nothing.

I think that you should be so motivated that you should want to work until 6, 7, 8 p.m., if you want to make the real money. Unless you are satisfied with your income and happy with the portfolio you have built, then keep up the hard work.

There are so many different ways to go about getting referrals and new accounts without having to cold call to optimize even more new accounts. There are so many different ways to start a profitable referral business and partnership.

I have many stars I have worked with that are now closing huge accounts and making the real money. No matter if they are selling merchant accounts or selling a car, the rules are all the same. Sales is sales, and you should be able to sell water to a whale. If you are driven, eager and want to make the most out of your career, feel free to contact me.

Best wishes,  
Brian A. Roth  
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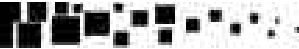
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## INDUSTRY UPDATE

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### IMPORTANT ANNOUNCEMENT

#### ETA Annual Meeting Discount For 1099 MLSs

The **Electronic Transactions Association (ETA)** said it is expanding a special discount for Merchant Level Salespeople (MLSs) on one-day registration rates for its Annual Meeting and Expo in Las Vegas, April 20-22, 2004. This is a one-time offer that enables any MLS who is a 1099 independent contractor to attend one day of the ETA's annual meeting for \$185. Those who are eligible may choose to attend the conference on either Wednesday, April 21 or Thursday, April 22. This discount is not available for more than one day.

This announcement follows the recent introduction of the ETA Affiliate Service Provider program that allows 1099 status MLSs access to discounts on a range of ETA products and services.

5.2% from the third quarter of 2003. The department began tracking e-commerce sales in 1999.

### ANNOUNCEMENTS

#### Global Access Approved for CISP

**Global Access Corp.**'s wholly owned subsidiary, EFT Integration, Inc., is now compliant with Visa's Card Information Security Program (CISP). CISP defines a standard for securing Visa cardholder data, wherever it is located. CISP compliance has been required of all entities storing, processing, or transmitting Visa cardholder data.

### NEWS

#### E-Commerce Sales Report for Q4 2003

The **Census Bureau of the U.S. Department of Commerce** reported that Q4 2003 retail e-commerce sales (not adjusted for seasonal, holiday and trading-day differences) totaled \$17.2 billion, an increase of 25.1% from Q4 2002 and an increase of 29.7% from the previous quarter. E-commerce sales accounted for 1.9% of total retail sales in Q4 2003.

Overall retail sales totaled \$918.2 billion, an increase of 6.2% from the same period a year ago and an increase of

#### ID Theft Assistance Corp. Created

The **Financial Services Roundtable** and **BITS** have formed the **Identity Theft Assistance Corporation**, a non-profit industry consortium that will pilot the Identity Theft Assistance Center (ITAC), along with Wells Fargo and Co. The ITAC's services, provided at no cost to victims, are intended to help victims of identity theft. Forty-seven of the nation's largest financial institutions are founding members of the ITAC.

The Financial Services Roundtable ([www.fsround.org](http://www.fsround.org)) represents 100 of the largest integrated financial serv-



- ▶ **The Conference Board's Consumer Confidence Index**, which had improved in January 2004, slipped in February. The February Index now stands at 87.3, down from 96.4 the previous month.
- ▶ **7-Eleven Canada Inc.** is opening its convenience stores in malls, colleges, airports and hospitals, the National Association of Convenience Stores reported. These stores will be smaller than its regular stores and will offer more fresh foods.
- ▶ Seventy-six **Sunoco, Inc.** (R&M) retail outlets were closed by the National Real Estate Clearinghouse (NRC). The stores were located in Detroit and in Dayton, Columbus and Cincinnati.
- ▶ **Apple Computer** announced plans to open at least two stores in Toronto. The company has 76 stores currently in operation around the world.



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es companies. BITS ([www.bitsinfo.org](http://www.bitsinfo.org)) was created in 1996 to foster the growth and development of electronic financial services and e-commerce for the benefit of financial institutions and their customers.

## PARTNERSHIPS

### Catuity Licenses Software to Certegy

**Catuity, Inc.** signed a long-term license agreement with **Certegy Inc.** Certegy will install Catuity's real-time loyalty software at its international processing centers. Catuity is a loyalty and e-coupon software provider to processors, card issuers and merchants.

### eFunds Renews Two Contracts

Through a multi-year ATM branding contract, **eFunds Corp.** extended its longstanding partnership with **CO-OP Network**, the largest credit union EFT network in the United States. eFunds will continue to enable the CO-OP Network to brand additional eFunds' ATMs and expand customer access points through eFunds' ATM program. eFunds also announced that it renewed its agreement with a decade-long partner, **Encore Electronic Services Cooperative**, a Credit Union Services Organization. eFunds will provide ATM driv-

ing, network access, debit card processing and other products to 65 Encore credit union members throughout the United States.

### Ingenico and POS Portal Partner

**POS Portal** will provide sales and deployment services for **Ingenico's** Elite 712 "hand-over" debit ready terminal, the Elite 710 terminal and the Ingenico 2600 check imager/reader, which will enable POS Portal to market Ingenico's point-of-sale products at a competitive price through its sales automation and order entry management solutions.

### Paymentech To Process for Taco Bueno

**Paymentech, LP** will process credit and debit card transactions for 124 **Taco Bueno** locations throughout Texas and Oklahoma. Paymentech won the multi-year agreement after a 12-store pilot implemented about one year ago.

### TPI Software's Payment Server Selected by State of Washington

The **Washington State Department of Labor and Industries** will use **TPI Software LLC's** Payment Server solution that supports credit and online debit with Vital Processing Services. TPI Software LLC's Payment Server product line, along with **Vital Processing Services**, is supporting new payment types such as online (PIN-based) debit and EBT cards using Vital's SSL2 transport protocol. The TPI Payment Server enables merchants to securely process payments in retail, e-commerce, MOTO and wireless industries.

## ACQUISITIONS

### Ambiron Acquires Tekom

**Ambiron, LLC**, an independent information security and compliance firm that provides solutions to businesses ranging in size from small to Fortune 500, acquired Chicago-based **Tekom, Inc.**, which builds and maintains secure and reliable screen-based order-entry systems access to both electronically traded and open outcry markets. Terms of the deal were not disclosed.

### Certegy Buying Two Companies

**Certegy Inc.** is acquiring **Game Financial Corp.**, a subsidiary of Travelers Express Co., which is owned by Viad Corp. and a provider of debit and credit card cash advances, ATM access and check cashing services in approximately 60 U.S. gaming establishments. Certegy is buying the company for approximately \$43 million in cash.

Certegy also announced it acquired **Crittson Financial**

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**Services LLC** for approximately \$22.5 million in cash. Crittson provides full-service card and merchant processing services to more than 275 financial institutions, 450,000 cardholders and 8,500 merchants throughout the United States.

### TowerGroup Sold to MasterCard

**MasterCard Advisors**, a global professional services organization and a subsidiary of MasterCard International, acquired **TowerGroup** from Reuters. TowerGroup is a leading research and advisory firm focused exclusively on the global financial services industry. It will continue to operate as a separate business; its headquarters will remain in Needham, MA.

### Moneris Buys RBC Centura's Merchant Portfolio

**Moneris Solutions, Inc.** purchased the merchant-acquiring portfolio of **RBC Centura Bank**, the North Carolina-based subsidiary of Royal Bank of Canada. The companies did not disclose the terms of the deal.

Moneris and RBC Centura also entered into a referral agreement, whereby Moneris will sign up new merchant accounts from RBC Centura's 242 branches located throughout N.C., S.C., Va., Ga. and Fla.

### InterCept Selling IPS

**InterCept, Inc.** announced plans to sell its merchant services division, InterCept Payment Solutions (IPS) to a management group from IPS (led by its CEO John M. Perry) and a third-party provider of merchant payment services. The proposed purchase price is \$37.4 million.

## APPOINTMENTS

### Advanced Payment Services Adds Two to Management Team

**Advanced Payment Services (APS)** recently hired **Drew Young**, formerly of CPS, to be the Director of Technical Support for the ISO Line of Business. Young has 15 years of experience in the industry, including technical support, account implementation, software development and integration. The company also hired **Rodney Pesantes**, previously with Paymentech, then CPS, to be the Director of Technical Support for its merchant base. Pesantes has seven years of industry experience, including customer service, technical support and account maintenance.

APS said it recognizes these two valuable additions to its management team will complement its existing level

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- NPC Access™ offers online Internet reporting for both ISO's and merchants
- Comprehensive ISO training program



of superior service for which APS is known.

### Jim Bidwell Elected to E\*TRADE Board

E\*TRADE FINANCIAL Corp. elected **Jim Bidwell** as Chief Risk Officer, a newly created position. Bidwell joined E\*TRADE in March 2000 as Vice President, Finance. He previously served as Vice President, Corporate Strategy. Prior to joining E\*TRADE, Bidwell was Vice President, Finance-Product Development for IOMEGA Corp.

### MasterCard's Cone to Head TowerGroup

**Karen Cone**, formerly the MasterCard Advisors Global Practice Leader for Research, was appointed President and CEO of **TowerGroup** upon MasterCard Advisors' acquisition of the company. Cone joined MasterCard Advisors in May 2003. Prior to that, she served 10 years at Gartner Inc., where she was a member of the senior leadership team, held several senior level research positions and was the General Manager of Gartner.com. Prior to Gartner, Cone worked 19 years at IBM.

### PULSE Elects New Chairman

**Jerry Host** was elected to serve as the new Chairman of the Board of Directors of **PULSE EFT Association**. Host

is a Director of Jackson, Miss.-based Trustmark National Bank, which is part of Trustmark Corp., a \$7.9 billion financial services company. He is also President of Trustmark's General Banking. As the new Chairman of PULSE, Host succeeds Fred Spratlin of First Tennessee Bank, who is retiring.

### Moneris Hires Merena

**J. Brian Merena** joined **Moneris Solutions** as Senior Vice President, Financial Institutions. Merena will be responsible for developing and maintaining the company's financial institution partner program. He has an extensive background in the financial services industry. Before coming to Moneris, he served as Senior Vice President of Sales at Diversified Acquiring Solutions. He also founded JB Enterprises, a business service solutions company. Merena served as Vice President of Sales for Merchant Card Management Systems, and Senior Director of Sales and Strategic Partnering with Nova Information Systems.

### ID Theft Assistance Corp. Appointments

**Stan Ommen** was elected Chairman of the Board of the **Identity Theft Assistance Corporation**, a non-profit industry consortium managing the Identity Theft Assistance Center (ITAC). Following are additional appointments to this organization:

- President: **Steve Bartlett**, President and CEO of The Financial Services Roundtable
- Vice President and Treasurer: **Catherine Allen**, CEO of BITS
- Secretary: **Leigh Williams**, Chief Privacy Officer, Fidelity Investments
- **Anne Wallace** was named Executive Director of the new corporation

### Coinstar Hires General Manager

**Coinstar, Inc.** appointed **Steve Verleye** to the position of General Manager of Electronic Payment Solutions. Most recently, Verleye served as President and CEO of Applied Microsystems. Prior to that, he held senior management positions at Radisys Corp., Sequent Computer Systems and Intel Corp.

### InterCept Appoints Two New Board Members

**InterCept** appointed two new members to its Board of Directors, effective Feb. 20, 2004:

- **Dr. James A. Verbrugge**, Director of the Center for Strategic Risk Management at the University of Georgia's Terry College of Business
- **Mark Hawn**, founder and CEO of DocuForce, Inc.

**InterCept** announced that effective Feb. 13, 2004, **Boone A. Knox** and **Jon R. Burke** have resigned from the company's Board of Directors.

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# Defining Internet Transaction Communication

By Mike English

Ingenico

**T**erms such as TCP/IP, WiFi and Ethernet are being used more and more when describing small merchant communications. Following is a brief summary of terms that apply to the emerging use of the Internet for authorization and delivery of services in the merchant bankcard industry.

**Ethernet** – Ethernet is a standard for network communication using either coaxial or twisted pair cable. Most widely used for LAN communication, Ethernet typically runs at 10 megabytes per second (Mbps), although newer systems use 100 Mbps or even greater than a gigabit of transfer speed. Corporations install Ethernet to manage LAN communications traffic for data and Internet.

Ethernet is the IEEE standard 802.3 and has several different 'flavors,' with the original Ethernet designated as 10base5. The '10' stands for 10 megabytes per second. 'Base' is the Baseband communications it uses. The '5' stands for a maximum distance of 500 meters to communicate. The versions of Ethernet include 10Base-2 (10 Mbps, 200 meters), 10Base-T (10 Mbps, 100 meters, twisted-pair) and 100Base-T (100 Mbps, 100 meter, twisted-pair).

**Ethernet Base-T** – Ethernet, originally designed to operate over a heavy coaxial cable, was later updated to support thinner and lighter types of coaxial cable as well as twisted-pair wire. Many buildings were already wired with twisted-pair wire, which could not support the requirement for high-speed networks that ran over coaxial cable.

Installing a coaxial-based Ethernet network into these buildings would require costly rewiring. Therefore, a new network type known as 10Base-T was introduced to enable the use of existing twisted-pair cable. Many stand-alone payment systems such as those used in grocery stores use twisted-pair wire.

**10Base-T** utilizes Category 3 (or higher) Unshielded Twisted Pair (UTP) cable in a star topology where each node on the network has its own cable run back to a common hub. Each of these cables can run up to 100 meters (330 feet) in length.

**SSL** – Secure Sockets Layer (SSL) is a protocol developed by Netscape for transmitting private documents via the Internet. SSL works by using a private key to encrypt data that are transferred over the SSL connection. Both Netscape Navigator and Internet Explorer support SSL with many Web sites using the protocol to transfer confi-

dential user information, such as credit card numbers and other sensitive information. By convention, URLs that require an SSL connection start with "https:" not "http:."

**Protocol** – All communications between devices require that each device agrees on the format of the data being transmitted. The set of rules defining this format is called a protocol. At the very least, a communications protocol must define the following:

- rate of transmission (in baud or bps)
- synchronous or asynchronous transmission
- half-duplex or full-duplex mode data transmission

## Internet Transaction Terms

Following are terms regarding the use of the Internet for transaction authorization and delivery of value-added services.

**TCP/IP** is an abbreviation for Transmission Control Protocol/Internet Protocol, a suite of communications protocols used to connect clients and hosts on the Internet. TCP/IP uses several protocols, with the two main ones being TCP and IP. TCP/IP is the de facto stan-

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dard for transmitting data over networks.

**IP** is responsible for transmitting data from one network location to another. The common term for a network location is 'address' with each system, host and client on the Internet having an address. This address is called an IP address, and there are two formats for an IP address. Internally, each computer system uses an IP address that is composed of four numbers, usually written in the format of 198.137.231.1. The second is the address we use to address an Internet site such as "www.ingenico.com ."

**TCP** protocol provides a virtual connection between two systems and guarantees that the information being transferred, called "packets," is successfully passed between the systems. TCP will retransmit packets that are dropped, because of some network problem and will ensure that the packets are received in the same order that they are sent.

This is important since there can be multiple routes that a packet takes while traversing the Internet. TCP also ensures that each packet received by the application has exactly the same content as when it was originally sent. If a bit has changed or dropped for some reason, TCP will detect it and re-transmit the packet.

**SLIP** (Serial Line IP) and **PPP** (Point-to-Point Protocol) enable information to be sent over dial-up lines using IP. Both take IP data and package it for transmittal over modem dial-up lines.

PPP is considered to be newer and better than SLIP, although many Internet providers continue to support SLIP dial-up access. SLIP and PPP will be a primary way that retailers with dial terminals that do not have broadband or DSL access will hook up to the Internet for real-time transaction authorization.

**SMTP** (Simple Mail Transfer Protocol) is used for sending e-mail messages between servers. Most e-mail systems that send mail over the Internet use SMTP to send messages from one server to another. The messages can then be retrieved with an e-mail client using either POP (Post Office Protocol) or IMAP. In addition, SMTP is generally used to send messages from a mail client to a mail server.

**POP** is used to retrieve e-mail from a mail server. Most e-mail applications, which are sometimes called an e-mail client, use POP.

### Advanced Modems

EFT POS terminals will require faster and smarter modems to support transaction authorization and file transmittal over IP. The following are modem types that are either currently in use, beginning to be used in EFT POS terminals, or may be implemented later:

V.22 provides 1200 bits per second at 600 baud.

V.22bis is the first true world standard, allowing 2400 bits per second at 600 baud.

V.32 provides 4800 and 9600 bits per second at 2400 baud.

V.32bis provides 14,400 bits per second or fallback to 12,000, 9600, 7200, and 4800 bits per second.

V.32terbo provides 19,200 bits per second or fallback to 12,000, 9600, 7200, and 4800 bits per second; can operate at higher data rates with compression; was not a CCITT/ITU standard.

V.34 provides 28,800 bits per second or fallback to 24,000 and 19,200 bits per second and backward; compatible with V.32 and V.32bis.

V.34bis provides up to 33,600 bits per second or fallback to 31,200 or V.34 transfer rates.

V.35 is the trunk interface between a network access device and a packet network at data rates greater than 19.2 Kbps. V.35 may use the bandwidths of several telephone circuits as a group.

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### Wireless LAN Standards - 802.11

Standard	Data Transfer Rate	Comments
IEEE 802.11	Up to 2Mbps in the 2.4GHz band	
IEEE 802.11a	Up to 54Mbps in the 5GHz band	Products that adhere to this standard are considered "WiFi Certified." Eight available channels. Less potential for RF interference than 802.11b and 802.11g. Better than 802.11b at supporting multimedia voice, video and large-image applications in densely populated user environments. Relatively shorter range than 802.11b. Not interoperable with 802.11b.
IEEE 802.11b	Up to 11Mbps in the 2.4GHz band	Products that adhere to this standard are considered "WiFi Certified." Not interoperable with 802.11a. Requires fewer access points than 802.11a for coverage of large areas. Offers high-speed access to data at up to 300 feet from base station. 14 channels available in the 2.4GHz band (only 11 of which can be used in the U.S. due to FCC regulations) with only three non-overlapping channels.
IEEE 802.11g	Up to 54Mbps in the 2.4GHz band	May replace 802.11b. Improved security enhancements over 802.11. Compatible with 802.11b. 14 channels available in the 2.4GHz band (only 11 of which can be used in the U.S. due to FCC regulations) with only three non-overlapping channels.

V.42 provides the same transfer rate as V.32, V.32bis and other standards but with better error correction more reliability.

V.90 provides up to 56,000 bits per second transmission.

### Wireless LAN Standards - 802.11

Use the chart above for quick access to information to help you differentiate between the available IEEE 802.11 wireless networking standards. 

*Mike English is Ingenico's Director of Marketing and Communications. E-mail him at [menglish@ingenico-us.com](mailto:menglish@ingenico-us.com)*



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# First Data Corp./Concord EFS Merger Goes Through

**F**irst Data Corp. announced the completion of its acquisition of Concord EFS, Inc. on Feb. 26, 2004. The transaction is valued at approximately \$7 billion, according to First Data.

Concord EFS shareholders of record gave their approval of the merger at a meeting called specifically for them to formally vote on the deal. First Data's shareholders had approved the merger on Oct. 28, 2003.

The transaction was completed slightly ahead of schedule; it had been anticipated to be finalized by the end of Q1 2004.

Under terms of the merger agreement with Concord, each share of Concord stock was converted to 0.365 First Data common shares. The closing price of Concord's stock was valued at \$40.79 per share on Feb. 25, 2004.


First Data issued approximately 170 million common shares to Concord shareholders, who now own roughly 19% of the outstanding shares of the combined company.

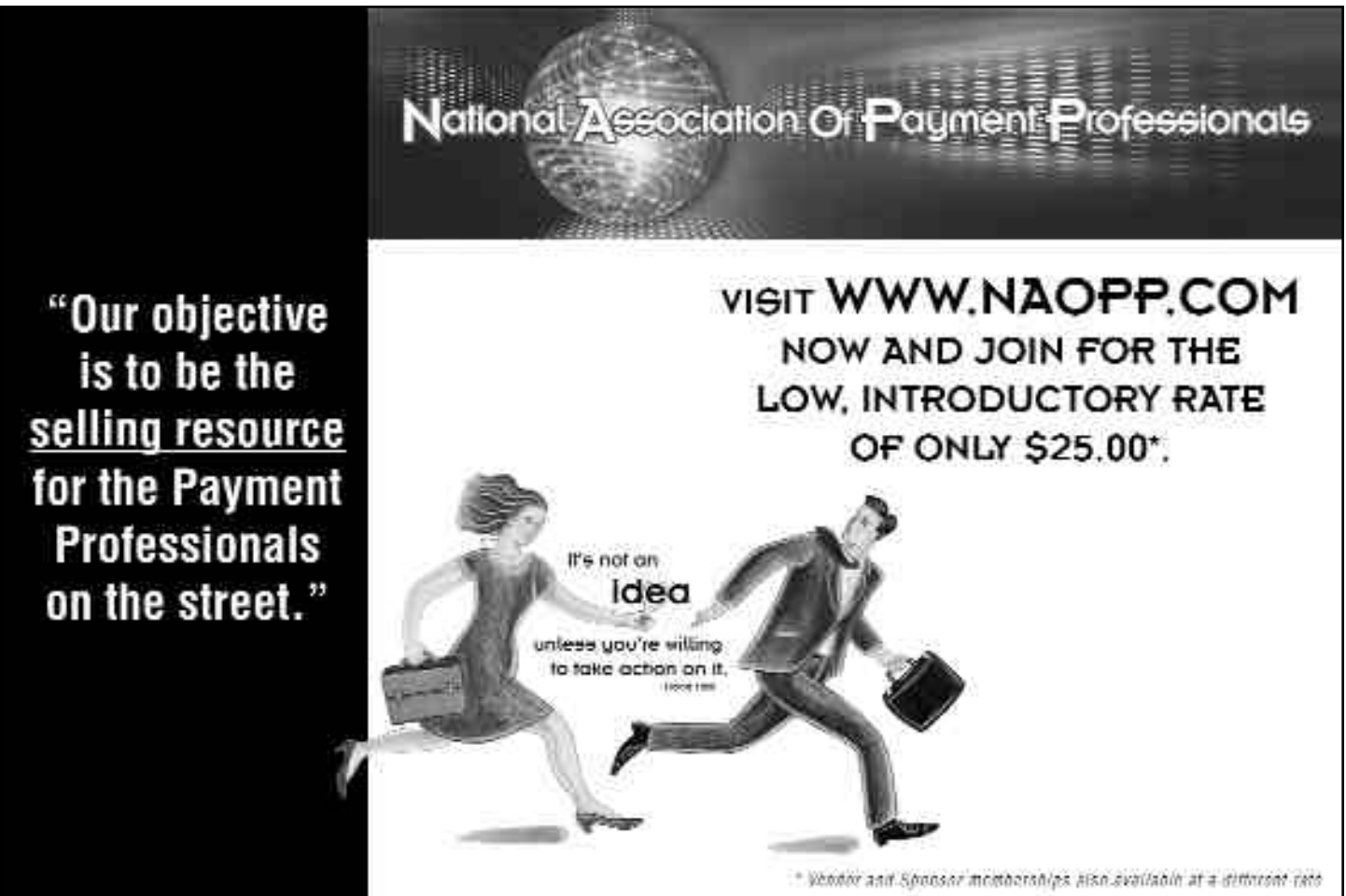
The road to completion of the merger transaction was not a smooth ride for First Data. The U.S. Department of Justice (DOJ) brought a suit against First Data over anti-trust concerns over the merger, settled in December 2003.

Under terms of the settlement, First Data agreed to sell its 64% stake of NYCE, the nation's third largest PIN debit and ATM network. NYCE is a competitor of Concord's STAR network, the nation's largest.

First Data had planned on combining NYCE and STAR, but the DOJ said the combined network would give First Data control of at least 50% of the PIN debit processing market.

First Data will now have 30,000 employees worldwide. The company expects to earn more than \$10 billion in annual revenues by the end of the year.

First Data said the new company will bring significant offerings to the payments industry and create more choices for consumers, merchants and banks. 



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- Wireless Solutions
- Dedicated Training and Support Team



# Speaking Many Languages At The Point of Purchase

By Paul Rasori

VeriFone

When I travel overseas on business, I'm invariably amazed by how many business people are bilingual: it seems to be a de facto requirement for commerce. ISOs/MLSs and acquirers also need to move to a 'bilingual model'—in today's payment world, they need to be conversant not only in the language of dial-up, but also in Internet Protocol, or IP.

As pointed out in The Green Sheet ("Use IP Technology to Advance POS Capabilities," April 14, 2003, issue 03:04:01), there has been an explosion of advanced communications options for payment, such as DSL, VSAT and the ever-popular variants of WiFi.

True, some of these alternatives might seem to be overkill for smaller retailers. But the benefits of 'always-on' capabilities, speed, integration and cross-channel marketing will continue to reach down-market, and the advantages of using IP technology will become more apparent. At a

minimum, we are in for an extended period where dial-up and high-speed will coexist as communications options. As a result, payment service providers need to quickly learn the language for both.

An example of a 'bilingual' situation: Burger King Corp. recently began equipping its corporate and franchise locations with payment terminals as part of its recently announced "Pay It Your Way," a nationwide card acceptance program.

Driven by requirements for speed of service at multiple lanes per location, Burger King needed a solution that could take advantage of high-speed Internet communications being deployed at most, but not all, locations.

Because the complete rollout of broadband at all Burger King locations will take time, the company also required a solution that could exist in either environment. This single solution would ideally enable a migration path from traditional dial-up to high-speed communications with nothing more than a cable change.

Burger King found such a solution with a 'dual-comm' device, which provides both legacy dial-up and broadband Ethernet options in one terminal.

Bringing the speed, reliability, affordability and versatility of IP based technologies to the POS is arguably one of the most important technological advancements to touch the payments industry in recent years. Processors, acquirers and ISOs who are quick to embrace these solutions will most likely gain the greatest market advantage.

Along with very fast, end-to-end transaction speeds over wireline or wireless networks, IP also supports 'always-on' connectivity, which eliminates the time consuming dial-up process. IP solutions provide reduced merchant processing fees, eliminate the need and cost of additional phone lines and long distance charges and facilitate the extension of corporate systems to the store level.

These high-speed services are a huge advantage for merchants, particularly in market segments such as Quick Service Restaurants (QSR) where speed is essential.

QSR, once the slowest segment to adopt card payment technologies, is moving quickly to embrace faster processing methods because fast and efficient customer service directly equates to more revenue. The Texas-based Taco Bueno restaurant chain recently opted for IP partly because of three-to-five-second 'swipe to tear' transaction speeds.

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**(Internet Protocol) is a universal language, making it an excellent choice for implementing in cross-border acquiring.**

**Payments services providers don't need to invest in separate infrastructures in each country in which they conduct business.**

IP technology is everywhere. It is now embedded in essentially all leading wireline and wireless network communications. This includes dial-up network services, a broad selection of high-speed wireline networks, such as Digital Subscriber Line (DSL) and cable modem.

Even the nation's cell phone carriers offer 'WiFi hot spots' and are making upgrades to their existing wireless Internet services. For example, Verizon Wireless recently announced it will put \$1 billion dollars toward improvements to its wireless CDMA network; the company hopes to support data rates of up to 2.4 megabits per second, which is faster than DSL.

The growth of IP makes it possible to integrate a variety of devices and communications methods. Many large retail organizations with LAN-based Ethernet IP POS systems are

experimenting with the addition of mobile WiFi IP devices for 'lane-busting' applications such as mobile register and self-service check-out, and the integration of inventory and price-checking applications.

In the multi-lane payment environment, POS terminals have traditionally been connected to electronic cash registers (ECRs) using serial connections such as RS-232 or RS-485.

This has required proprietary software and protocols and specialized cabling. IP-based payment devices, however, can efficiently operate within any LAN environment, wired or wireless.

Instead of connecting POS devices through ECRs, retailers can connect payment terminals directly to their corporate LAN, legacy environment or to a service provider's central server over an external network.

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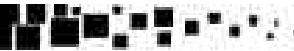
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IP-enabled POS terminals and high-speed network connections also hold great promise in several other vertical market segments and application areas.

The Health Insurance Portability and Accountability Act (HIPAA) is forcing health plan administrators and care providers to comply with Electronic Data Interchange (EDI) rules for specified administrative and financial transactions. As a result, health insurance carriers and providers need secure, low-cost and easy-to-use EDI payment solutions.

IP-enabled terminals will allow physicians to quickly, efficiently and securely obtain insurance information and pre-authorization for services, handle card-based payments, and even review patient records and share medical history as needed.

Given the range in sizes of medical organizations, from single practitioner offices to huge HMOs, ISOs and acquirers will need to be able to offer a variety of options, from dial-up to wireless.

Electronic benefit transfer (EBT) is also a prime market for IP deployment. The State of Wisconsin last year initiated the first ever code division multiple access (CDMA)-

based wireless deployment of a POS payment solution in the United States. To process EBT cards at Fondy Farmers Market in Milwaukee, VeriFone's Omni 3600 wireless payment terminals use TCP/IP over a data-packet network.

IP is a universal language, making it an excellent choice for implementing in cross-border acquiring. Payments services providers don't need to invest in separate infrastructures in each country in which they conduct business. IP technology relies on open standards, which will allow providers to quickly and economically target the customers they desire, wherever growth opportunities may lead them.

Last year, VeriFone worked with VIVO, the largest wireless telecommunications company in South America, and Visanet Brazil to deploy a CDMA-based wireless payment solution in Brazil's largest open-air market. As the market does not have telephone or power lines, merchants previously could only accept cash and check payment options.

Many value-added applications will necessitate linking to non-bank host computers using a wide area browser-style interface, or requiring large file transfer capabilities. While such applications would literally stall dial-up terminals, IP-enabled terminals operating over high-speed networks will make these exceptionally efficient, opening new revenue opportunities for retailers and service providers alike.

Additionally, a thin-client solution, coupled with a fast 'always on' connection, optimizes the multi-application environment, supports a mix of payment and value-added applications, and reduces the need to download application updates to a large base of terminals.

The payments industry will continue to be subject to a world of change. As retailers operate in an increasingly competitive environment, each merchant must strive to create and maintain an advantage. Improving customer service through faster, more efficient payments will be crucial to increasing sales; so will the ability to gather as much information from the point of sale as possible.

Payments services providers will have to work hard to meet the requirements of merchants and other organizations in the face of rapidly changing communications technology. ISOs, MLSs and acquirers will need the ability to 'speak' in multiple 'languages' in order to provide the right solution for each customer. ■

*Paul Rasori is VeriFone's Vice President for North America Marketing and plays a key role in helping VeriFone customers integrate current payment and communication technologies. He can be reached at [Paul\\_Rasori@verifone.com](mailto:Paul_Rasori@verifone.com)*

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## Death, Taxes...and ATM Regulation?

**By Ann All, Editor**

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**A**s if "death" and "taxes" aren't enough when it comes to life's inevitabilities, those in the retail ATM business will likely soon be coping with "increased regulation."

That's the view of many industry watchers, some of whom are working with state officials in California and New York to help craft legislation targeting independent ATM deployers in those states.

Kurt Helwig, Executive Director of the Electronic Funds Transfer Association (EFTA), said he and members of the EFTA's Board of Directors expected the issue of regulating non-bank ATMs to heat up following the late November 2003 airing of a "Dateline NBC" report.

The broadcast showed a convicted felon purchasing an ATM from an ISO and installing it in a New York retail outlet—after being assured that no background check was necessary.

"A lot of us knew this was coming," Helwig said, noting that Board Members participating in a conference call following the broadcast even successfully predicted which two states would be the first to propose legislation.

### Getting to Know You

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The good news, said Helwig, is that officials in both California and New York seem interested in industry feedback.

"We've had positive conversations with both groups," he said. "They seemed pleasantly surprised that we didn't have a knee-jerk negative reaction to the idea of legislation."

A New York State Police officer who is a member of a task force that will likely influence any legislation introduced there plans to attend the February 2004 ATM Industry Association (ATMIA) East conference in Tampa, Fla., said Lana Harmelink, ATMIA's Director of Operations.

In addition to the state police, other groups represented on the task force include the New York State Banking Department and New York Division of Criminal Justice.

Harmelink said the officer seemed particularly interested in a list of Security Best Practices created by the Global ATM Security Alliance, a group organized by ATMIA that includes law enforcement agencies, EFT networks and ATM manufacturers, among others.

"We know this legislation is coming and we want to be able to help guide it with input from all sectors of the industry," she said. "We worked hard for two years on putting these best practices together; I think they'll help ensure that the industry will be a part of all this."

Helwig said the proposed legislation in California—Assembly Bill 1810, introduced last month—borrows a number of ideas directly from a list of recommended best practices produced last spring by the EFTA's ATM Integrity Task Force.

Sponsored by Assembly members Dario Frommer (D-Glendale), Patricia Wiggins (D-Santa Rosa) and Sarah Reyes (D-Fresno), the bill would require background checks and licenses for independent ATM operators. California's Department of Financial Institutions would oversee the effort.

"By requiring these vendors to obtain licenses, the small businesses who agree to house the ATMs will be protected because they will know whether the vendor and its ATM are legitimate," according to a statement issued by Frommer's office.

"Consumers often do not know who owns and operates a non-bank ATM and usually assume it is owned by a bank because of a lack of ownership identification requirements. The license will help to alleviate this problem by requiring vendors to advertise their legitimacy, clarify confusion as to who owns the machine and assist consumers who may experience an ATM malfunction in contacting the vendor."

In New York, State Senate Banking Committee Chairman Hugh Farley (R-Schenectady) has been considering legislation aimed at non-bank ATMs since last summer, said Peter Edman, Farley's Director of Staff. Farley is concerned with the lack of oversight of these machines.

"You don't necessarily know who these operators are, where they are or whether they are complying with the appropriate requirements, such as those for signage," Edman said.

The New York State Banking Department visits ATMs

owned by financial institutions once a year to ensure that they are complying with requirements for adequate lighting and other security measures, Edman said.

Farley is seeking opinions from members of the ATM industry to help ensure legislation won't be "counter-productive," Edman said. "Imposing excessive costs on these operators would not only reduce the number of ATMs, but it would give banks total control of the industry."

There's also a risk of creating "an unnecessary burden" for the state agency that would ultimately enforce any regulations, Edman said.

### Taking It to the Top

The best answer, Helwig said, might be federal legislation. Sen. Charles Schumer (D-New York), a member of the Senate Banking Committee, is reportedly interested in introducing legislation that would require background checks and licensing for ATM operators.

"I think (federal legislation) makes far more sense than

**"Conceptually, I don't have a problem with the idea of regulation, but it's important for us to be at the table when it's drafted."**

— Kurt Helwig, Executive Director,  
Electronic Funds Transfer Association

going down the state route," he said. "It's certainly easier dealing with one set of standards versus 50-plus."

Harmelink agreed, noting that many independent providers manage ATMs in multiple states. "That's why we're striving for consistency with New York and California. They've been more proactive with legislation. If it passes there, other states are likely to introduce legislation of their own," she said.

Helwig said the ATM industry must make an effort to get involved in early legislative efforts—whether they are on a federal, state or even local level.

"Conceptually, I don't have a problem with the idea of regulation, but it's important for us to be at the table when it's drafted," he said. "It's incumbent on us as an industry to help make regulators aware of how this industry works and how it can be best regulated." ■

Original article: [www.atmmarketplace.com/news\\_story.htm?i=18055](http://www.atmmarketplace.com/news_story.htm?i=18055)

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# COMPANY PROFILE ◀◀◀

## AIRCHARGE

### AIRCHARGE

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- Creates additional hardware and residual revenues for Value Added Reseller (VAR) partners
- Offers opportunities to increase customer base
- Innovator in wireless technology applications leads to customer retention
- Resellers receive monthly commission checks and account activity reports

One thing is true about the times we live in: The choices we have for keeping ourselves plugged in are plentiful.

Electronic gadgets that hang from holsters on our belts are the modern day equivalent of the pistols that cowboys carried in the old West. We're armed and can usually stay in touch by making phone calls and accessing the Internet when we want and from wherever we are.

Another thing is true about the times we live in: We sure have a lot of ways to send and receive information—not to mention a lot of things to carry around with us.

With so many available options for communicating, it seems logical to combine some of them and put them to work filling more than one purpose. Until recently, hurdles along the way to smoothly integrating the various systems and components have hampered the ability to use one tool for many jobs.

Especially in payments, taking advantage of advances in wireless technology, including better nationwide coverage, and connecting cell phones or personal data assistants (PDAs) and peripherals such as card readers or receipt printers to payment networks, gateways and processors hasn't been easy. Too many requirements involved in communicating all that information

resulted in data that were too often lost in translation.

That's where AIRCHARGE comes in. Providing 'swiped' wireless payment solutions for processing credit card transactions and check guarantee using cell phones and PDAs, the company simplifies the connection between the origin and completion of those transactions. Its solutions are making it possible for merchants to conduct business at remote locations in order to optimize their opportunities for sales.

The idea for AIRCHARGE came together in an unlikely setting. Robert Wallace, the company's President, said he and a few friends were enjoying lunch with their kids at a hamburger place.

Their backgrounds were varied—some knew cellular, others knew merchant services and processing, programming and engineering or equipment set-up and deployment. While the kids played on the climbing equipment, he and the company's other founding partners jotted down ideas on napkins.

"All the pieces fell into place that day," Wallace said.

AIRCHARGE has been in business since 1999. Changes in technology since then—in wireless networks, software and hardware—have led to solutions that are less complicated and more cost effective than they



have ever been. And AIRCHARGE has been instrumental in putting all those innovations together to create opportunities for merchants who may have shied away from wireless transactions in the past.

AIRCHARGE does not offer credit card merchant accounts or sell cell phones or PDAs. Instead, its solutions provide a catalyst to bring providers of merchant accounts and electronic communications tools together, expanding the reach to potential customers on both sides.

"In a simplified form, we take a cell phone or PDA, load software and pair it with a gateway," Wallace said.

"There are three pieces to the equation: the type of wireless device the end user has, which front end processor they use and what payment gateway is compatible. Our software is then configured to work with the swipe or swipe/printer equipment and the gateway," he said.

AIRCHARGE writes software that enables the hardware—including cell phones, PDAs, card readers and printers—to communicate the transaction information with payment gateways and front-end processors.

AIRCHARGE focuses on providing low-cost solutions to

the merchant services industry to in turn offer their own customers reliable, affordable ways to make use of innovations in wireless technology.

Who's using AIRCHARGE solutions? They're designed for merchants who need to process transactions without the benefit of access to a landline terminal—and that's a broad sector of the market.

Plumbers, heating/AC technicians, taxi and limo drivers, shuttle services, locksmiths, delivery drivers, field salespeople, conventions center vendors and police departments are among those processing wireless payments thanks to AIRCHARGE.

One retailer implementing its solution on a grand scale is Jordan Kitt's Music, the largest piano and keyboard retailer on the East Coast. In addition to its own store locations, Jordan Kitt's Music participates in roughly 40 outside sales events every year at warehouse club stores.

The piano retailer is not allowed access to the club store's POS network for card authorizations and the wireless access service provided by its processor didn't give adequate in-store coverage; slow transactions, broken connections and unavailable service were common. Lost sales, and even worse, having to re-contact customers if a card that had been manually processed came back declined, were not unusual.

Representatives at the outside sales events now use a cell phone with an attached card reader and printer running AIRCHARGE software. Transactions are processed within 30 seconds, according to Tom Budsock, Controller at Jordan Kitt's Music.

Wallace described another area contributing to strong growth for his company—furniture delivery. One advantage the AIRCHARGE system provides retailers is less expensive swiped-card transaction fees.

For businesses like furniture companies, this can mean big savings. "They're taking big-dollar amounts—for a \$13,000 transaction, the lower rates for swiped transactions can save them \$60," he said. "They're getting better rates, fast card approvals and they're saving on back-end, administration and operation costs."

They also save money on the cell phone/PDA/card reader/printer configuration, which costs less than a wireless terminal would. Merchants can run multiple units on one account and terminal number, too; each unit is reported and totaled for easier backroom operations.

Transaction information is extremely secure on the AIRCHARGE system, Wallace said. It does not provide solu-

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— Robert Wallace  
President, AIRCHARGE

In fact, AIRCHARGE says it offers more compatible hardware devices and cellular carrier choices than any other company, making it easier for its resellers, including ISOs and MLSs, to create made-to-fit solutions for their customers.

Resellers, or VAR partners, include banks, ISOs and cell phone dealers. According to Wallace, cellular and financial services are another excel-

lent, mutually beneficial match. "If there are two industries that fit the VAR profile, it's cell phone retailers and MLSs," he said.

Most of AIRCHARGE's reseller base comes from referrals from companies that work with its partnering gateways or cell phone dealers—and word of mouth.


The solutions are easy to integrate, learn and use. Wallace said that AIRCHARGE resellers ask for help initially with one or two customers; after that, they're able to assess merchant needs and make decisions about the best equipment and gateway for them. He said that 70% of its resellers send orders directly to AIRCHARGE for shipping—the level of trust is that high.

Merchant support includes training by phone; information is also available for access on the Web. "Once we get them set up, we usually don't hear from them again," Wallace said.

AIRCHARGE offers buy-rates and pays monthly commissions. "We have a Value Added Reseller program that allows companies to make money on the AIRCHARGE solutions as well as ongoing additional revenues generated from our payment gateway partners," he said.

Wallace emphasizes that one of the company's main goals is to never compete with its reseller partners. "We don't want to step on our VARs' toes," he said. "We made that decision early on. We don't sell merchant services and we don't sell cell phones."

Wallace said that his company is dedicated to keeping ahead of what everyone else is doing in order to offer competitive solutions. Upcoming programs include AIRCHECKZ, which will enable check conversion on wireless devices. The company is also currently developing Java-based solutions for additional cellular carriers, 802.11b connectivity and an integrated GPS solution.

At AIRCHARGE, making the best use of all the tools of the trade has just been a matter of seeing the possibilities and making all the pieces fall into place. 

tions using infrared or Bluetooth devices, or those that will not allow 128 bit security.

"It's more secure than phone lines," he said. "128 bit is very powerful security. There are three billion trillion possible encryption keys for any transaction. You use one key for each transaction and you have to be able to break the code for each key to get one credit card number."

The company does not use proprietary hardware in its solutions and has been certified and recognized by several major processors, wireless carriers and electronic equipment manufacturers.



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# The Opportunity for Risk-sensitive Pricing in Acquiring

By Charles Marc Abbey

First Annapolis

For years, if not decades, acquirers have generated higher pricing for riskier merchants; and over the last six or eight years, acquirers have also used pricing mechanisms such as chargeback fees and the *gross* and *gross-gross* discount calculation methodologies to create de facto risk based pricing.

However, few acquirers have developed anywhere near the sophistication found, say, in the issuing business where issuers have made careers of measuring and exploiting behavioral differences in granular risk segments. Research recently completed by First Annapolis quantifies merchant behavior supportive of risk based pricing approaches.

Our hypothesis is that for risk-based pricing to be actionable beyond the de facto pricing mechanisms already in place at acquirers, more risky merchants have to be measurably less price sensitive than non-risky merchants.

To quantify this behavior, we developed a measure of price elasticity. Specifically, we measured the relationship between pricing and attrition within certain risk categories, using chargeback rates as a proxy for risk.

We examined merchant level pricing, chargeback and attrition data for hundreds of thousands of merchants. Essentially, for each chargeback category (see Figure 1 for a simplified example) we created samples—each of which included an average pricing level and an average attrition rate.

We then created a simple regression analysis relating attrition to pricing level, and the slope of this regression line represents how much attrition increases with a given increase in price.

This analysis demonstrated some significant variation in price sensitivity from segment to segment.

For example (from Figure 1), merchants with chargeback rates less than six basis points (bp) [roughly the system average] were approximately 25% more sensitive to pricing than merchants with rates between 6 bp and 20 bp.

This type of analysis can include numerous other seg-

mentation criteria: industry, merchant size, geography, etc., and indeed many of these criteria are highly relevant to elasticity.

There are many limitations to this type of analysis:

- The data include a finite range of prices, and price changes outside of this relevant range may have different attrition characteristics.
- Chargebacks are, of course, an imperfect proxy for risk as the financial condition of the merchant, return characteristics, and level of delayed delivery are key risk metrics that are not yet incorporated into the analysis.
- Individual acquirer's portfolios exhibit different levels of sensitivity to pricing than the industry in general.
- It is our speculation that these merchant behaviors are created primarily by the competitive environment (e.g. risky merchants are less attrition-prone precisely because they find it harder to find willing acquirers); therefore, these measures of elasticity will change over time as acquirer strategy and risk tolerance change.

Nevertheless, there are clearly segments with behavior sufficiently distinct to drive fine pricing strategies. As the industry matures and the organic growth of the market slows, there will be a handful of organizational capabilities that separate average acquirers from superior ones.

Portfolio management and optimization will be one such capability, and risk-based pricing has the potential be a key portfolio management strategy. ■

*Charles Marc Abbey is a Partner at First Annapolis, a Baltimore-based consulting and merger and acquisition advisory company.*

**FIGURE 1**

Risk Category—Chargeback Rate	Price Elasticity (Slope)
<6 bp .....	3.1
6 bp to 20 bp .....	2.5
20 bp to 100 bp .....	2.2
>100 bp .....	2.1



# Marketing 101: A Monthly Column for Processors

By Nancy Drexler

Cynergy Data

I've been in the marketing business for more years than I care to admit, and I've learned a few things along the way. In this column over the next few months, I will share with you some of what I've learned.

If you flip through issues of The Green Sheet, it should quickly become obvious that we are in a growing industry. As processing becomes more and more competitive, good marketing might just become the only thing that separates a successful business from a failed one. And good marketing means far more than simply getting your name in The Green Sheet.

It means getting the right message to the right people, and then getting those people to do what you want them to do: buy your product or service, buy it often and buy it at a good price.

And believe it or not, being successful at getting that particular job done doesn't necessarily require a tremendous knowledge of processing.

Marketing is not about what you are selling; it is about the customer you are selling to. To be successful at marketing, it is just as important—if not more important—to know your market as it is to know your product.

In its simplest form, marketing is a quid pro quo—a deal between you and your potential customer that inherently implies, "I'll give you this, and in exchange you'll give me that."

I'll give you a nice, white dress shirt in exchange for \$50. You'll give a contribution to my charity, and in exchange I'll make you feel important and I'll give you a tax deduction. Or, I'll fly you to England, and you can become a frequent, loyal customer of my airline.

Marketing becomes important because there are a lot of white dress shirts and a lot of charities and a lot of ways to get to England.

What makes the customer choose your product or service becomes a factor in how you manage the infamous Four 'P's' of marketing: Product, Price, Place and Promotion. And how well you do that depends on how well you know your customer—not your product.

So let's take a look at the basics:

## Product

- What are we selling?
- How is it different from what our competitors are selling?
- How do we make our product stand out?

First, we need to understand what our target consumer wants. If he wants price, we communicate that ours is the lowest. If he wants fast service, we make that product attribute stand out.

Would we create a product that nobody wants? Not if we want to earn a living. So the key to growing our business is to look at the market, find a need that is not being satisfied, and develop a product that satisfies it—ideally, in a way that is not only different from but better than any one else's solution.

## Price

Developing a pricing strategy is not as simple as looking



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**Whether you call it advertising, public relations, promotion or publicity (and they are all different), the bottom line is that you can't sell your product if nobody knows that it exists.**

**Nor can you move merchandise if your market doesn't perceive a need for it, understand how to get it or how to use it.**

at the competition and pricing yourself in the middle—or at the bottom. While your pricing does need to be in line with industry averages, there are other issues to consider.

Obviously, you need to make a profit, and you need to make enough of a profit that you can continue to reinvest in your company.

But you also need to understand that price communicates. If you charge less, the customer may assume that he is getting less and vice versa.

Again, the trick is to understand your market, and set a pricing strategy that 1) meets the customer's needs, 2) is realistic and 3) produces enough revenue for growth.

**Place**

In marketing, this 'P' often refers to the brick-and-mortar location of a business.

But in a service industry, place can also refer to distribution channels, accessibility and convenience, etc.

- Do your customers feel that you are in a place where you understand their needs?
- Do they feel they can reach you when they need to?
- Will you be able to respond to their needs in a timely manner?

The answer to all of these questions becomes a part of the 'product' you are selling.

**Promotion and Publicity**

If you're reading this, and you've made it this far, then you understand the value of promoting your business. Whether you call it advertising, public relations, promotion or publicity (and they are all different), the bottom line is that you can't sell your product if nobody knows that it exists.



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Nor can you move merchandise if your market doesn't perceive a need for it, understand how to get it or how to use it.

And it doesn't stop there. If a customer buys a product that fails to deliver on its promise, you're in for trouble. So this 'P' is what most people think of when they think of marketing: getting the right message to the right people in the right environment via the right channels.


Yes, that requires knowing your product, knowing what marketing vehicles are most important and knowing what budget expenditures make sense.

But most of all, it means knowing your customers.

- What products and services do they need?
- What price makes sense to them?
- What communications channels will most effectively deliver your message?

I hope, in future columns, to give you some simple tools for answering these questions and making wise marketing decisions. I hope to show you what will help your business grow—and what will hurt its growth.

In the meantime, please give some real thought to your target customers: where they are, how they live, what is important to them, and if there are any common bonds between them.

And if you have any questions for me, or any topics you would particularly like to see covered, please don't hesitate to e-mail me at [nancyd@cynergydata.com](mailto:nancyd@cynergydata.com). 

*Nancy Drexler is the Marketing Director of Cynergy Data, a merchant acquirer that provides a wide array of electronic payment processing services while continually striving to develop new solutions that meet the needs of its agents and merchants.*

*In addition to offering credit, debit, EBT and gift card processing, along with check conversion and guarantee programs, the company offers its ISOs the ability to borrow money against its residuals, to have Web sites designed and developed, to provide merchants with free terminals and to benefit from state-of-the-art marketing, technology and business support.*

*Founded in 1995 by Marcelo Paladini and John Martillo, Cynergy Data strives to be a new kind of acquirer with a unique mission: to constantly explore, understand and develop the products that ISOs and merchants need to be successful and to back it up with honest, reliable, supportive service.*



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## Card Payments at QSRs by the Numbers

Everyone's talking about card transactions at quick service restaurants (QSRs), and the numbers are there to support the buzz. Visa USA reported that the number of fast food card-based purchases accelerated in 2003 as more QSRs made those options available for their customers.

The QSR category, a \$138 billion market, is embracing cashless payments. Customers spend more this way than with cash, and the time it takes to move them through the line is dramatically reduced.

Even though less than 10% of all QSRs in the U.S. accept cards for payment, Visa said that consumers made \$6.5 billion in Visa card purchases at QSRs in 2003, an increase of 105% over 2002. More than two-

thirds, or \$4.6 billion, of that total were processed on Visa check cards.

According to Visa research, 64% of its check cardholders have used their cards at QSRs; most consumers used the check cards because of convenience, with 50% of them citing speed and time saved as the primary benefits.


Visa is working with several fast food chains and electronic payment technology providers to enable card acceptance and ensure that cashless payments continue to grow. In order for that to happen, and to develop solutions that will meet the needs of the market, Visa feels it's necessary to understand the business models and payment environments of QSRs.

Visa said it is developing QSR point-

of-sale solutions for both inside and outside the restaurants, including cardholder-activated systems, similar to pay-at-the-pump systems.

These solutions are especially useful at drive-throughs, where the majority of QSR sales take place.

Visa has developed a return on investment tool that lets QSR operators analyze magnetic stripe card acceptance. Visa said it also consults with QSR owners on ways to integrate cashless payments with existing cash environments.

Based on more than 100,000 transactions at two major QSR brands over a six-month period, Visa said the average payment card purchase was 30% higher than cash purchases. 96% of payment card users were satisfied with the speed of service. 

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## Flamenco Dancers and Key Lime Pie

By Julie O'Ryan-Dempsey

General Manager, The Green Sheet, Inc.

The ATM Industry Association (ATMIA) Conference East 2004 was held Feb. 17 – 18 in Tampa, Fla. The event provided a terrific opportunity to learn about all things ATM. Approximately 470 attendees and 50 vendors participated in this year's conference, making it the biggest ATMIA event to date. There were numerous chances for networking interspersed with informative sessions, including:

- "Paychecks Anytime at ATMs,"  
Mike Hudson, Tidel Technologies
- "Ways to Improve Your Margins and Grow Your Business," David McCrary, eFunds Corp.
- "Does Your ATM Know What Your Channels Are Doing?"  
Brad Adrian, Gartner, Inc.

On the expo floor, attendees got hands-on experience with the latest in ATM machines, peripherals and services. Many companies showcased products and services directed at merchant level sales professionals (MLSs) and small- to mid-sized ISOs. Passions ran high during the keynote address from Tim Boccia, Director ATM Products

for Visa USA. He detailed the Association rules concerning "Quasi Cash/Cashless ATMs." An in-depth discussion of his comments on SCRIP will appear in the next issue of The Green Sheet.

The conference wasn't all work, though. ATMIA hosted a fabulous banquet at the Columbia Restaurant in Ybor City. This historic enterprise, founded in 1905, serves some of the best Cuban food in the Tampa area. Dinner was topped-off with key lime pie, a local delicacy—and something this native Californian had never truly experienced before.

If you run into the group from WRG at a regional acquirers' show, ask them about the Flamenco dancers in Tampa. (Tammie stomped her feet with the best of them.)

The ATM market is a specialized niche in payments. If you are interested in expanding your service line to include ATMs or want to learn how to optimize your current ATM strategy, ATMIA and its events offer excellent networking and focused information.

For information on the next ATMIA event visit [www.atmia.com](http://www.atmia.com).

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I know first hand how hard it is to be a successful merchant level salesperson. I come from the streets, having sold my first few thousand accounts personally. I'm recognized as a long-time advocate and spokesperson for merchant level salespeople. My allegiance is to MLS because I value the hard work you do. I possess an unwavering commitment to insure you not only get treated fairly but also get paid generously.

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But the one offering that is most important is my dedication to treat my sales partners...well, as partners! You can call me on this. Don't just take my word for it. Go ahead, ask anyone you know in the business. Send emails and make phone calls to other MLS, even vendors. Post something on the MLS Forum. When you see and hear all the positive responses, you'll quickly realize that partnering with Total Merchant Services is not only lucrative but the smartest business decision you can make this year.

I urge you to review Total Merchant Services' partner program in detail. Please stop what you're doing right now and take 10 minutes to check out our partner website - [www.upfrontandresiduals.com](http://www.upfrontandresiduals.com) - where all the specifics are laid out. Even if you have looked at us before, there are new program features that will make all the difference for you in 2004.

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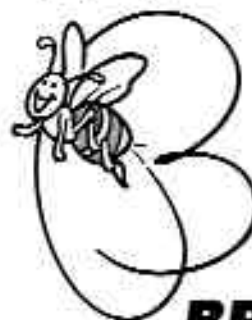
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**IRN from Page 1**

IRN is also guaranteeing to beat any sales agent's current deal—so you might want to take a closer look.

"There are not many ISOs that have been in this industry as long as we have," said Amedeo Dino Sgueglia, founder and President of IRN Payment Systems. "And we're not just a standard ISO that comes in and bases the deal on a price and a handshake and that's it.

"We're also not a standard ISO in this sense: send us your merchant account, and we'll send you a residual. We're forming relationships and strategic partnerships to be able to provide services outside just Visa or MasterCard."

Dino Sgueglia founded IRN Payment Systems, a provider of merchant services to ISOs and merchant level salespeople (MLSs), in 1988 with one other associate. Today, Sgueglia is the sole principal of the company.

The company's original name was Independent Resources Network. "The name was kind of ambiguous for a reason," Sgueglia said. "When we first got started we didn't know which types of products and services we were going to offer for payment processing."

As the company became more focused on its offerings, it changed its name to IRN Payment Systems.

### Partner America

Through IRN's PartnerAmerica sales agency program ([www.partner-america.com](http://www.partner-america.com)), IRN supports many different payment products and services, such as credit (Visa, MasterCard, American Express and Diners' Club) and debit card acceptance with point-of-sale terminals, electronic cash registers and PC's, EBT, gift and loyalty cards, check services, leasing and agent banking to name a few.

Some of the value-added service providers working with IRN's PartnerAmerica are Lipman, Hypercom, VeriFone, Global Payments, Authorize.net, Cingular, TenderCard and Key Bank.

Sgueglia said the company offers flexible programs to its agents and products and services can be purchased in part or in total—whatever it takes to help them get their merchants on board. "We offer them a full menu of services, and they can pick and choose what's cost effective or the best resources for them," he said. "So they can buy terminals from us, they can buy check processing services from us, or just Visa and MasterCard."

**"We don't want to limit agents in what they have to do ... We are enabling agents to go out to the merchant and act as their own company."**

— Ben Whittemore  
Marketing Manager, IRN

IRN offers a variety of sales agent pricing programs, including shared profit, fixed buy rate pricing, no risk and risk pricing programs, referral and buy back merchant programs—and says it will beat any deal out there today.

The company also said it provides monthly commissions approximately 15 days at the end of each month and it provides income on all areas of merchant transactions and surcharges.

"We don't want to limit agents in what they have to do," said Ben Whittemore, Marketing Manager for IRN. "We're not saying you have to do this—it's our way or the highway. We're giving them a lot of different options.

"We are enabling agents to go out to the merchant and act as their own company."

### Get An MBA

In February 2004, the company announced a new Merchant Bonus Allowance (MBA) program. Agents partnering with IRN have the option to offer merchants a cash

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incentive for signing up with them, or keep the money for themselves and put it back into their marketing program.

Sgueglia said the bonus could be as much as \$100.

"It's like a no risk guarantee for the merchant," he said. "If you look at the average merchant across any portfolio you may be looking at anywhere from half that amount in just fees that they would pay. Basically it's a guarantee of fees—if the merchant is unhappy, it's really not going to cost them anything.

"The concept is fairly unique in that we're providing an incentive to merchants through our sales offices in the form of a cash bonus just for signing with us."

IRN hopes the program will help generate more sales for its agents,

which in turn generate more revenue for the company.

### Check Debit Processing

IRN Payment Systems has formed a strategic partnership with Payment Option Solutions to offer its Paid On Signing system that provides access and debit capabilities for check acceptance. Merchants pay a few cents on each transaction for this service, and they are charged no discount rate.

When merchants are able to convert a check at the point of sale into a real time debit transaction, they benefit from having guaranteed funds from a customer's account. There is little to no risk in accepting checks.

"Through this partnership, we're not only converting the check, we are actually processing the check through Visa POS and the routing

and transit numbers (RT's) of participating banks that are registered with Visa," said Sgueglia. "We actually go into the DDA and in real time take the money out of their account and guarantee those funds to our customers.

"We think there is a tremendous value in check card processing. It has increased at a significant pace annually and that isn't going to go away; there's value from a marketing standpoint for a sales group to offer check debit at the point of sale."

### Gift Cards Add Value

In January 2004, IRN announced a partnership with TenderCard's gift and loyalty card products, which enables IRN's agents to offer these value-added solutions to new and existing merchant customers—of all sizes; this offering also creates a potential revenue stream for agents.

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"The evolution of the past 15 years has allowed us to point things in the right direction," Whittemore said.

"Before, we were actually manufacturing [gift cards] in house, but we sought a better deal that was more effective for our salespeople."

Agents selling the program are offering gift cards that are similar in appearance and thickness as credit cards and can display a merchant's logo and name. Each card is activated by dollar amount and used as either a gift certificate or loyalty card.

### The Company

IRN said it has been growing at a steady pace; the company's services are used through a national network of more than 250 sales agents, and it recently surpassed the one billion dollar mark in merchant services volume.

"Our sales have grown by 18% in 2002 and 25% in 2003," Sgueglia said.

IRN has approximately 35 employees that handle everything from underwriting, customer service, technical support, risk, collections and chargebacks; it also has controllers, HR, IT, software and systems developers on staff.

IRN services more than 20,000 merchant sites, although it sold some of its portfolio a few years ago to invest in and build its own check-processing host—completely maintained and controlled in-house.

"We built this host processing switch and this strategic alliance with POS to be able to provide these services through our ISO channels on an exclusive basis," Sgueglia said. "We have written and developed a host to be able to write to Visa directly."

Key Bank of Ohio is IRN's sponsor bank, and American Express Co. recognized the company for its long-term outstanding tenure as one of its original three ESA members.

Sgueglia explained why he and his team are pictured in the company's latest ads: "I'm putting my reputation on the line," Sgueglia said.

"We wanted to show our credibility and stand behind our products and services.

"We'll beat any deal, we guarantee it, and Dino's standing behind it," Whittemore said. ■

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## The Gifts That Keep on Giving

**C**ontinuing education may be a never-ending pursuit, but it will yield never-ending rewards. I hope that you become an expert on at least one new product offering this year. My last column was focused on how to sell check services, and in this column I will explain how to sell gift and loyalty card programs.

Is there an MLS out there who's not aware of the fierce battle raging to attract new merchants and retain existing ones? Savvy professionals who arm themselves with a competitive edge will come out the victors; one of the sharpest and most powerful weapons to wield is a good gift card and loyalty program.

There are many ways merchants stand to benefit from offering gift and loyalty cards in their stores. These items can be a compelling reason for consumers to choose one merchant's shop over another, and merchants using these programs could help retain customers and increase shopping frequency. That translates into you retaining your merchants.

Gift and loyalty programs operate on stored value, which means profits. Take gift cards, for example. These are cash-generating products for merchants that double as mini billboards in consumers' wallets.

With loyalty programs, the goal is to acquire customers and keep them. Merchants can automatically track point balances and shopping activities for numerous reward and incentive programs.

And with merchandise credits, cards are loaded with the exact value of a returned product for store credit; like gift cards, these products keep cash in your merchants' stores and their customers coming back in.

How do gift cards work? Merchants can use in-store displays to promote their gift cards (much like other impulse-buy products found near the point of sale), and customers can purchase gift cards with cash, checks or

credit cards for whatever dollar amount they want. That amount is recorded as the "stored value" in the merchant's database.

When a gift cardholder presents the card for full or partial payment of a purchase, the sales clerk swipes the card through the terminal like any other credit or debit card.

Data are transmitted to the merchant's platform via the magnetic stripe that identifies the card number and location of the transaction.

Some companies offer additional value or "reloads" of gift cards. The cardholder can have this done in person at the merchant's location or even by phone. Merchants can offer incentives to their customers to encourage reloading.

One such incentive I know of increases a card's stored value amount by 20%, when the card is reloaded; a \$50 reload is recorded as \$60 in stored value for the gift cardholder. Now that is truly giving.

For the most part, gift/loyalty cards operate in real time as a closed loop debit network. Card activation, sales, voids—even balance inquiries—originate from the point of sale and are transmitted to the host platform.

Just as with credit and debit cards, the transaction is authorized and transmitted through the POS terminal, and a paper receipt is instantaneously produced as a record for both merchant and consumer.

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I had the opportunity of speaking with two leaders in the gift and loyalty card space, Secure Payment Systems (SPS) and Valutec. I asked the companies the following questions:

- **MLSs need to have an edge when presenting new products to prospects and their existing merchant clients. What products would you recommend they include in their package?**
- **What sets your products apart from others?**
- **What are the major selling points of your products?**
- **How would you recommend MLSs present your products?**
- **How do MLSs benefit by selling your products?**

SPS recommends that MLSs include gift, loyalty, check conversion or standard check guarantee in their merchant packages for both prospects and existing clients. MLSs should be aware that merchants have grown weary of typical bankcard sales tactics including postcards, pushy telemarketers and others promising the moon.

SPS offers two distinct gift/loyalty card programs. One is a customized card program that provides an affordable, high quality and relatively inexpensive sales tool with proven results for both merchants and MLSs.

The other is one of the best generic card programs in the industry. The company calls it SPSelect, which offers an all-inclusive customizable program (merchants choose from a variety of pre-printed cards and type fonts to have their company name branded right on the card) at one monthly rate (as low as \$12 per month), which includes marketing materials, gift card holders/hangers, display rack, signage and transaction fees. There are no statement fees, monthly minimums or additional fees for SPSelect.

Steve Eazell, National Sales and Marketing Director for SPS, said the company's products are the "ultimate retention" tools or "merchant crack." Once merchants sign up with a gift card program and load the cards, it becomes virtually impossible for merchants to go elsewhere for their gift card program. This gives MLSs a lower attrition rate for all services sold and, at the very least, it gives MLSs more time to save the account if merchants are on the verge of leaving—a fact rarely known before it is too late.

Eazell said SPS' products are unique and affordable and the company offers superior customer support. SPS is certified on most point-of-sale credit card and debit card terminals including many restaurant ECRs (i.e. Micros, Aloha and Digital Dining). And the company said it offers

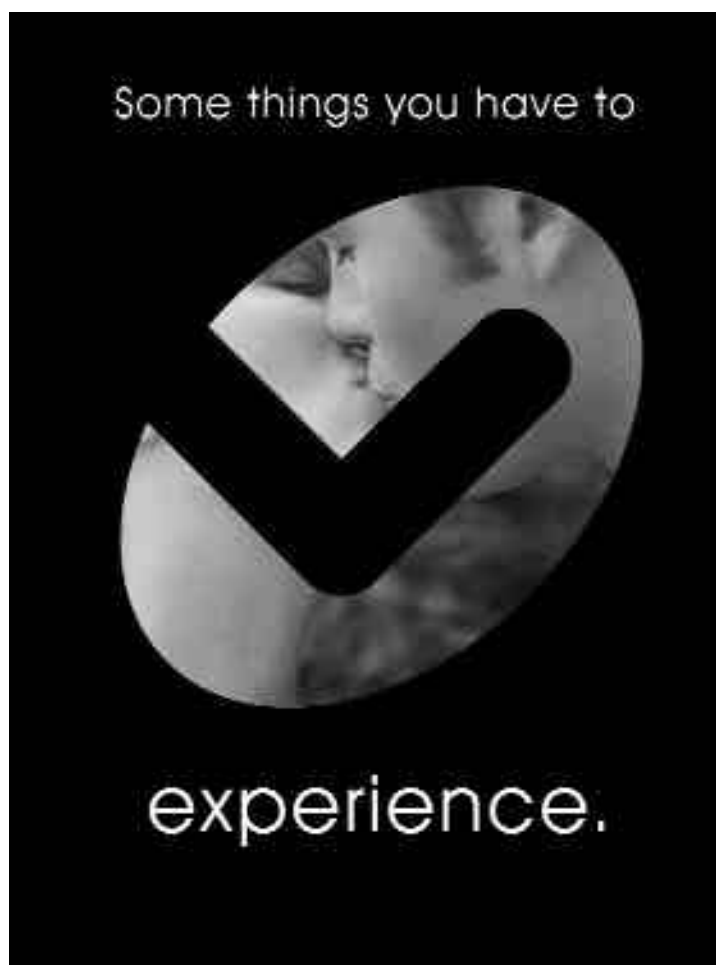
the only truly integrated check conversion and gift card program in the industry.

Valutec, another leading provider of gift and loyalty card programs, believes gift cards are the focus of merchant demand in the marketplace and this focus will continue to be the primary sales driver over the next few years. And, as the market matures, merchants will increasingly embrace other stored value applications such as loyalty and prepaid value cards as a means of building their business.

According to Valutec President Jack Lance, a big part of the value in MLSs using these products is his company's ability to get the job done right for a wide variety of merchant sizes and types.

Valutec has three startup programs designed for distinct merchant types and/or reseller sales objectives. It recommends MLSs consider all three:

- Jumpstart provides a free 100-card package with no setup fees and a flat monthly rate for transaction processing. It is ideal for small merchants or for sales situations where the zero-cost package is used to enhance the total value of a larger product offer.



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**Valutec says small-merchant gift card programs generate sales commissions of \$99 to \$250 and provide a compelling reason for merchants to buy a new terminal. Residual income is significantly improved as well.**

- LaunchBox is a low-cost, 500-card startup package that provides the same "easy-to-sell" attributes of Jumpstart with the option of ordering custom-designed cards in the initial package.
- The Custom program is intended for larger merchants or MLSs who prefer to build their own package combinations of cards and custom merchandising materials on an "a la carte" basis.

Valutec sells only through ISO and bank channel partnerships, so it is completely focused on the success of MLSs. They have an experienced team of dedicated employees who support the process from sale through setup and then continue providing expertise to merchants via 24/7 customer service.

MLSs have direct access to Valutec's toll free sales support line for quick answers to questions that may come up before, during or after a sale. Valutec's Merchant Setup team makes continuous follow-up calls during every merchant setup to insure that the details are handled.

Valutec's mission is to bring big-merchant product quality and systems capabilities to small and mid-size merchants at price points that merchants cannot achieve on their own. Their card products are the same high-end, press-laminated cards found at Starbucks or Barnes & Noble Booksellers.

Valutec believes the card is the first judgment merchants make about what they've purchased and it's always an advantage to ship them the industry's best. With its complete in-house design team, Valutec is a one-stop shop for just about everything merchants may need to implement, manage and promote their card programs.

The company has invested heavily in its processing systems over the past year. These systems are fully redundant, with continuous backup power generation, multiple firewalls, Web-based transaction processing, real-time transaction activity reports, and automated, multi-location funds management.

A new merchant-controlled program management interface allows merchants to directly change the functionality of their various card programs at any time via the Web.

Valutec said that gift and loyalty card programs are proven revenue generators for merchants. All of their programs include the ability for merchants to add loyalty card, prepaid and promotional card programs with no

increase in base monthly cost.


Another selling point is the set up speed and ease. The Jumpstart and LaunchBox programs can get a merchant up and running with 100 to 500 personalized cards within 5 to 7 days of receiving their Merchant Setup Form.

The reason gift cards are such a "sticky" product is that when merchants sell gift cards, they don't know if the recipients will use the cards tomorrow, next month or three years from now, the company said.

The merchant has an ongoing need to keep all of those cards "live" on a long-term basis and is usually reluctant to change any aspect of their credit or gift card processing arrangement.

Valutec says small-merchant gift card programs generate sales commissions of \$99 to \$250 and provide a compelling reason for merchants to buy a new terminal. Residual income is significantly improved as well.





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Under either of Valutec's flat fee programs, the average small merchant account generates \$15 to \$20 per month, which represents a 25% to 50% increase in residual profitability to the MLSs per merchant location.

After speaking with these two companies, I asked MLSs for their views on gift card and loyalty programs by posting the following questions on The Green Sheet's MLS Forum:

- **What benefits do you get from offering gift and loyalty card services?**
- **Do you do it for financial gains or to improve customer satisfaction and retention?**
- **If you don't sell gift and loyalty card services, what is the reason?**

Here are some of the responses:

"I have found that it is a better way to approach businesses that are already accepting cards. Just another value added service that sets you apart from your competition. I would rather earn their business than allow someone who can offer gift cards to come in and take it away from me. Rule of thumb: 'If you don't offer it they will find someone who will.'" —MerchantFG

"We're just releasing our own proprietary, IP gift card system that we're offering to our merchants for FREE. No monthly cost and no transaction fees, with real-time Web reporting. In fact, the merchants can even print their own cards. We're doing so to add value and to beat up on our competitors that are offering expensive third-party solutions. FREE has a certain ring to it." —jbkatz

"One thing that merchants must realize is that gift cards are a long term vision, they must be aggressively marketed and incorporated into every bit of advertising—they won't sell themselves. Merchants wanting to just try it out with a minimum order of 100 cards or so are wasting their money and time. A 100-card order is not even enough cards to meet the minimum-processing requirement (around \$25).

"I don't like to lead with credit cards, as everyone and their brothers have been there before you. Once you have a gift card or loyalty card program in place, it's almost a shoe-in for the credit card processing when the present agreement expires. Offer for financial gains, you bet. Improve customer service? Of course, but retention is the #1 goal." —credibex

"The biggest problem with gift cards is equipment. If there were a way to get it to work on a Hypercom, it would be great. Merchants are tired of paying for new equipment. I know a few companies have been able to do this. If the Hypercom worked liked the Talento

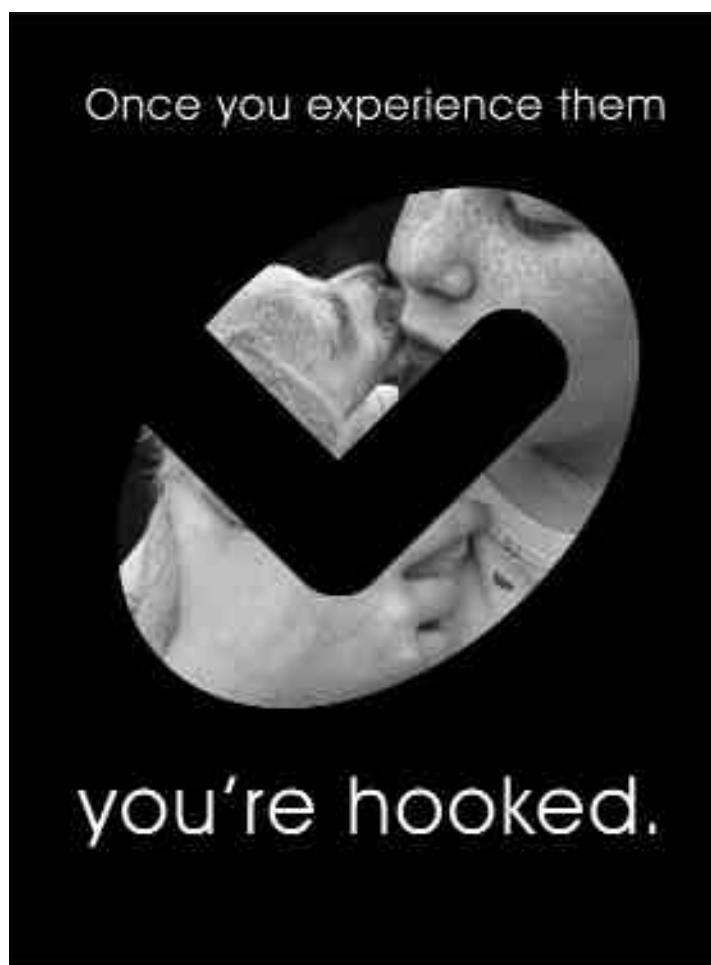
where you can add additional services without getting the processor involved that would be great for the MLS. Hypercom has software that does this, but the MLS has no access to this software.

"And giving gift cards for free or anything free to the merchant does not build value with your merchant. They will end up in a drawer and not used. And selling them 100 gift cards is a disservice." —cc guy

I agree with both SPS' Eazell and Valutec's Lance that gift/loyalty cards are a great entree. A gift/loyalty card program is really a perfect way to get a conversation started with a merchant. It's something they see big retailers doing (i.e. The Gap, Circuit City, etc.).

It's a relatively new idea that, in all likelihood, they've not tried yet but want to. It gets a conversation moving easily since it's all about how they can increase their business. You immediately become a business consultant. This is a much better approach than starting the conversation with, "What's your current discount rate with your credit card processing provider?"

I agree that these programs can be terrific merchant retention tools. If properly sold, a gift/loyalty card program will become your own merchant loyalty program. Any





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merchant using these programs won't want to switch credit card processing providers. Period.

Finally, let me give you my opinion on a key issue. In the MLS Forum, ccguy commented, "...giving gift cards for free or anything free to the merchant does not build value with your merchant. They will end up in a drawer and not used. And selling them 100 gift cards is a disservice."

I agree with this statement. The secret to marketing gift/loyalty card programs is to get your merchant committed to the idea as well as the program. If you were an advertising salesperson for your city's local newspaper, you would not make a presentation to the owner of a retail store to run one ad for one day.

You'd likely figure out a budget for a six-month period of time, pick out a good-sized ad that will have an impact and then run it regularly (e.g. a few times a week, or every day, for six months). That's a plan that provides a higher level of success.

At the end of the six months, you can go back to that business owner with confidence about renewing the contract or increasing their commitment for additional newspaper advertising.


Well, gift card/loyalty products demand the same approach. These are advertising and marketing programs. All successful business owners know that to make any operation work, they must make a solid commitment to the idea. You need to use this approach when explaining gift card and loyalty programs to your merchants.

However, if they're not ready, do not sell them anything. Do not get them started for \$10 or \$50 or \$100 with 100 cards. Tell them that you're a consultant and, in all honesty, you cannot recommend these programs to anyone who does not have a serious commitment because this is the only way to make gift cards and loyalty programs work.

It's a proven closing technique—the notion of "you can't have it." Yes, you want to be a salesperson with consultative selling techniques, but you also need to have a few tricks up your sleeve to make sales happen. This is a great one.

Learn the products and services. Come up with quality programs that will achieve results for your merchants. I guarantee that will translate into your own best merchant loyalty program.

I would like to thank both Valutec and Secure Payment Systems for their invaluable contributions to this article. My next column will focus on another hot topic at the value-added products water cooler—wireless payments.

Look for my upcoming post on the MLS Forum. As always, I'd love to hear from you. Please send your comments to [streetSMARTS@totalmerchantservices.com](mailto:streetSMARTS@totalmerchantservices.com). 

**"We shall not fail or falter; we shall not weaken or tire...Give us the tools and we will finish the job."**

— Sir Winston Churchill

See you next time where the rubber meets the road.

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*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.*

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## ▶▶ EDUCATION [ CONTINUED ]

# Understanding the Payment Processing Trade Association Events

By Peter Scharnell

*Electronic Exchange Systems*

As many of you saw in the "2004 Events Calendar" in the January 12 issue of The Green Sheet, there are many financial services events to choose from in 2004. With so many events throughout the year, how does an ISO or merchant level salesperson (MLS) choose which ones to attend? In this article I will focus on the various payment processing associations and what their events mean to the ISO/MLS community.

### Electronic Transactions Association (ETA)

Electronic Transactions Association (ETA) is perhaps the most well-known and respected association within the payment processing industry. The association began in 1990 as the Bankcard Services Association (BSA), with fewer than 20 people from the industry gathering to discuss ways to develop a credible voice within the industry.

In 1996, BSA saw the need to expand its scope of industry representation and changed its name to the Electronic Transactions Association.

ETA is now an international association with more than 400 member companies from seven different countries. Because of this tremendous growth and breadth of coverage, the annual ETA meeting and expo is considered the most renowned event within our industry.

Not only does ETA provide a venue for all of the vendors to showcase their products and services, it also facilitates training seminars and keynote speakers in order to present and discuss the new advancements and best practices for the processing industry.

It's been an extremely successful event to date; however, many of the smaller MLSs and single-office sales agents have expressed the need for regional shows that are less expensive to attend and more focused on the sales and product needs for the feet-on-the-street sales person.

ETA listened to their needs and is creating a series of low-cost regional events. It is also looking into modifying its current membership fee structure to accommodate the sales agents that—up until now—could not afford to attend the big event.

Stay tuned for more announcements on the progress of these events from ETA.

### Regional Acquirers Associations

The regional Acquirers Associations have been around since the late 1990s and were founded with one primary objective—"to serve as an Educational Forum for Financial Institutions and ISOs/MSPs in the acquiring industry."

The Acquirers Associations events consist of the Northeast, Southeast, Midwest and the recently added Western seminar series. The events are funded through vendor sponsorship and nominal registration fees, and they typically have about 45 to 50 vendors and 150 to 250 attendees.

Like ETA, the Acquirers Association events focus on new products and services and provide training seminars and speakers from the industry; however, it's a more intimate venue. And because the events are regionally located, it's generally easier for the busy sales person to attend the show.

The associations keep the cost to attend the shows minimal, and they provide a very good setting for the smaller and growing ISOs/MLSs to attend and meet the vendors face-to-face. The Acquirers Association events are growing in such demand that some of them are actually turning down new vendors that would like to display simply because they want to keep the events from getting too large and costly to produce.

This increased growth, and more importantly, the demand for additional hands-on industry training, has led to the formation of even more payment processing associations that are trying to meet the needs of the MLS.

### National Association of Payment Professionals (NAOPP)

The National Association of Payment Professionals exists for all of those selling in the payment processing industry by providing education, benefits, liaison/representation and certification. It was formed to bridge the gap between the sales person at the street level and the decision makers at the larger processors and ISOs.

MLSs can join the organization for an introductory price of \$25, and they currently schedule their events in con-



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junction with the various Acquirers Association shows. This way, MLSs can get good hands-on regional training and additional information at a low cost; they also have the option to meet with the vendors that attended the various Acquirers Association shows.

The NAOPP is another avenue providing MLSs with access to detailed training that—up until now—was either too costly or not currently offered by the existing associations.

### **Institute for Payment Professionals (IPP)**

The Institute for Payment Professionals' (IPP) mission is to provide MLSs with an opportunity to acquire (no pun intended!) the training and tools that are necessary to compete in the processing industry.


According to its Web site, IPP is a training company, dedicated to the payment services sales person at the street level. It keeps the membership fee extremely low and uses sponsorships from processors and equipment vendors to help subsidize the training seminars.

The good news is that all of these associations and their events are designed to help educate ISOs/MLSs and to provide access to the vendors at a face-to-face level.

Where there were once very few training opportunities provided within the industry, ISOs/MLSs now have an abundance of choices.

It makes sense for sales representatives to gather more information on all of the associations via their Web sites and to choose the association event that best meets their needs. Chances are you'll find that each organization has its own merits and you might end up giving them all a try at some point.

Also, you should check with your ISO or processor to see what educational programs they are offering and how the association events can complement their efforts.

Visit The Green Sheet Online's Tradeshow Directory at [www.greensheet.com/tradeshows.htm](http://www.greensheet.com/tradeshows.htm) 

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*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](http://www.exsprocessing.com) or e-mail Peter at [peter.Scharnell@exsprocessing.com](mailto:peter.Scharnell@exsprocessing.com)*

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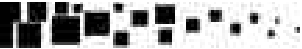
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## ▶▶ EDUCATION [ CONTINUED ]

# What MLSs Should Know About Business Entities

**David H. Press**

*Integrity Bankcard Consultants, Inc.*

**M**erchant Level Salespeople (MLSs) should have some understanding of the different types of business organizations when filling out applications for potential merchant accounts. In my experience, some MLSs consistently submit merchant applications that are inconsistent. For example, I have seen applications where the business/corporate name is listed as ABC, Inc., and the check is in the name ABC or is a personal account of the owner. This usually means that the business is really not a corporation and that the owner just liked the name ABC, Inc.

In another instance I've observed, the business/corporate name is filled out with a name like ABC, Inc., and the sole proprietorship box is checked. Sometimes the reverse is true and the business corporate name is shown as ABC

(without 'Inc.' or 'Corp.') and the corporate box is checked to indicate type of ownership. Remember, to get the protection of being a corporation, the corporation must hold itself out as a corporation, which is why corporations add 'Inc.,' 'Corp.,' etc. to their names.

We know that MLSs should make sure any applications they submit are legible and completed in their entirety, and all the required materials are submitted along with the application. It also helps if the application is consistent throughout. Otherwise, underwriters might put those applications aside pending further investigation or have the agent go back to the merchant to request more information. For faster approval, it's best to get it right the first time.

MLSs need a basic understanding of the various categories of ownership in order to properly fill out merchant applications. It's as important as having good handwriting and complete, accurate information. To get a better understanding of the differences, I asked Greg Brown, Vice President of Integrity Bankcard Consultants, Inc. and a licensed attorney, to explain the 'Type of Ownership' boxes found on most merchant applications.

### **Sole Proprietorship**

A sole proprietorship is an unincorporated business that is owned by one individual. It is the simplest form of business organization to start and maintain. The business has no existence apart from the owner. Its liabilities are the owner's personal liabilities and he/she undertakes all the risks of the business for all assets owned, whether used in the business or personally owned. Signing the personal guarantee has no meaning in the case of a sole proprietor, but should be completed for all merchant applications.

### **Corporation**

A corporation is a separate legal entity with its own identity separate and apart from its shareholders (owners). A corporation can own property, enter into contracts and conduct business under its own name. As a separate legal entity, a corporation is responsible for its own debts. Generally, an officer (but not necessarily every person that has a title that might indicate that he/she is an officer) can sign and bind the corporation.

It is usually best to get the signature of the president. For larger entities and for added protection, some merchant applications require that a corporate resolution be signed to ensure that the officer signing the merchant application

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has the authority to bind the corporation. 'Managers' generally do not have the authority to sign for a corporation.

Shareholders, directors and officers are typically not responsible for corporate liabilities. If the corporation suffers losses, the corporation itself must bear those losses to the extent of its own resources, and not the personal assets of the individual shareholders. Because the corporation protects the owner(s) of a business against personal liability, the personal guarantee is usually required of the principal owner(s).

### Partnerships

A partnership is a for-profit business association of two or more 'persons.' Because the business component is defined broadly by state laws and because 'persons' can include individuals, groups of individuals, companies and corporations, partner-

ships are highly adaptable in form and vary in complexity.

Each partner shares directly in the organization's profits and shares control of the business operation. Generally partners are jointly and independently liable for the partnership's debts and one partner signing the merchant agreement will bind the partnership.

A partner relationship usually has a partnership agreement, but can be implied if no formal document exists. Partnership agreements can be drafted to limit, to some extent, these general rules above.

Limited Partnerships, usually designated as 'LP,' differ in that the limited partners cannot sign contracts and are not liable for the debts of the limited partnership. A general partner must sign the merchant agreement.

### Limited Liability Companies

Limited liability companies, or 'LLCs,' are becoming more prevalent. An LLC is a separate legal entity (business structure) from the owners of the LLC. Think of an LLC as a hybrid of a corporation and a partnership.

Like a corporation, the owners of an LLC are not personally liable for the debts of the LLC. Like a partnership and sole proprietorship, an LLC has operating flexibility and is a pass-through entity for tax purposes. LLC owners are frequently referred to as 'members.' A personal guarantee should be signed by the member who owns the largest percentage of the LLC.

### Not-for-Profit

Not-for-profit or nonprofit organizations must be registered and approved by the IRS and are known as IRS Section 501(c)(3) or IRS

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Section 501(c)(6) organizations that then receive tax-exempt status. This type of organization is one that is organized and operated primarily for religious, charitable, scientific, educational and other purposes. They have officers and boards of directors like corporations. MLSs should consider them to be like corporations.

### PA or PC

A professional corporation, or 'PC,' sometimes referred to as a professional association, ('PA') or service corporation ('SC'), is a type of corporation or 'association' organized for the sole purpose of rendering a specific professional service.

Generally only an individual or group of individuals, each licensed or otherwise legally authorized to render the same type of professional service that are licensed in that state, may form a professional corporation

such as in the following professions: certified public accountants; licensed public accountants; architects; attorneys; chiropractors; dentists; pharmacists; optometrists; physicians; surgeons; psychologists; professional engineers; veterinarians; occupational therapists; physical therapists; registered nurses, etc. These should be treated in the same manner as any other corporation.

Corporations including PAs, PCs, LLCs and—usually—limited partnerships and not-for-profit organizations must be registered in the state(s) where they conduct business.

A corporation can be incorporated in one state, and if it conducts business in another state, it must register in that state as well as a 'foreign' corporation. To continue to receive its corporate protection status, the corporation must regularly file paper-

work in each state to maintain its 'active' status.

It is recommended that all signers of the merchant agreement sign the personal guarantee no matter what type of ownership the business uses. If a sole proprietor signs the personal guarantee, it may not have any additional legal effect, but may have a psychological effect on the merchant to cover any losses incurred.

If it turns out the merchant is a corporation and has limited liability, the personal guarantee could be important in recovering any losses. It also creates a good reason for MLSs to make sure they get the personal guarantee signed. ■

*David H. Press is Principal and President of Integrity Bankcard Consultants, Inc. Phone him at 630-637-4010, e-mail [dhp@integritybankcard.net](mailto:dhp@integritybankcard.net) or visit [www.integritybankcard.net](http://www.integritybankcard.net).*

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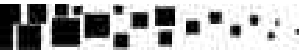


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## ▶▶ EDUCATION [ CONTINUED ]

# Bankcard 101

**By Lazaros Kalemis**

*Alpha Card Services, Inc.*

**S**ince I attended the Northeast Acquirers' Association (NEAA) and National Association of Payment Professionals (NAOPP) events in Mt. Snow, VT, I've been thinking about two things: 1) the lack of merchant level salesperson (MLS) representation at the NAOPP event and 2) the lack of knowledge that some of our associates have about our industry.

While listening to Linda Ford of CardSystems Solutions explain the backbone of our industry and answer questions from members of the audience, I realized that many people do not understand the basics of this industry.

When my partner Dimitrios and I got started in the industry five years ago, our training consisted of getting the merchant agreement and being told, "go get 'em, tiger." I

had hoped training had improved since then.

At our company, Alpha Card Services, Inc., we offer a sales training program called Alpha University. In the following paragraphs, I will address the most frequently asked questions we hear during the training. I highly recommend that if your ISO partner offers any type of training, you should commit yourself to it.

The knowledge you gain will go a long way in making you a productive member of this industry and will help you generate profit in the long run.

### Who gets interchange?

After reading the nine-part "Interchange Untangled" series in The Green Sheet, you should be familiar with interchange and how it affects different transactions. Every ISO and bank, no matter its size, has to pay interchange.

Interchange is paid each and everyday to issuing banks. Issuing banks not only earn interest on the money they lend to their cardholders, but more importantly, they earn a percentage of the sale from the merchants. For example, when an MBNA cardholder uses his or her card at an Alpha Card Services merchant, Alpha Card Services does not get the interchange—MBNA does.

### Who gets the dues and assessments?

Dues and assessments are part of the transaction fees that are paid to the credit card associations, such as Visa and MasterCard, for the network of member banks they have built.

### Who gets the transaction fees?

Every transaction fee that each merchant is charged includes three parts: interchange, network fees and ISO/agent profit. We know that depending on the card type and interchange level we can pay anywhere from \$0.02 to \$0.15 to the issuing banks. Also, depending on the network through which we choose to process the transaction, there can be up to an additional \$0.11 per transaction cost. Anything over the interchange and network fees is the ISO/agent profit.

### If there are discount rates and transaction fees, how can a company get away with charging a bundled rate?

Typically merchants are charged both a discount rate and a transaction fee per sale. However, in some cases they are



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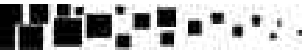
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charged a flat rate, which combines a discount rate and a transaction fee.

See the "Example" box on this page.

**How does the transaction approval process work?**

One thing I always like to say is that it would take me longer to explain the actual process of the transaction/sale than it would to complete the sale. We all know a credit card must be processed through some type of terminal, whether it is a physical, virtual or some type of touch-tone service.

**Following are general steps involved in processing a transaction:**

1. The merchant or customer swipes or punches the card number, expiration date, sales amount and any other required information depending on card or sale type.
2. The terminal contacts the servers of the network that the merchant is using (Vital, Maverick, Global, etc).
3. The network locates the BIN on the card and contacts the issuing bank to inquire about fund availability.
4. The issuing bank's servers issue an approval/decline code depending on fund availability, which is transmitted through the network to the terminal.

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**EXAMPLE**

**The merchant swipes a regular card**  
**\$68 ticket x (2.00% bundled rate) = \$1.36**

**Formula**

$$\frac{\text{Disc. Paid - Trans Fee}}{\text{Ticket Amount}} = \text{Discount Rate}$$

**Formula**

$$\frac{\$1.36 - \$0.20}{\$68} = 1.71\%$$

**How often should merchants close their batch?**

In order to qualify for the best possible interchange level, every merchant should 'batch out' every single day. If a transaction is not batched within 24 hours of its authorization, it will get downgraded to a different interchange level.

If a Visa transaction is not batched within seven days of authorization, or a MasterCard transaction within 30 days, the authorization falls off and must be re-submitted.

**What is a retrieval request?**

A retrieval request is the issuer's request for all hardcopy sales drafts from a particular sale.

As NPC states on its Web site, MasterCard requires that all retrieval requests be fulfilled electronically through the MasterCom electronic image process system, while Visa will allow requests to be fulfilled through the mail along with Visa's Copy Request Manager System.

If the retrieval requests are ignored they will eventually lead to a chargeback.

**What is a chargeback?**

When a cardholder disputes a transaction, it is handled through a chargeback or compliance case. In the case of a chargeback, the issuer returns a transaction to the acquirer, and the acquirer debits the payment previously paid to the merchant.

Chargebacks are the result of either cardholder disputes

**By learning this industry inside and out, you're giving yourself all the tools to be successful for the long haul. If your ISO doesn't offer training, do not use this as an excuse. With some hard work on your part, you can become very knowledgeable.**

or violations of rules by the merchant or acquirer; chargebacks help enforce operating rules and correct transaction errors. The issuer always initiates the first chargeback.

A chargeback can occur when the issuer finds an error in the transaction, or if there is a cardholder complaint. MasterCard and Visa have developed procedures for submitting and processing chargebacks.

By learning this industry inside and out, you're giving yourself all the tools to be successful for the long haul. If your ISO doesn't offer training, do not use this as an excuse. With some hard work on your part, you can become very knowledgeable—perhaps even a selling machine!

For those of you who are truly serious about learning more about our industry, I suggest you visit The Green Sheet Online's various forums. I also recommend reading "Good Selling!" and "Good Selling! 2" by Paul Green and "How to Survive and Thrive in the Merchant Services Industry" by Marc J. Beauchamp and William Graham.

If you still have questions, don't hesitate to post them on The Green Sheet MLS Forum, or you may e-mail me directly at lkalemis@alphacard-us.com. I will either answer the question or guide you to the proper source. ■

---

*Lazaros Kalemis is President of Alpha Card Services, Inc.*



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## BOOK REVIEW

### Uncovering Google Secrets with "Google Hacks"



#### "Google Hacks"

##### 100 Industrial-Strength Tips & Tools

By Tara Calishain and Rael Dornfest

With a foreword by the Google

Engineering Team

O'Reilly & Associates,

Sebastopol, Calif., 2003

ISBN: 0-596-00447-8

While Google has documented many of its capabilities on its own help pages, an even greater resource is "Google Hacks," a new book that lists, ranks and explains the top 100 tips and tools to maximize your search efforts. The tips were contributed by expert Google users and developers and will save readers hours of researching time.

"Google Hacks" is published by O'Reilly & Associates, a well-known information source for leading-edge computer technologies. Along with publishing technology-related books, the company organizes conferences and develops Web sites, so you know the information presented in this book will be reliable and useful.

To illustrate how "Google Hacks" can improve the results you get with your searches, start with something simple—**Google Hack #6: "Word Order Matters."**

If you have experience with keyword-based search engines, you might be surprised to learn that

the order in which you enter words can make a difference in the search results you get and how they are ranked.

For instance, a search for "bankcard check industry" lists as its first result a link to U.S. Bankcard Services. By rearranging the words and searching for "check bankcard industry," a link to a white paper on Ingenico's site is shown.

If a particular search string isn't providing you with the results you want, just try entering the words in a different order.

Since it first appeared on the Web in 1998, the search site Google has rapidly become the primary method most people use to browse the Internet. Users are attracted to Google by its simple clean layout, vast site index and relevant, fast results.

But don't let its simplicity fool you—Google has many advanced search features and tricks that will help you get the most out of the Internet. Google scans more than four billion Web pages every time a search is entered, so it makes sense to know how to make the best use of all that information.

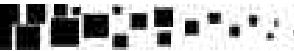


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**"Google Hacks" also describes additional search string tips ...**  
**One of these is the "site:" string ... For example, to search Google for all references to the FTC on greensheet.com, search for "FTC site:greensheet.com" and it will provide a list of links, all originating on The Green Sheet's Web site.**



**Google Hack #7, "Repetition Matters,"** elaborates on Hack #6 with the tip that repeating important words in your search string can also change the results.

If you find that the search string you're using doesn't result in enough specific information, try entering one of the important keywords twice. For instance, if you're looking for banks that offer certain services, but end up with nothing but plenty of non-bank-related results, try adding an extra "bank" or two to your search string.

"Google Hacks" also describes additional search string tips to add to your search and narrow your results even further. One of these is the "site:" string, which is used to tell Google to only show results from a particular Web site.

For example, to search Google for all references to the FTC on greensheet.com, search for "FTC site:greensheet.com"



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and it will provide a list of links, all originating on The Green Sheet's Web site.

This tip is especially useful in cases when you already know what you are looking for and what site it is on, but either the site doesn't have a search engine of its own or it isn't bringing up the result you want.

There are plenty of other tricks up Google's sleeves, ready to be put into action for successful searching. Google can be used as a dictionary (**Google Hack #16**); every time you search for something on Google, directly below the text entry should be the words "search the Web for," followed by the string you searched. If Google can find any of those words in the dictionary, it will link them directly to a page showing their definitions.

Google can also be used as a phonebook—a useful feature for anyone who frequently needs to call people out of state or spends a lot of time on the road (**Google Hack #17**).

Do you need to find the name of that Texaco station you stopped at in Santa Cruz, Calif.?



Number of Web pages in Google's searchable database as of Feb 19, 2004



Using translate.google.com, www.greensheet.com/onlineindex.html in German

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An example of the dictionary function, searching the word 'schnauzer'. On the right is the definition provided by the link from Google.

Precede your search string with ":phonebook," followed by the name of the business, the city, and finally the state. For this particular search, the string would be ":phonebook texaco santa cruz californi"

While the Google phonebook tool isn't as exhaustive as a local phone directory, it can be useful for finding businesses or people who haven't moved recently. Try the

search on your own name and city and see what comes up.

"Google Hacks" contains tips for all experience levels, from beginners to experts. Some of the tips might be worth passing along to your Web designer or programming department.

Chapters Five and Six are devoted to the Google API (Application Programming Interface,) which programmers can use to access many of Google's features in their programs.

Prior to the release of the API, many Web programmers would write programs to run a Google search and sift through the results looking for data.

Now with the Google API, programmers get direct access to Google, from CGIs and other programs, to search for specific types of information (pages published in a certain date range for example).

Google's results can also be combined with your own search engine results for a particular subject. The API chapters present many real-life examples programmers can use as templates for their own company-specific applications.

"Google Hacks" is a true resource, offering a plethora of tips for successful researching. Other features detailed in the book include limiting search results by date, changing language options and searching for slang and jargon; there's even a full chapter devoted to getting your site a higher ranking within Google results.

With all of these features and the power that comes with them, "Google Hacks" is definitely a book for anyone who researches on the Internet to keep within reach.

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**Product: IntelliStripe 380**

*Company: MagTek, Inc.*

**I**n response to the growing number of businesses with computers that use USB cable technology (rather than serial ports) to attach peripherals, MagTek, Inc. now offers a USB-compatible version of its IntelliStripe 380 motorized magstripe/smart card reader card reader and writer.

The USB-based IntelliStripe 380 is a PC-based device that is ideal, MagTek says, for card issuers managing a small to moderate flow of loyalty, access or identity cards for lodging, services, commercial and institutional applications.

The IntelliStripe 380 enables the reading and writing of magnetic stripe cards per ISO 7810, 7811 and the read and writing of smart cards per ISO 7816 and EMV Level 1.



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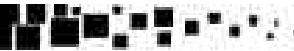
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*Company: eDough, Inc.*.....

**F**or consumers still leery of using their credit cards to make purchases on the Internet—especially in terms of micro transactions—eDough, Inc. announces an all-cash Internet payment solution called, what else? eDough!

You must first register as a member by visiting eDough.com or an eDough machine. There you can also "purchase" your eDough, and then you can spend it like cash at participating merchant Web sites.

The company said users only need one transaction to get started—by using a bank transfer, electronic check, personal check or cash in an eDough Machine to purchase eDough.

With this payment service, transaction costs are eliminated, so eDough merchants can charge customers on a per-use basis. Merchants (and resellers) can benefit from a new source of revenue.

The company said there are no credit cards, no chargebacks and no per-transaction fees. 

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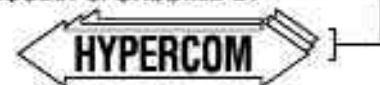
- a) A necessary evil
- b) A profession
- c) Just something to pass the time
- d) A great way to make some money until you find a real career

### 2. When you are done with your sales presentation you should:

- a) Run out the door as fast as you can
- b) Ask for the sale
- c) Make fun of the merchant's attire
- d) Quietly sit and stare at the merchant

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### 3. When a prospect tells you "No" you should:

- a) Take it personally and hurl insults at him
- b) Ask her what her objections are
- c) Run out the door as fast as you can
- d) Sulk—perhaps even cry

### 4. When trying to get past the screener you should:

- a) Yell and scream
- b) Treat him or her with respect
- c) Make threatening gestures
- d) Give up immediately and run out the door as fast as you can

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**Highlights:** This is the biggest event of the year for the electronic payment processing industry. Nearly 2000 attendees from across all segments of the industry—from sales agents to CEOs—from across the country and from around the world are expected at this year's ETA Annual Meeting and Expo. Network with strategic partners, vendors and third party suppliers; learn about the latest technology, trends, products and services. Four educational tracks include sessions in operations, sales and marketing, emerging markets and technology; more than 130 exhibitors will participate. Relevant keynote presentations, general sessions, the President's Dinner, receptions and a golf tournament are also important event components. This year, ETA offers specially discounted one-day registration to all independent 1099 MLSs—attend Wednesday or Thursday for \$185.

**When:** April 20 – 22, 2004

**Where:** MGM Grand, Las Vegas

**Registration:** Visit [www.electran.org](http://www.electran.org); phone 866-ETA-MEET.

## 5. When you are using the phone and you get voicemail you should:

- a) Hang up—they'll never call you back anyway
- b) Leave a brief message—make sure to speak slowly and include your name and phone number
- c) Leave as long a message as possible
- d) Just breathe heavily and make them guess who called

## 6. While making your presentation be sure to:

- a) Put down your competitors often
- b) Listen to the merchant
- c) Never ask the merchant any questions
- d) Walk away without asking for the sale

## 7. When getting ready to make a presentation to a new merchant you should:

- a) Relax and do no prep work
- b) Do some research and learn about your merchant's company
- c) Make it all up as you go along
- d) Run a thorough background check on the prospect

## 8. Customer service is:

- a) Just the latest catch phrase
- b) An important part of the whole sales process
- c) Someone else's problem
- d) Great when you can get it

If you answered anything but "b" to all of the above, we would like to recommend that you sit down and read or reread "Good Selling! 2."

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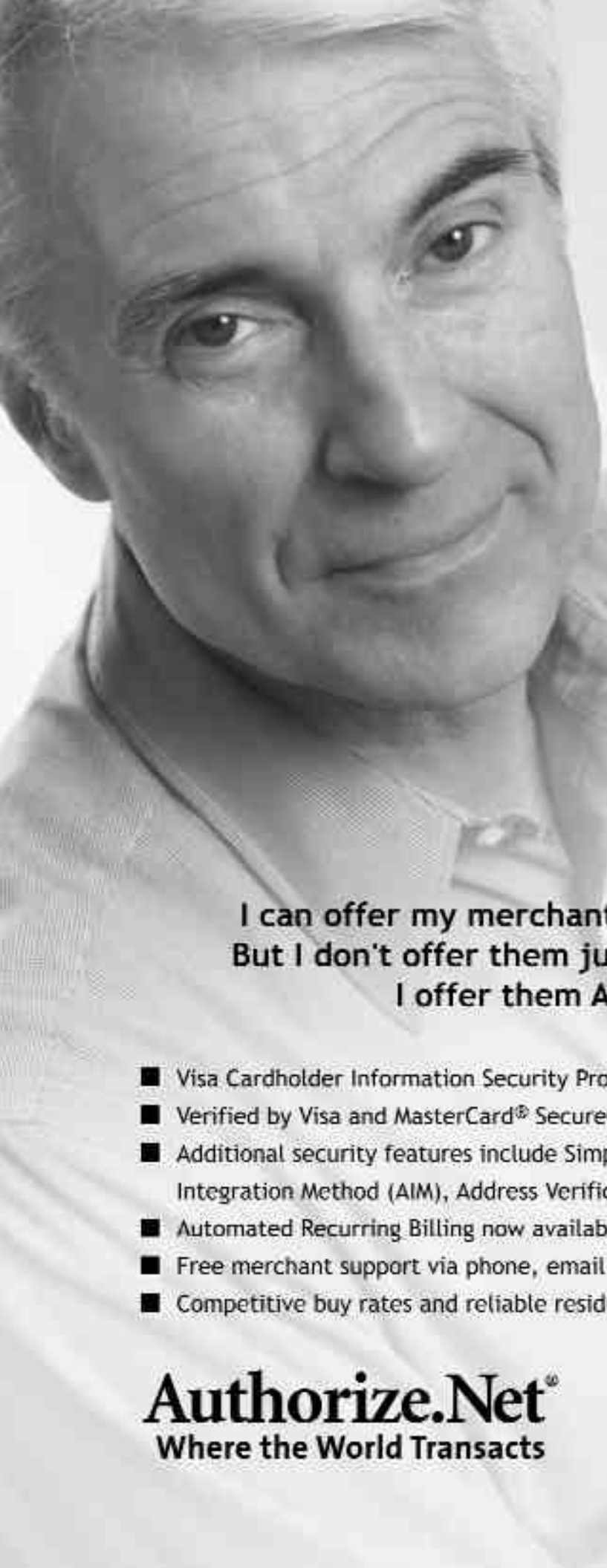
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