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Inside This Issue:

Micropayments Making Their Move

Teeny tiny electronic payments, also known as micropayments, are traveling through POS systems at locations where once cash was king. People all over the country are swiping their plastic at quick service (QSR), or fast food, restaurants, coffee houses, convenience stores, movie theaters, Laundromats, vending machines, arcades, and even parking meters. There is also a quickly growing online segment for digital content, such as subscriptions and music downloads.

It's a burgeoning market for micropayments, and the question is, can (and how do) ISOs and merchant level salespeople (MLSs) make this a viable and profitable business model, not only for their merchants but also for themselves?

Although numerous definitions exist, we'll define micropayments as payments totaling less than $20; often they are less than $5 and sometimes only a few cents, but they are all made using a credit or debit card or an alternative payment solution.

NotableQuote

I think it's finally safe to say that the era of selling or re-programming one-dimensional terminals (a.k.a. "little gray boxes") is finally coming to an end. The terminal vendors are rightfully rejoicing, and MLSs are now armed with many reasons why a merchant should finally buy a new terminal.

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•Green Sheet on the Brain

Forum

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INSPIRED BY ROADSIDE REAL ESTATE MARKETING,
JERRY TAKES A DIFFERENT APPROACH TO AGENT RECRUITING

Roger:
We posed your question to Jared Isaacman, a member of our Advisory Board. He responded with the following information:

"Interchange is settled on an individual transaction basis. Therefore, each transaction must be under the threshold and each transaction must meet all the requirements for the appropriate interchange category to qualify."

Editor

Wanted: Bank Partner for High-risk Merchants

We are looking for a bank that will accept high-risk merchants. Domestic and offshore banks are acceptable. They do not have to accept adult businesses, as we don't want to acquire any of these merchants. Our current banks don't want high risk. Any help you can give us would be appreciated.

Thanks,
Steve Vrebalovich
V-West

Steve,
On the GS Online MLS Forum's MLS Opportunities area, please visit the High Risk Business section at: www.greensheet.com/forum/index.php?viewcat=3

Editor

Help Untangle "Interchange Untangled"

I keep a copy of "Interchange Untangled" as a reference tool, as I cannot keep all of those details in my head. I have a question on the Visa CPS/Small Ticket rate: Does the transaction amount have to be less than $15 EVERY time? Or is this an average? Is there a source for more details on this type of transaction?

Roger Inman
BankCardDepot

When Processors Purchase Processing...?

What is the buy rate at which the processors purchase the processing from Visa and MasterCard? Also, what is the general perception of Lynk Systems, Inc. as compared to Paymentech, LP?

Elizabeth A. Sorensen
Sales, Marketing and Membership Services Manager
Minnesota Retailers Association

Elizabeth:
To answer the first part of your question, our FAQs, which are available on GS Online (http://greensheet.com/mlsportal/industryfaq.html) define "buy-rate" as follows:

The buy rate is the cost charged sales intermediaries by the merchant bank; it reflects interchange on a transaction plus the bank's mark-up. This differs from the discount rate, which is what the intermediary charges the merchant after marking up the buy rate. This means that the buy-rate will vary depending on the mark-up. If you were referring to interchange rates charged by Visa and MasterCard, you can find that information here: http://greensheet.com/mlsportal/interchange2004.html .

Unfortunately, we cannot address the second part of your question. The Green Sheet, Inc. does not make recommendations for companies.

Editor

Industry**Update**

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NEWS

Vote for *Inc.* Magazine's Entrepreneur Award Finalists

Cynergy Data's CEO, **Marcelo Paladini**, and President, **John Martillo**, are in the final round of *Inc.* magazine's Entrepreneur of the Year competition. Their employees entered them in the contest. You can read about Paladini and Martillo at: www.inc.com/entrepreneur/profile/index.php?paladini48 .

You can also help them in the competition. Visitors to Inc.com have until Aug. 31, 2004 to read, rate and comment on the Entrepreneur of the Year entries. Throughout the month of September, *Inc.* editors will rate candidates based on comments submitted. *Inc.* will announce its Entrepreneur of the Year in the January 2005 issue and post the winner on its Web site.

American Express Reports Record Earnings

American Express Co. reported record net income of $876 million for the second quarter, up 15% from $762 million a year ago. Revenues totaled $7.3 billion, up 14% from $6.4 billion a year ago. This growth reflects record card member spending on American Express Cards, stronger financial advisor sales, higher client asset levels and increased travel sales.

Federal Reserve Banks Transfer Check Services

Over the next year, the **Federal Reserve Banks** will discontinue check-processing operations at nine sites, and will shift the volumes from these sites to other Federal Reserve locations. However, the Reserve Banks will continue providing check services to customers nationwide.

The Reserve Banks previously announced trimming their check operations from 45 to 32 sites by the end of 2004. This new restructuring, which will close check operations in Boston; Columbus, Ohio; Birmingham, Ala.; Nashville, Tenn.; Detroit; Oklahoma City; Houston; Portland, Ore.; and Salt Lake City, will reduce that number to 23 by early 2006.

As a result of these changes, the Reserve Banks will reduce its overall check staff by approximately 6%. This will affect about 640 positions overall in the offices where check processing will be eliminated. However, the Banks will add about 370 total positions at the offices that will continue processing checks.

MasterCard Reports Continued Growth For Q2

MasterCard International announced strong performance results for the first half of 2004. Total purchases on MasterCard credit and offline debit cards rose 11.7% in the second quarter compared to the same period in 2003, and the number of MasterCard-branded cards issued globally grew to 638.3 million.

Cardholders worldwide used MasterCard-branded cards for almost 4.1 billion transactions in Q2 2004. In the first six months of 2004, transactions reached 7.8 billion. MasterCard's financial institutions around the world issued more than 638.3 million MasterCard-branded cards, a 6.4% increase over the same six-month

BOTTOM LINES
HEADLINES FROM THE RETAIL WORLD

- **Payless ShoeSource Inc**. announced plans to divest its 181 Parade stores at the end of the current fiscal year ending February 2005. Parade sells mid-priced women's footwear.

- About 60 grocery stores in North Carolina are for **Women-Infant-Children** (WIC)-recipients only, the Charlotte Observer and National Association of Convenience Stores (NACS) reported. The stores accept government vouches for payment instead of cash.

- **U.S. revolving consumer credit** (outstanding), which includes credit and charge card usage, increased by $1.5 billion in June 2004, following a $1.1 billion rise in May, the Federal Reserve reported.

period in 2003. The value of purchases on MasterCard-branded cards rose 11.7%, to $257.1 billion for the second quarter of 2004.

ANNOUNCEMENTS

Axalto Named Leader in Microprocessor Card Market

Research and analysis firm **Gartner, Inc.** recently released its *Market Share: Chip Card and Semiconductor Vendors Worldwide*, 2003 report. According to the report, **Axalto** is first in market share in the microprocessor-based card market segment for the third consecutive year. Axalto shipped 262 million microprocessor cards last year, accounting for more than 26% of the world's total 2003 shipments of such cards.

CardSystems Certifies Elite 710

CardSystems Solutions Class-A certified **Ingenico**'s Elite 710 multi-app-ready terminal for credit and debit card acceptance. The Elite 710 is part of the Elite product family of payment terminals that leverage the UNI-CAPT multi-application architecture. In addition to payment, value-added services such as gift, labor

management, loyalty, prepaid and age verification can be added to the terminal. The i3010 PIN pad was also certified.

EMG Opens Office in Tucson

Eliot Management Group (EMG) opened its fourteenth branch office in Tucson, Ariz. This location will continue EMG's Arizona-territory expansion, providing Tucson and the surrounding area with sales, service and support for EMG's credit card and electronic payment processing services. The office expansion is part of EMG's continuing "on-market" service plan that began in August 1999. The goal of the program is to secure office space in all EMG markets.

Q Comm International Completes Placement of Stock

Q Comm International, Inc., a provider of prepaid transaction processing, completed a private placement of 600,000 newly issued shares of its common stock. The shares were sold for $4 each to four existing shareholders in a private placement generating gross proceeds of approximately $2.4 million.

Shift4 Corp. Reports 99.99% Availability

Shift4 Corp.'s $$$ ON THE NET Web-based e-payment gateway solution reported over 99.99% system availability in the first and second quarter of 2004. The only system downtime that occurred in 2004 was a pre-scheduled three-hour window during which Shift4 brought its new data center live.

The company will bring a second data center, with an even larger load capacity, online later this year, though no downtime will be associated with that "go-live" date. The redundant data centers will bring Shift4's system availability close to its ultimate goal of 99.999% availability, or less than five and a half minutes of downtime per year.

Alliance Accepting Nominations for Smart Card Achievement

The Smart Card Alliance is accepting nominations for its Outstanding Smart Card Achievement (OSCA) awards. The Alliance will present three awards recognizing those who have significantly impacted and influenced the market for smart cards in North America. The awards will be presented at the Smart Card Alliance Fall Annual Conference in October. This will be the first year that the smart card industry will present an OSCA award to an individual for leadership and accomplishments; it will present the other two awards to organizations. Submissions are due by Sept. 17, 2004. You can find information on submitting nominations for the awards at www.smartcardalliance.org .

PARTNERSHIPS

Hostopia.com Partners with Kurant

Hostopia.com, a wholesale provider of Web, e-mail and e-commerce hosting solutions, is reselling **Kurant Corp.**'s StoreSense e-business solution to its worldwide network of ISPs and Web-service providers. StoreSense is a suite of e-business tools designed to help small businesses get started selling online quickly and easily. Businesses pay a monthly recurring fee and have a choice of four progressively scalable license types.

Industrial Bank and MasterCard Launch Dual-currency Credit Card

MasterCard International will launch a dual-currency international credit card through **China UnionPay**, called Industrial Card. Industrial Card, issued by **Industrial Bank** provides real credit for Chinese consumers in that it does not require a deposit.

The Industrial Bank MasterCard-branded card is MasterCard's second collaboration with China UnionPay. Earlier this year, **Ningbo Commercial Bank** issued the Huitong Card, the first international dual-currency MasterCard credit card through China UnionPay.

Keycorp Technology in Hong Kong ID Cards

Keycorp Limited secured a contract to supply 4.7 million smart card chips for the Hong Kong Government. Keycorp already supplied more than 2 million chips for the Smart Identity Card System (SMARTICS).

The multi-function smart ID cards contain the photograph, basic identity details and fingerprint biometric of each cardholder. The government also made available a public library card application and might add a driver's license application in the future. The cards can also contain an electronic certificate for e-transactions.

NFIB Partners With Solveras

The **National Federation of Independent Business** (NFIB) and **Solveras Payment Systems** created an e-commerce program for the 600,000 small business members of NFIB. The NFIB E-Commerce Complete provides everything small businesses need to create professional Web stores and securely process payment transactions online.

The solution uses StoreSense by Kurant Corp. Solveras provides program enrollment and merchant account processing and Solveras' strategic partner, **Paradata Systems, Inc.**, provides technical services and support.

TransAKT Enters Agreement with BPS; Secures Order From London Drugs

Business Payment Systems (BPS) of New York entered into a distribution agreement with **TransAKT Corp.** for its TransAKT brand of wireless POS payment terminals. The initial launch of TransAKT's products through BPS took place at the annual BPS sales conference in early August 2004.

In other company news, TransAKT received its first order for Voice-over Internet protocol (VoIP) equipment from a major retail chain. Canadian-based **London Drugs** ordered the Taichi 3 Plus USB VoIP handset.

ACQUISITIONS

First Data Acquires Delta Singular Outsourcing Services S.A.

First Data Corp. completed the acquisition of **Delta Singular Outsourcing Services S.A.** from Delta Singular S.A., a leading technology company in Greece. Delta Singular Outsourcing Services provides payment processing services in Greece, the Middle East and the Balkans.

Simultaneously, Delta Singular Outsourcing Services entered a 10-year agreement to provide payment processing and related services to its largest client, **Alpha Bank**. As the second largest commercial bank in Greece, Alpha Bank issues MasterCard cards, is the largest issuer of Visa cards and the only issuer of American Express cards in Greece.

Delta Singular Outsourcing Services processes more than 1.5 million debit cards and 2 million credit cards, drives more than 1,200 ATMs and manages more than 12 million POS transactions annually.

GE Consumer Finance to Purchase Dillard National Bank

GE Consumer Finance agreed to purchase substantially all of the assets of **Dillard National Bank**, the private label credit card issuing bank of Dillard's Inc., for approximately $1.25 billion. Dillard's operates 329 apparel and home furnishing stores in 29 states, primarily in the Southwest, Southeast and Midwest.

Its private-label program is the sixth-largest in-house card program in the United States.

The two companies also signed a 10-year agreement that will provide credit marketing, credit servicing and customer care for Dillard's 5.5 million active proprietary retail cardholders. The acquisition also includes approximately 500 employees of Dillard National Bank, who will join GE following the close of the transaction. The companies expect the acquisition to be completed before the end of the year.

TSYS Acquires Clarity Payment Solutions

TSYS acquired **Clarity Payment Solutions, Inc.** for $53 million in cash. Clarity provides prepaid card solutions. TSYS will combine its prepaid products with Clarity's to offer a comprehensive prepaid platform. Anil D. Aggarwal will remain the CEO of the new entity, which will be named TSYS Prepaid, Inc.

APPOINTMENTS

ISD Appoints VP of Engineering

ISD Corp., provider of payment management software, appointed **Todd Cinnamon** Vice President of Engineering. Cinnamon is a 17-year veteran of the software development industry. He started his career with Tandy Corp. where he helped build Radio Shack's first POS/electronic payment system, delivered to over 6,000 retail stores nationwide.

In 1990, Cinnamon joined the SABRE Group, where he managed the development of airline reservation systems. He also led development teams in bringing enterprise software products to market across multiple technology platforms.

EXS Hires Marketing Director

Electronic Exchange Systems (EXS) hired **AnnJo Huwer** as Director of Marketing. Huwer has more than 10 years' experience in the bankcard processing industry. Most recently she served as Marketing Manager for NOVA Information Systems and was responsible for implementing corporate marketing and business development strategies.

Koontz Promoted to SVP, Affiliate Sales

Electronic transaction processor **Moneris Solutions** recently promoted **Deb Koontz** to Senior Vice President, Affiliate Sales. In this role, Koontz is responsible for building and maintaining the company's affiliate sales program. Koontz will focus on developing long-term sales strategies with Moneris sales channel partners.

Koontz has more than 15 years of transaction processing industry experience. She started her career as a business development officer at Water Tower Bank and held a

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variety of sales positions during her 10-year tenure with Harris Trust & Savings Bank. Koontz has held a variety of senior level sales and finance positions at Moneris Solutions including Business Advisory Manager, Vice President of Payment Services and Vice President of the Direct Merchant Group.

First Annapolis Names Two Partners

Jim Leroux and **Bob Lime** were promoted to Partners at management consulting and advisory firm **First Annapolis**.

Leroux works with First Annapolis clients on corporate strategy with emphasis on mergers and acquisitions, strategic relationships and outsourcing transactions. He routinely helps clients develop and execute corporate strategies, often through the identification and completion of strategic transactions. He joined the First Annapolis team in 1998.

Lime focuses on the firm's card issuing practice with emphasis on the retailer services sector where he advises retailers and third party providers of retail credit programs on a range of customer financing and payment strategies. Most recently, Lime advised Circuit City Stores, Inc. in the sale of its credit card business to

and partnership with Bank One. Lime joined First Annapolis in 1997.

Metavante Names Rathgaber President

Metavante Corp., the financial technology subsidiary of Marshall & Ilsley Corp., completed its acquisition of NYCE Corp. **Steven A. Rathgaber**, NYCE's Executive Vice President and Chief Operating Officer, will become President in addition to his COO position. Dennis F. Lynch, NYCE President and CEO since 1996, will leave the company.

Rathgaber has been Executive Vice President and COO of NYCE Corporation since 1997, responsible for managing the daily operations and ensuring that the company met its business plan and key performance objectives. He also manages sales, business development and the EFT business. Rathgaber joined NYCE in 1991 as Vice President of Operations and oversaw the creation of the NYCE Data Center. Rathgaber is also Chairman of the Board of Everlink Services, Inc., a Canadian-based joint venture between NYCE and Celero Solutions.

Rohrer and Reeves Fill Key Positions at CardSystems

CardSystems Solutions, Inc. appointed **Cabot Rohrer** to Senior Vice President, Operations and **William Reeves** to Vice President, Marketing.

Rohrer brings more than 18 years of payment processing experience to CardSystems. Prior to joining CardSystems, Rohrer was General Manager of First Data's Caribbean Operations. Rohrer has also held leadership positions with Citibank and Card Establishment Services.

Reeves most recently served as the Vice President, Product Management with FleetCor Technologies. Prior to joining CardSystems, he held management positions with NOVA Information Systems, Delta Air Lines and Federal Express.

Siembieda Appointed to ETA Advisory Council

J. David Siembieda was appointed to the Advisory Council for **Electronic Transactions Association** (ETA). In this role, Siembieda will work closely with the Board of Directors to set policies and objectives for ETA. Siembieda is the President and CEO of CrossCheck, Inc., and has also held the positions of Executive Vice President of Sales and Marketing and Vice President of Consumer Relations and Legal Affairs. He is a member of the Infrared Data Association and NACHA's Electronic Check Council.

How to Close the Deals that Close Other Deals: When One Sale Begets Many

By Thomas Lineen
Cynergy Data

A gent banks. Associations. Chambers of commerce. Organizations like these are powerful targets for ISOs/MLSs. Sell one, and you've opened the door to many others.

But selling to banks and member-based organizations requires a little bit more work, a little bit more know-how, and a lot more preparation. Following are some pointers to help you land these types of customers:

Get in the Door

With larger organizations and associations, getting in the door can be your biggest hurdle. Often, it's about whom you know, and/or who knows you. The more active you are in your community, the better off you'll be. So join, join, join: the local chamber of commerce, the Better Business Bureau, the PTA. Join, be active and contribute.

Develop relationships with your fellow members, and ask

> Remember that a member-based organization has one primary objective: to get and keep members. With that in mind, any program you design for such an association should offer a direct and useful benefit to members, reinforcing the organization's image as a valuable resource and, in that way, helping the organization recruit and keep members.

them to refer your services whenever possible. Reward recommendations fittingly. And when you call a prospective client to set up an appointment, always lead with the name of your mutual acquaintance, and follow immediately with a benefit.

Look the Part

Meeting with bank executives? This is probably not the best time for your sweat pants and college t-shirt. Organizations that do business with you are counting on you to represent them to their members and the community. This means you have to look like they do.

In fact, it means every part of your organization has to look the part. Anyone who stands in front of the customer and any marketing/sales materials that are put out to the customer, have to look like part of your client organization.

Convey History and Experience

This really is a continuation of the previous point. After you've made your first impression, you need to communicate that you can handle the job. Maintain a strong Web presence and make sure all your communications, from your telephone messages to letters to print materials, are all targeted and professional.

Make Sense and Cents

Don't waste your time trying to sell ice to an Eskimo. Your program must deliver easy-to-see benefits to the organization and its members; if it doesn't, there's no point investing your time, money or energy to try to sell it.

Obviously, price is a logical place to start. If you can save the organization and/or its members money, you'll want

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to let them know that from the start. If you can't, you'd better have some unique and valuable benefits to offer.

Remember that a member-based organization has one primary objective: to get and keep members. With that in mind, any program you design for such an association should offer a direct and useful benefit to members, reinforcing the organization's image as a valuable resource and, in that way, helping the organization recruit and keep members.

Wherever possible, you want to help the association market the new program to members. If you can't actually manage the program yourself, at least provide some tools the organization can use to get the word out. Letters to members, brochures, newsletter copy, even ads and inserts, will all help sell your program…to both the organization and to its members.

Keep It Simple

While creating benefits for your new client organization, you certainly don't want to create headaches. Remember, your primary job is to uphold, if not improve, the organization's reputation; to make it look better in the eyes of its customers.
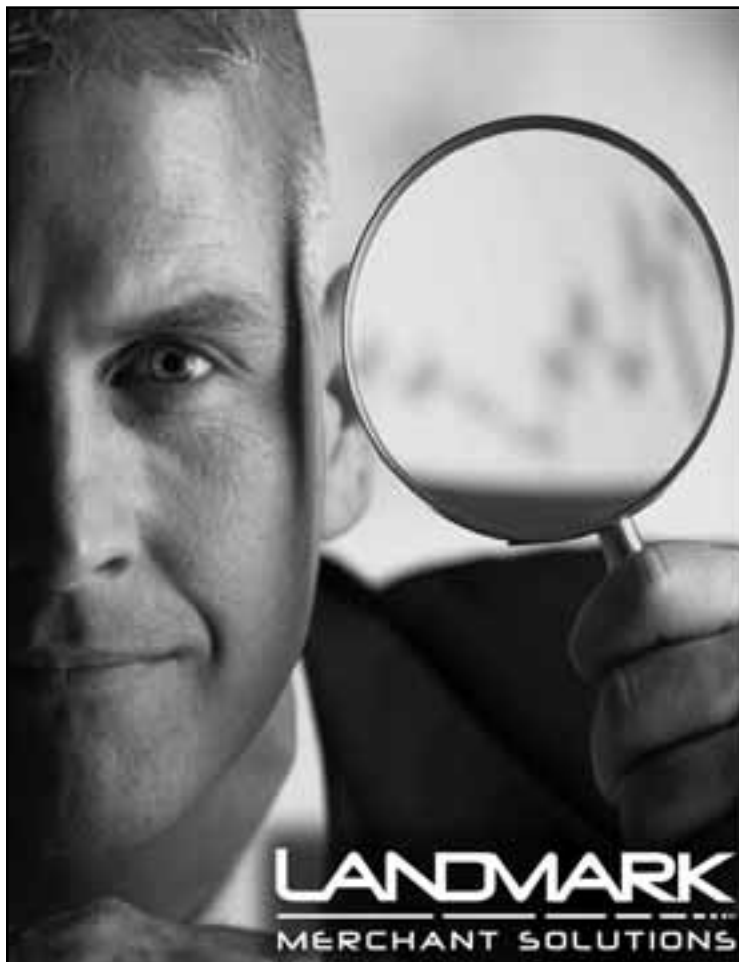
To do that, your sales, customer service and underwriting must be near perfect. You must underwrite accounts in a proper and timely fashion and pay residuals accurately and on time.

Systems must be in place for seamless processing, responsible information tracking and reliable reporting. Respond to problems and questions quickly and professionally, and you'll boost satisfaction and loyalty.

Thomas Lineen is the Sales Director, ISO Channels at Cynergy Data. Cynergy Data is 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 our ISOs and merchants need to be successful, and to back it up with honest, reliable, supportive service. For more information on Cynergy Data contact Nancy Drexler, Marketing Director at nancyd@cynergydata.com .

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Insider's Report on Payments
The Debate Over POS Debit Fees

By Patti Murphy

Which party should be responsible for informing customers of a bank's policy of surcharging cardholders who use PINs to authenticate debit transactions: the card-issuing bank or the merchant? And just how responsible should cardholders be for reading and understanding banks' fee disclosures?

This is the crux of an argument simmering beneath the surface in Washington D.C. these days. Whether it gets resolved there or in the marketplace is up for conjecture, and is more than just a bit contingent on this year's Congressional election results. But if bankers are serious about promoting electronic payments and processes as replacements for checks and cash, the existence of this argument should be seen as a clarion call for sensibility.

Creating new fees isn't a sound long-term strategy for replacing the lucrative revenue streams from the traditional checking account relationship. Why would well-informed consumers pony up $1.00 – $1.50 to use a PIN with their debit card, say at a supermarket, when they can write a check, use the signature authentication feature of the debit card, or even use a credit card at no extra charge to them?

Here's how a guy from College Park, Md., put it in a recent letter to the Federal Reserve:

"I had no idea that these fees existed, nor that banks are receiving transaction compensation from the retailers as well." He went on to express his "outrage" over banks "reap[ing] the benefits" of consumer confusion.

Surcharging has been in the spotlight lately as banks seek ways to allay balance sheet implications of the so-called "Wal-Mart" litigation. In settling that litigation, which called into question Visa and MasterCard "honor-all-cards" rules, the bank-owned card Associations agreed to pay in excess of $3 billion to retailers (in effect, refunds on past signature debit interchange charges); to slash interchange on signature debit card payments; and to eliminate the honor-all-cards rules.

Banks have a history of success in surcharging debit card users. In the mid- to late-1990s, when some banks began assessing surcharges to non-customers using their ATMs, consumers at first were outraged. Today, non-surcharge ATMs are an exception rather than the rule. And these "foreign" transaction fees are a crucial component of any business case for ATM placements by banks and non-banks alike.

(Okay, before the lawyers start calling, technically the POS fees are not called "surcharges" but "debit card fees." I use the terms here interchangeably.)

Now a variation on the trend is emerging at the point of sale. NYPIRG, the New York chapter of the Public Interest Research Group founded by Ralph Nader, reports that in 2002 57% of New York banks imposed POS debit card fees. Banks adding surcharges and identified by NYPIRG were largely New York regional banks, but anecdotal evidence suggests the surcharging trend is underway in other regions as well.

The fees NYPIRG identified in 2002 averaged $0.89 a transaction; today many card-issuing banks are charging fees of $1.00 or more when a consumer uses the PIN feature of his or her ATM debit card at a store.

"Consumers come to [our members] with their bank statements and express their surprise, to put it mildly, that they have been charged for entering a PIN. Once we overcome their disbelief and explain the true source of the charge, the customers' anger is immediately directed at their banks. But this job should not be the retailer's responsibility."

– Mallory Duncan,
NRF Senior Vice President and General Counsel

It was the NYPIRG report that piqued the interest of lawmakers, and earlier this year Democrats on the Senate Banking Committee asked the Fed to study the issue and report back to Congress this November.

In response, the Fed, in May, requested public comments on whether existing disclosure rules (contained in the Fed's Regulation E, which covers EFT) are effective in making consumers aware of the fees they pay for using the PIN feature of their debit cards at merchant checkouts. The Fed said it's also looking into the prevalence of these fees and the feasibility of requiring real-time disclosures at the point of sale.

Retailers Are Mixed

Consumers are not alone in their displeasure over POS debit fees. The National Retail Federation (NRF), the Washington D.C.-based trade association, complained in its comment letter to the Fed, last month, that banks are deliberately misleading consumers by making it appear that the fees are imposed by store owners.

Typically, a statement from a bank that imposes these POS debit charges includes a separate line item indicating the fee amount and where it was incurred, say at a Safeway store. That line item appears next after the POS debit amount. Nessa Feddis, a lawyer with the American Bankers Association (ABA), explained that the location name is required under Reg. E.

NRF wants the Fed to amend Reg. E to require that banks provide signs or some other form of disclosure explaining the fee at the merchant's checkout.

"Consumers come to [our members] with their bank statements and express their surprise, to put it mildly, that they have been charged for entering a PIN," said Mallory Duncan, NRF Senior Vice President and General Counsel.

"Once we overcome their disbelief and explain the true source of the charge, the customers' anger is immediately directed at their banks. But this job should not be the retailer's responsibility."

Annual bank account disclosure statements aren't enough, Duncan added. "Only a concrete disclosure at the point of sale will make it clear and allow consumers to effectively comparison shop among banks and encourage efficiency in the marketplace."

Feddis of the ABA counters that the onus should be on consumers. She contends that consumers rarely read bank disclosures or review their monthly statements. "It's a bit disingenuous to say banks aren't providing adequate disclosures," Feddis said.

Target, the retailing giant, isn't convinced that POS disclosures will help. "We believe that the card-issuing banks should improve their disclosures, but we strongly oppose the idea of disclosure at the point of sale," wrote Terrence J. Scully, President of Target's financial services unit.

Scully's letter, like those from Duncan and others, takes issue with the manner in which banks disclose the fees on monthly account statements. "Banks need to clearly state that it is the bank imposing the fee, not the merchant," he said.

Banks and Lessons Learned

Feddis insisted during a telephone interview that banks

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provide debit card fee disclosures at various times, and that the POS debit fee is disclosed on monthly account statements using the same conventions as ATM fee listings. If retailers want consumers to know about debit card fees at the point of sale, let the retailers explain it, she countered. "There's nothing that prohibits them from telling customers," she said, suggesting that retailers post their own POS signs notifying customers of potential surcharges.

Clearly, banks are within their rights to assess these fees. But they need to be sensible. Is it really worth alienating millions of consumers who might otherwise willingly transition their check payments to debit cards for some short-term gains in fee income?

My friend Richard Crone said it is. Crone, a consultant with Edgar, Dunn & Co., has spent years in the payments space. He said banks are "leaving money on the table" if they don't charge consumers for the "convenience" of using their ATM cards at the point of sale. "As long as the fee is reasonable, the demand is inelastic," he said.

But what's "reasonable"? I might be missing something, but it strikes me that charging $1.00 or $1.50 at this early stage in the trend isn't reasonable. And if the comments sent to the Fed are any indication, I'm not alone.

Clearly, banks are in a bind. It has been estimated that banks collect in excess of $6 billion a year in NSF and similar fees assessed consumers who (for whatever reasons) can't properly manage their checking accounts.

Much of that money will evaporate when real-time authorization of checks and debit card payments becomes the norm. The potential is already here with products like ACH check conversion and Visa's POS Check service, and PIN-based debit, too.

Sure, merchants don't want to turn away sales, but they also don't like write-offs. If these services prove viable, it's a good bet merchants will step up adoption.

But price-conscious consumers don't want to pay for something they perceive as benefiting merchants or the banks, rather than consumers. I discussed the matter with my husband recently. David is a poster child for EFT who prides himself on not having been inside a bank branch in nearly two decades. He was incredulous: "What, now they want to start charging for that? I might as well use a credit card," he said.

Now, that's good news for card-issuing banks, and certainly for acquirers, but the ATM networks will lose precious POS volume, and retailers will end up paying pricey credit card interchange rates if many other consumers adopt an attitude like David's.

For years banks have been giving away checking account services, and not surprisingly, consumers have come to expect that all services tied to their checking accounts should be free.

While banks might have sensible reasons for wanting to recoup diminished revenues that result from shifts in consumer payment preferences, POS PIN debit surcharges of $1.00, or more, is not a sensible response to the problem.

The Fed continues to study the situation, and in its report to Congress this November could recommend new and clearer disclosures by banks of POS debit card fees. One way to avert government dictates is for merchants and banks (as a group) to cooperate on POS information. Another way is for bankers to come to their senses and not let POS surcharges become standard fare, especially this early in the transition.

Let's not forget, it took more than a decade of ATM adoption before ATM surcharges took hold. POS PIN debit is still a relatively new phenomenon; it needs time to grow.

Patti Murphy is Contributing Editor of The Green Sheet and President of The Takoma Group. E-mail her at patti@greensheet.com .

"You Tell Us" July 2004 Survey Results

For more than 20 years, The Green Sheet, Inc. has provided timely coverage of the rapidly expanding and evolving payment processing marketplace.
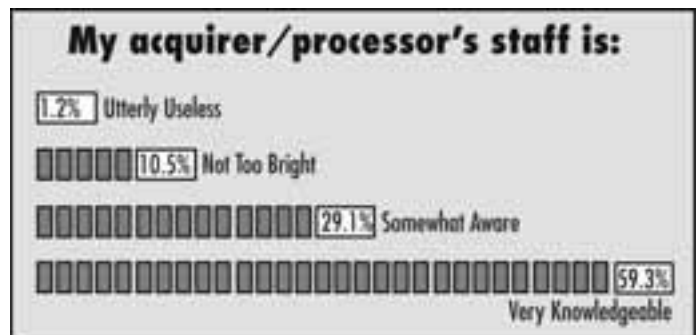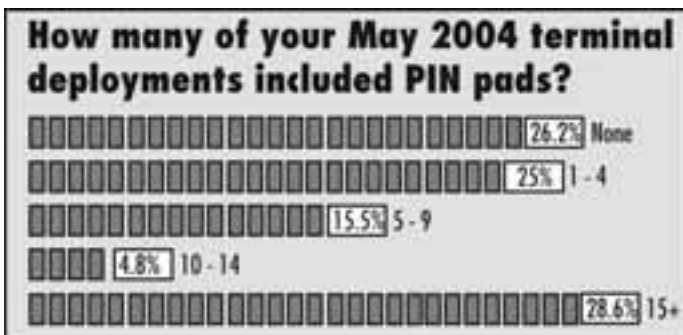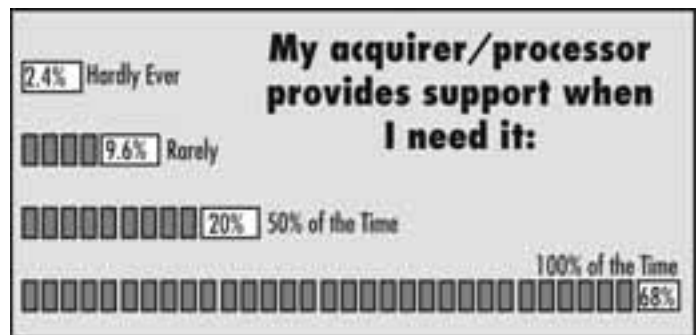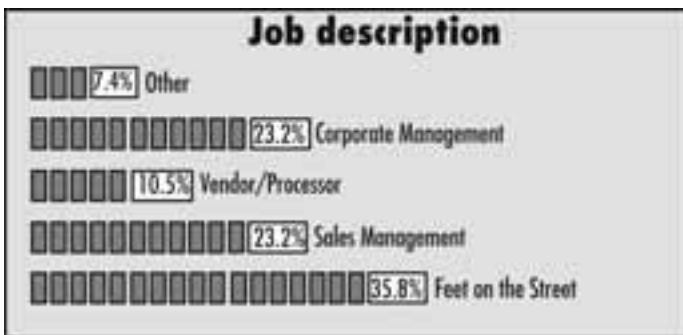
In our continuing efforts to provide useful and actionable information for you, the merchant level salesperson (MLS), we developed a monthly online survey with Cynergy Data to find out what you want and need to succeed in this industry.

Your answers provide us with insight about the tools and information we provide. The Green Sheet wants to bring the right information to the right people in the right way!

We use a third-party survey management service to ensure the poll results are blind and that each participant responds only once.
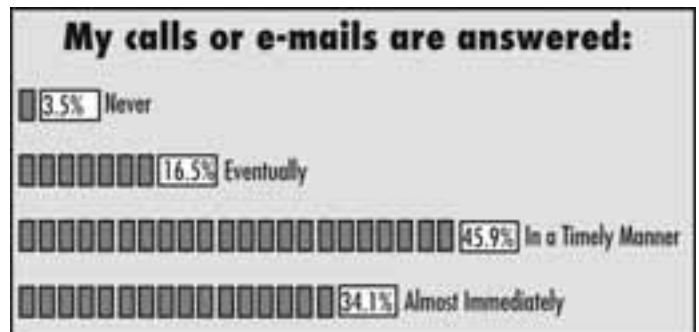
We post a new "You Tell Us" survey every month on www.greensheet.com . We announced the results of our previous survey last month ("'You Tell Us' June 2004 Survey Results," The Green Sheet, July 26, 2004, issue 04:07:02). Following are July's survey results:

Job description

- 7.4% Other
- 23.2% Corporate Management
- 10.5% Vendor/Processor
- 23.2% Sales Management
- 35.8% Feet on the Street

My acquirer/processor provides support when I need it:

- 2.4% Hardly Ever
- 9.6% Rarely
- 20% 50% of the Time
- 68% 100% of the Time

How many of your May 2004 terminal deployments included PIN pads?

- 26.2% None
- 25% 1 - 4
- 15.5% 5 - 9
- 4.8% 10 - 14
- 28.6% 15+

My acquirer/processor's staff is:

- 1.2% Utterly Useless
- 10.5% Not Too Bright
- 29.1% Somewhat Aware
- 59.3% Very Knowledgeable

• Most of you indicated you would choose to do business with a company based on quality of service (87.4%) rather than low price (14.7%).

We update the poll with new questions every month, and the August 2004 survey is now live. Please visit GS Online and click on one of the "You Tell Us" links to respond. It takes less than five minutes to complete and responses are anonymous.

If you have questions you'd like to see added to an upcoming poll, please send them to julie@greensheet.com .

My calls or e-mails are answered:

- 3.5% Never
- 16.5% Eventually
- 45.9% In a Timely Manner
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Avoid the Churn: Seeking a More Profitable Portfolio

By Michelle Graff
NOVA Information Systems

"To give real service you must add something which cannot be bought or measured with money, and that is sincerity and integrity."
– Douglas Adams, Writer

Businesses are under intense pressure to increase top-line revenue and implement best practices that improve the bottom line. The competitive nature of today's marketplace in the payments industry makes the high rate of customer churn a devastating problem for many firms. In some cases, companies experience attrition rates in excess of 15 – 25% annually.

Losing customers has a dramatic impact on an MLS's business. Not only do loyal merchants spend more, purchase more value-added products, and often refer additional customers, but essentially, attrition drives market prices lower and leads to lost profits and higher customer acquisition costs.

Analysts estimate that acquiring a new customer is five times more expensive than keeping an existing one. With this in mind, it's clear that merchant retention is crucial. As competition for new customers grows more intense, acquirers and MLSs must focus more on cross-selling and up-selling to existing customers.

Unfortunately, the complexity of selling to new customers while managing a customer base that has a variety of POS solutions and application needs makes cross-selling/up-selling easier said than done.

Marketing to the Base

When armed with a better understanding of customer preferences and needs, successful companies can maximize the impact of every customer contact and dramatically improve retention rates. Offers and programs tailored to specific target accounts that present a true value proposition help increase customer loyalty.

Avoid the "one-size-fits-all" formula. Learn from the consumer product companies. Don't send a coupon for dog food to everyone, including people who don't own a dog. Targeted promotions based on a blend of customer attributes help your message resonate with the particular audience by demonstrating the value that the offer will add to their business.

An organization that drives a deep understanding of the customer into the sales process; has clear insight into customer behavior; and empowers reps to become trusted advisors will succeed in exceeding customer expectations and increasing customer loyalty. With a strong understanding and foundation in place, companies can enjoy increased account penetration, better close rates and higher profits.

Ideas to Drive Change

It all begins with a blank pad of paper and a closer look at your merchant portfolio. Spend time analyzing your merchant data to really know and better understand your highly valued customers. Your goal is to be well connected to those customers so that you can better retain them.

Segment your base by market, volume, length of service, application and solution needs, and profitability. Now find a common denominator among each segment and think of opportunities to go back and touch that merchant again with clear goals in mind for cross-selling, up-selling and improving retention. Let's explore a few ideas relevant to our industry.

The "Little Gray Box" Program

I think it's finally safe to say that the era of selling or re-programming one-dimensional terminals (a.k.a. "little gray boxes") is finally coming to an end. The terminal vendors are rightfully rejoicing, and MLSs are now armed with many reasons why a merchant should finally buy a new terminal. All-in-one designs save counter space and eliminate extra cables and powerpacks. Plus, ATM-style interfaces are the only way to go for merchants that experience a lot of clerk turnover.

The Security and Compliance Program

The card associations are continually enhancing security regulations to stay a step ahead of fraudulent activity. Use the new regulations to educate merchants about fraud and the new solutions that address it. Identify merchants in your portfolio that have:
- terminals that do not truncate account numbers
- non PED-compliant PIN pad devices
- a lot of Internet orders and could be helped by Code 10 processes.

Educate merchants about the risks and costs associated with fraud, and convince them to upgrade to newer solutions to better protect their business and their cardholder data.

The MO/TO Program

If you have a number of merchants that process phone- and mail-order transactions, two programs come to

mind. First, determine whether using a terminal is really the right solution, or if POS software might be better suited to their needs. Additionally, find merchants in your base that are using solutions that don't support CVV2/CVC2 or AVS.

Talk to them about interchange qualification rules, chargebacks and the associated costs. If you can become a trusted advisor in the area of fraud prevention methods and in recommendations to reduce chargebacks, you will improve the loyalty of that merchant.

Value-add Program

The true secret for improved merchant retention is to get more hooks into the customer relationship. And the best way to do that is to sell value-added applications, such as electronic gift cards, electronic check conversion services and prepaid card programs. Once again, it's important to segment your market. Not every merchant is a target for every value-added service offering. Additionally, the value proposition for different value-added services will change depending on the merchant environment.

For example, the drivers for check conversion might differ between dry cleaners (high volume, low average ticket, low risk) and computer electronics merchants (low volume, high average ticket, high risk), but they are both good candidates for check conversion. Tailor your programs to address the specific needs of each target audience.

Maximizing the Acquirer Relationship

The businesses that succeed will be armed with the right data to design meaningful (and profitable) programs. This is where the relationship you have with your acquirer partner is important. A processor/acquirer that has a dedicated MLS relationship management team can do much more for you than a pure processor that simply routes transactions. A strong account manager holds the key to merchant demographic and processing information.

If you use an acquirer to obtain all of your services, you can work with them on mining the data in your portfolio and designing programs that really pay off. Just as you strive to build loyalty with your merchants, acquirers are interested in building loyalty with you. A strong mutual relationship will go a long way in improving your overall business.

Michelle Graff is Vice President of Marketing for NOVA Information Systems. You can e-mail her at michelle.graff@novainfo.com .

Company**Profile**

GLOBAL
ELECTRONIC TECHNOLOGY

Global Electronic Technology, Inc.

ISO/MLS contact:
Scott H. Bryson, ISO Relations
Phone: 888-775-1500
e-mail: scottb@gettrx.com

Company address:
23332 Mill Creek Drive, Suite 125
Laguna Hills, CA 92653
Phone: 888-775-1500
Fax: 949-380-0248
Web site: www.gettrx.com

ISO/MLS benefits:
• Ability to approve and effectively manage high-risk merchant types
• Reseller of equipment providing 24/7/365 Class-A support for all major terminal types
• Second year of CISP certification of the SafeGuard Gateway, which provides recurring billing engine for municipalities, utility companies, membership-based businesses and associations
• Customized reporting, data import and export options

GET-ting Stronger With Innovation and Technology

Building a company is like jumping out of an airplane: It's always a risk, but you know you can rely on your experiences and hard work, just as you would rely on your harness and parachute, to help you land safely on your feet. And once you've done it, the next time doesn't seem quite as intimidating.

The CEO and founder of Laguna Hills, Calif.-based Global Electronic Technology, Inc. (GET), Steven H. Bryson, has used his varied experiences in payments to grow several companies. GET, his latest venture, is a full-service provider of payment processing systems and services, including credit and debit card, EBT, loyalty and gift card, online check, check guarantee and verification processing.

The company offers a proprietary Internet gateway with a recurring billing model and an Internet storefront; it is also a reseller of POS equipment, offering terminals below their cost.

GET's customer base is made up of 80% retail; 10% municipalities; and 10% high risk. "Our recurring billing, our virtual products and our Internet gateway make us ideally compatible with today's municipalities, power and utility companies," Bryson said.

Bryson has substantial experience in the payments industry, and he learned how to take risks early on:

He is a three-year veteran of an elite unit of the U.S. Army's 82nd Airborne Division.

Bryson began his career in 1992 at Deluxe Data as a District Manager in sales, but worked there only four months before venturing off to start First Financial Processing Services, which he later sold to Lynk Systems, Inc. in 1995.

Bryson worked at Lynk for three years and became one of the top regional managers, growing the company's western U.S. region. Bryson eventually left Lynk and founded GET in June 2000.

"I noticed that our industry tended to be top heavy with people lacking technical experience and prowess," Bryson said. "The systems that the bankcard operated on then and today are legacy systems: older systems that lack the robust infrastructure with today's technology."

So in 2002, Bryson acquired a majority interest in Strategic Systems Group, Inc. (SSG), a mid-sized consulting firm, in business since 1991, that develops and implements ERP solutions and provides ongoing consulting services for companies such as Airborne Express, DHL and Motorola.

Bryson said he also acquired SSG for its knowledge workers. For instance, SSG's Chairman and founder, Brian Iimuna, is now the President of GET. Bryson also hired Kevin Hoehn to

> **"[I] was impressed with the way Bryson conducts his business... Bryson is a man of integrity and of his word. I would not put all of my eggs in one basket if I did not have total confidence in him."**
>
> – Moses Heredia
> President,
> Global Electronic Technology
> of Los Angeles

serve as Chief Operating Officer. Hoehn started his career with Imperial Bank, managing both risk and credit operations. He also worked at Comerica Merchant Services as VP Operations Manager.

"We've been able to do things such as CISP certifications and build front-end applications, and we've been able to do it in a 10th of the time it takes our larger competitors," Bryson said.

GET has achieved Visa Cardholder Information Security Program (CISP) compliance two years in a row; its most recent certification was in November 2003. "It means that our customers and business partners can feel comfortable about doing business with us, and that their cardholder data will be safe," Bryson said.

GET has also developed a proprietary gateway system, the

Safeguard Internet Gateway, which enables businesses to authorize, process and manage credit card transactions from any computer with an Internet connection and a Web browser. The system is ideal for businesses, both large and small, that enter credit card transactions manually for mail- or phone-order sales.

Safeguard Internet Gateway provides virtual terminal and billing page functionality; sales reporting by card type, product type, time period and customer; deposit and funds-transfer reconciliation; chargeback reconciliation reporting; e-mail notification for account management; and integration with merchant systems.

The product also offers a Secure Sockets Layer (SSL) or Virtual Private Network (VPN) connection for larger businesses, which enable orders and payments to be

processed directly from the businesses' own back-office processing systems.

GET has about 20 employees at its headquarters, which does not include its sales staff and network. Bryson said GET has sales offices throughout Southern California: in Laguna Hills, Long Beach, Torrance and San Dimas, and ISO representation in 39 states. The company also employs seven full time developers, who work externally, but solely, with GET.

The company has risk, underwriting, administrative, accounting, customer service, technical support, deployment and distribution departments. It also is a reseller of POS equipment for Hypercom Corp., VeriFone, Inc. and Exadigm, Inc.; GET is Class-A certified with all of them and offers 24/7 Class-A support for the products.

In a recently formed one-year partnership with Hypercom, GET is now the sole provider of Class-A support for all of Hypercom's equipment being sold in the Western region. Class-A support means that GET does the terminal deployment and downloads, and it runs all systems from its headquarters, for both hardware and software.

"At GET the customer is always number one," Bryson said. "We understand that commerce is a 24/7 operation, so we must correspondingly adjust to this face of business. Providing 24/7 Class-A support is a logical, yet necessary step for us to take if we are to remain a leader in the POS industry."

GET is in the process of hiring more customer service and support representatives, all bi-lingual, to accommodate this higher level of service and to handle its growing business.

"We're experiencing approximately 19% per month growth," Bryson said.

GET sells through the ISO and merchant level salesperson (MLS) sales channels; however, Bryson said, "We are currently open to expanding direct sales offices and funding those offices in marketplaces around the country. We do have a small mid-market direct sales force here in Orange County."

Moses Heredia is President of Global Electronic Technology of Los Angeles, an ISO/MSP that has been working with GET since October 2003. Heredia's company processes credit and debit, check, gift card, loyalty and EBT and sells POS terminals to small- and mid-sized merchants and municipalities. He said his customer base is 65 – 75% from the Latin communities.

Company**Profile**

Heredia, who worked with National Processing Co. for 10 years before starting his own company, has known Bryson for 13 years. He recently started his own ISO and partnered exclusively with GET because he "was impressed with the way Bryson conducts his business…Bryson is a man of integrity and of his word. I would not put all of my eggs in one basket if I did not have total confidence in him."

For ISOs and MLSs, GET designs a compensation structure depending on their needs and the size of their portfolio. "Each individual program is tailored to the needs of the individual," Bryson said.

Another attractive benefit for ISOs/MLSs is GET's partnership with Merrick Bank, which allows the company to offer Bank Identification Number (BIN) relationships to its ISOs/MLSs.

"I'm one of the few small ISOs that has multiple BINs that I own," Bryson said.

A BIN is a unique six-digit number assigned by the credit card associations to member institutions to use in processing transactions. The number identifies which credit network a card belongs to, and which bank issued it.

Having access to BINs allows smaller businesses direct access to financial sources and eliminates the middleman, allowing more immediate transaction processing.

"We cut out the middlemen by offering BIN relationships, thereby giving our ISOs direct access to the card associations and the bank," Bryson said.

Heredia said he likes knowing where he stands with each account with GET, and the BIN relationship works well for his business. "It's been a great experience, and it means a lot to me and my agents."

From the beginning, Bryson has had his vision set on building a global company, and not only does GET's name reflect this, but so do its customers and alliances. GET has customers all over the world; Bryson also owns companies in both Eastern and Western Europe and in the West Indies.

He is currently seeking additional companies to acquire. "I am continually searching the globe for banking relationships and the formation of processing entities in other regions of the world," he said.

"I am currently and aggressively pursuing those avenues, and we already have several organizations that are live today."

Dino Sgueglia, President

Feature

Canada's Retail ATM Market Beginning to Consolidate

By Ann All
ATMMarketplace.com

Originally published on ATMMarketplace.com, July 27, 2004; reprinted with permission. © 2004 NetWorld Alliance LLC. All rights reserved.

According to some Canadian ISOs, their country's retail ATM market tends to lag 18 to 24 months behind the United States. Turn the calendar back that far, and one would see a flurry of acquisition activity in which tens of thousands of ATMs changed hands in the U.S. Among the high profile buyers: Cardtronics, eFunds, Innovus and Access to Money. Though the pace of deals in Canada has not reached that level, it is beginning to pick up, say industry observers.

Maturing Market

"You're seeing a more mature market now," said Gordon Metcalfe, Chief Executive of Ezee ATM, a Toronto-based ISO. "You've got some small guys who are getting tired of the industry, and they're ready to sell. They're tired of

> "You're seeing a more mature market now. You've got some small guys who are getting tired of the industry, and they're ready to sell. They're tired of being on call seven days a week and having their cell phone ring at 11 p.m."
>
> – Gordon Metcalfe
> Chief Executive, Ezee ATM

being on call seven days a week and having their cell phone ring at 11 p.m."

Metcalfe, an entrepreneur and former owner of several Dave & Buster's nightclubs, said he used his own equity to make eight small acquisitions, including E*Trade Access' Canadian portfolio, before obtaining venture capital from the Newport Partners investment firm in April. Earlier this month, Ezee purchased a portfolio of almost

700 ATMs operated by Montreal's Meta-4 Business Networking Solutions for $5.6 million (U.S. $4.2 million) from technology firm CGI Group.

Metcalfe entered the market in early 2001 with two ATMs at his own clubs. From the beginning, he intended to build an ATM network largely with acquisitions rather than organic growth. "A lot of the high-volume sites were already taken," he explained.

With a staff of just three full-time salespersons, Metcalfe said he doesn't expect to sell more than five machines a month. Following the Meta-4 acquisition, however, Ezee has become one of Canada's largest independent ATM operators with some 2,000 machines. Metcalfe claims to have a handful of smaller deals in the works.

A flurry of acquisitions last month included Calgary, Alberta-based DirectCash's purchase of three small portfolios, a total of some 450 ATMs, and Portland, Ore.-based TRM Corp.'s purchase of 72 ATM locations from Mighty Cash Financial.

Ron Waxman, Chief Operating Officer of Quebec-based Frisco Bay Industries, said that companies with ample capital, like his, are trying to consolidate blocks of ATMs.

Like Metcalfe, he said the number of high-volume sites in Canada is dwindling.

"The 'A' sites are disappearing, so now you're talking about growth in the 'B' and 'C' sites. Renewals are where people are spending their time," he said. "The smaller guys want to sell while their portfolios still have value."

Variable Value

But value is in the eye of the beholder, said Ken Nichols, President of Edmonton, Alberta-based Cash N Go, a company with some 1,000 ATMs under contract. While there is "more willingness" to sell now, he believes many of Canada's prospective sellers are asking too much for their portfolios.

"There isn't a good formula for coming to a price," Nichols said. "You can try using the traditional models like multiples of EBITDA for an ATM business, but it's tricky. You've got to factor in the quality of earnings versus just the earnings themselves." Cash N Go and other large Canadian ISOs are adopting a "more cautious approach" than their brethren in the United States and the United Kingdom, Nichols said, believing that some operators in those markets have paid inflated prices for ATM portfolios.

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Frisco Bay, which provides security systems and other equipment for financial institutions, in February of 2003 paid $6.3 million to acquire the 50% of Frisco/ATMs Limited that it did not already own. The company estimated that the network of some 1,300 ATMs would yield in excess of $1 million in annual earnings before interest, taxes, depreciation and amortization (EBITDA).

Four months later, Frisco Bay raised $2.2 million to retire part of the debt through a private placement of 243,100 shares of common stock. Following the placement, the company announced its intent to seek a listing on the Toronto Stock Exchange. In January, Frisco Bay agreed to be acquired by Stanley Security Solutions, a subsidiary of toolmaker The Stanley Works, for $45.3 million.

While ATMs weren't a part of Stanley's strategy, Waxman said, Stanley has expressed interest in growing the ATM business beyond the current 1,700 machines, and the infusion of capital from Stanley should help. "It's changed the playing field for us."

Consolidation is a natural result of fierce competition and a crowded market, Nichols said. "Once the margins start shrinking, consolidation begins. We've seen the high margins come and go."

What's Your Hurry?

Mischa Weisz, President and Chief Executive of TNS Smart Network, a company that provides transaction processing for 100 ISO clients, said that Canadian ATM deals are "few and far apart" and will likely remain so, at least for the near future. "It's all about timing," Weisz said. "Lots of folks still have enough machines going out there; there's no reason for them to sell yet."

"The market is maturing, but there's still a lot of business out there," agreed Peter Zoumboulakis, Vice President and General Manager of eFunds' Canadian ATM division. "I'm starting to hear a lot of people say they're interested in selling, but they're in no rush to do so."

Unlike the United States, where eFunds became a major ATM consolidator by purchasing the portfolios of five independent operators in 2001 and 2002, Zoumboulakis said in Canada eFunds will focus on providing transaction processing, cash management and other services to retailers, financial institutions and possibly other ISOs.

Link to original: www.atmmarketplace.com/news_story_20010.htm

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Heartland Files for IPO

Heartland Payment Systems, Inc., one of the largest bankcard acquirers in the United States, on Aug. 10, 2004 filed a registration statement with the Securities and Exchange Commission for an initial public offering (IPO) of its common stock.

Heartland did not indicate in a regulatory document how many shares will be offered or estimate the price of the IPO, information that is typically disclosed at a later date, but the stock offering could be valued at up to $75 million. The company has applied to list its shares on Nasdaq under the symbol "HPAY." Founded in July 1997, with a business investment of $1 million, Heartland has grown to become one of the largest privately owned payment processors, servicing a portfolio of $22.5 billion of annual volume. The company provides credit and debit card, payroll and related processing services to restaurant, hotel and retail merchants throughout the country.

In the GSQ 2003 Acquirers Report (December 2003, Vol. 6, No. 4), Heartland ranked 12th among billion dollar credit card acquirers (according to estimates, the company processed 217 million credit transactions in 2003). It was also one of the top 10 online (PIN) debit acquirers for 2003, placing ninth on the list with a total volume of 6.6 million transactions in 2002.

According to a Reuters report, Heartland's net revenue increased to $111.9 million for the quarter ending March 31, 2004, up from $76.8 million a year before. The company said the proceeds from the IPO could be used to repay $2.9 million of debt, redeem warrants to buy 1 million shares of common stock and for general corporate purposes. Heartland stated in documents it will not receive any proceeds from the sales of shares by holders.

Based in Princeton, N.J., Heartland said it currently provides services to more than 70,000 merchants with over 700 sales representatives, and it has more than 350 employees in operations, information technology, marketing, administration and management positions.

Heartland was named to *Inc.* magazine's 500 List of America's fastest growing private companies for 2003 based on financial growth rates over the previous five years. Heartland was also ranked 7th in the same publication's Top 25 Companies By Size category; *Inc.* published the lists in October 2003.

Prospectuses for the IPO are not yet available.

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Save The Eggs For Breakfast

Micropayments from Page 1

In its latest research on the subject of micropayments, research and consulting firm TowerGroup, Inc. found that micropayments are indeed an emerging market.

"As technology has advanced so have customer expectations and networks, and these factors are setting the stage for expanded micropayments growth across the mobile, Internet and physical channels," said Edward Kountz, Senior Analyst in the Emerging Technology Solutions practice at TowerGroup, Inc.

In other words, consumers and businesses want more options for payments for a wider range of dollar amounts and not only for credit and debit cards, but beyond traditional payment types, too.

The TowerGroup issued two new research reports this month by Kountz: *Electronic Micropayments: Market Development, Issues and the Potential Impact on FSIs* and *Making Sense from Cents: Trends in the Rebirth of Electronic Micropayments* (both of these reports are available for purchase from TowerGroup).

The three main delivery channels for micropayments are via mobile, Internet and "physical world" point-of-sale transactions. The biggest market right now for electronic payments is digital content, according to TowerGroup (the firm estimates Internet and mobile micropayments will grow 23% to more than an $11 billion market by 2009), although plenty of opportunities exist for replacing cash with electronic payments at the POS.

According to TowerGroup numbers, last year, consumers spent more than $1.32 trillion on transactions totaling less than $5, with the average payment being $3.72.

Although cash still reigns for small payment amounts at the POS, consumers are becoming more accustomed to using plastic. A 2003/2004 study by the American Bankers Association and strategy-consulting firm Dove Consulting found that payments made with cash and checks have decreased since 1999.

These types of payments now account for 47% of consumers' in-store purchases, compared to 57% in 1999, and 51% in 2001, and this is largely attributed to the use of debit cards, the study found. In 1999, debit was used in 21% of in-store transactions; in 2003 consumers used debit about 30% of the time to make in-store purchases.

In 2002, research and consulting firm Collective Dynamics, LLC published the results of its own study on consumer attitudes regarding non-cash micropayment (less than $20) options.

"We wanted to understand what was driving consumers' behavior for the way they pay for small-dollar things, and what would be their propensity to switch to another payment type other than cash," said Stephen P. White, Partner and co-founder of Collective Dynamics.

White said, when consumers were asked: If you could pay any way you wanted, how would you pay? "the majority of the respondents answered that they wanted to switch from cash, and debit was preferred over credit, in all chan-

nels. QSR was the most preferred channel, followed by convenience stores and gas stations.

"I think going forward you're moving to more of a proliferation of the acceptance of credit and debit at all locations that have traditionally been cash only, because the customer wants it," White said.

For many customers, paying with credit or debit is a convenience if they are often short on cash, even change. And customers tend to spend more using plastic, which is good news for merchants and the ISOs/MLSs who sell them bankcard-processing services.

Paying With Plastic Most Anywhere

More and more, merchant venues, some rather unusual and some not so unusual, recognize the importance of this growing market and are beginning to accept electronic methods of payment for small transactions.

For example, PepsiCo Inc.'s Pepsi Cola partnered with U.S. Wireless Data (now owned by TNS, Inc.) to bring a cashless payment option to Pepsi's vending machines in the United States.

As part of a program called eSuds, IBM and USA Technologies are connecting washing machines and dryers to the Web at colleges and universities in Indiana, Kentucky, Michigan and Ohio. The Internet-enabled machines replace traditional coin-operated machines by allowing students to charge the cost of each cycle to a credit card.

Cities across the United States, including Austin, Texas; Boston; Frederick, Md.; Galveston, Texas; Miami; Newport, Ohio; New Orleans; Seattle; and Savannah, Ga. are testing and implementing parking meters that accept credit credit cards for payment.

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QSRs to Take Credit Cards by Year's End*

McDonald's	8,000
Wendy's	5,850
Burger King	3,850
Taco Bell	3,300
Jack in the Box	1,800

Source: USA Today
*approximate

Get Quickly to the QSR

The most significant market right now for ISOs/MLSs is QSR. All of the top fast food chains either currently accept credit cards or will do so before the end of 2004.

A recent *USA Today* article reported Burger King's 600 company-owned stores and about half of its 7,700 franchisees accept plastic; all 1,300 company-owned Taco Bells will accept credit cards by the end of the year, along with 2,000 franchisees; about 90% of both Jack in the Box and Wendy's locations accept credit cards; and McDonald's is moving to accept credit for payment at up to 8,000 of its 13,500 U.S. locations by the end of the year.

This is great news for POS terminal manufacturers and for the ISOs/MLSs that sell them. For instance, VeriFone, Inc. won a deal in July with Burger King, which will install VeriFone's Omni 3750 payment terminals in all company-owned restaurants, and is supporting a program that offers the same solution to its franchisees.

Micro Interchange?

The credit card associations recognize this growing payments segment, too. Visa and MasterCard have added new debit interchange categories in 2004 for micropayments, such as for QSR, although they categorize these types of payments as "small ticket" rather than "micropayment." Visa U.S.A.'s CPS/Small-Ticket and MasterCard International's Small Ticket rates are both 1.60% + 0.04.

"For ISOs and MLSs, it's a niche market opportunity," said Ed Freedman, President and CEO of Total Merchant Services. "The days of bundling one discount rate for every card type have really changed a lot. There's now a whole new way of pricing merchants that didn't exist before. MLSs are embracing it as an opportunity to be able to go out and differentiate themselves in the marketplace."

However, for "small ticket" purchases totaling less than the average QSR dollar transaction (which TowerGroup estimates to be $14 on average), the Visa/MasterCard interchange rate structure is currently not a viable option for most merchants.

"From a merchant perspective, to be willing to pay a discount rate on a credit card or some type of fee on a debit card given that the dollar amount is so low,

and often the profit margin is already narrow, and to add more fees on that, accepting something other than cash becomes an economic issue," said Collective Dynamics' White.

"But I think Visa and MasterCard will have more new rules soon for small-dollar merchants, something other than their current interchange rate structure, because it's too big of a market for them to ignore. Why wouldn't they want to share in these small dollar payments that their current pricing model precludes them from participating in?"

Peppercoin is one software solutions provider offering a full solution to help make the acceptance of micropayments more profitable for both digital content and physical world goods providers. The product is called Peppercoin 2.0, and it is targeted to financial services and payments institutions.

The system enables card associations, banks and payment processors to offer larger merchants not only the ability to accept credit and debit for payment, but also the ability to handle and profit from low-value transaction processing.

"The pain that we solve is: relatively high transaction costs for low price point transactions," said Rob Carney, Vice President of Marketing for Peppercoin.

Peppercoin uses its own Universal Aggregation patented technology to aggregate multiple micropayments made by one consumer using a credit card into one larger lump sum payment for processing. The consumer is charged and billed the same amount, but the merchant only pays fees on one larger transaction.

Peppercoin has a direct sales force and does not currently work with any ISOs or MLSs, but the company is potentially looking to expand into that sales channel in the near future. "Our future business models have us licensing through multiple partners, so I think on a 'going forward' basis, it's appropriate," said Carney.

The micropayments, or small ticket, segment looks to be anything but a "micro" opportunity for ISOs/MLSs, but the challenge is finding viable ways for merchants of all types to profit from these types of payments, especially when dealing with transaction fees.

"I think interchange has been an addictive drug that [the card Associations] tried to make every type of payment device fit into an interchange type of model, but the world has changed," White said. "At some point, Visa and MasterCard will have to re-think the whole concept of interchange as an economic model for card acceptance at the point of sale."

City of Broad Shoulders Moves the Bar Higher

Chicago, also known as the City of Broad Shoulders and the City That Works, is where many different levels of payments professionals gathered July 28 – 30, 2004 to attend the second annual Midwest Acquirers' Association (MWAA) conference and a new seminar for the ISO/merchant level salesperson (MLS) community called "Field Guide for the Developing ISO."

Each of these events, both marked by high attendance and exceptional panel discussions, set a new standard for regional training in our industry, which means only good news for the hardworking feet on the street.

Field Guide for the Developing ISO

The "Field Guide for the Developing ISO" (FGI) is a collaborative, educational seminar independent of MWAA and hosted by Mark Dunn, Senior Vice President, Transaction Services of Universal Savings Bank. Dunn is also MWAA President.

Ambiron; Discover Business Services; The Green Sheet, Inc.; MWAA; The Phoenix Group; Point Transaction Systems USA, Inc.; and Universal Nationwide, LLC sponsored the event.

FGI provided five solid hours of expert advice, broken out into one-hour sessions. Each session had a lead presenter who gave a 30-minute presentation, followed by commentary from a panel of three to four experts, and concluded with a Q&A. This format was well received by more than 85 participants and proved to be conducive to lively discussion.

Ed Freedman, Total Merchant Services led the first session titled: "Blueprint for Your ISO." Freedman's lively presentation style helped start the day in a very upbeat manner. He focused on two major operations: getting set up for success and executing your business plan.

Freedman's presentation and the resulting dialogue targeted analysis of the processing agreement; compensation plan options; vendor selection; lead generation; closing; value-added services; and getting involved in the payment processing industry, in general.

Follow-up panelists included Scott Anderson, Omega Processing Solutions, LLC; Steve Moon, First Data Corp.; and Jeff Rubin, Newtek Merchant Systems. Each added his advice and insight on the subject, with the focal point being an analysis of the processing and compensation agreements.

Greg Cohen, Global Payments Inc. led the second meeting: "How to Grow Up in the ISO Business." This session began with a reading of Visa's definition of "ISO," followed by a discussion of what is not guaranteed by ISO registration. Cohen defined the four "tiers" of ISO evolution: from the lone independent contractor writing five deals a month, to the "super-ISO" writing more than 300 deals per month.

Cohen's presentation and the conversation following focused on ownership and portability of merchant accounts; underwriting and risk management; and the importance of management leadership within the ISO. Kurt Strawhecker, Strategic Management Partners, LLC; and Marc Gardner, North American Bancard served as panelists. The $10,000 registration fee and what it does and does not bring to the table for the ISO served as their focal point.

David Putnam, Resource Finance Company spearheaded session three: "Financing the Growth of Your ISO." Panelists John Rante, Online Data Corp.; Dave Beck, Copia Capital, LLC; and Mitchell Levy, Cynergy Data shared their experiences in financing business expansion; portfolio valuation; up-front vs. residual income streams; and debt vs. equity financing.

Putnam and the panelists stressed the importance of acquiring a basic knowledge of Generally Accepted Accounting Procedures (GAAP) as a requirement for successfully managing business growth.

After lunch, Jared Isaacman, United Bank Card, Inc. led "Contracting and Compliance," which focused on ISO processing and merchant agreements. David H. Press, Integrity Bankcard Consultants, Inc.; Holli Hart Targan, Jaffe Raitt Heuer & Weiss; and Randy Moss, Ambiron served as panelists. This meeting was a basic introduction to the complicated and highly regulated subject of contractual agreements.

Isaacman's presentation defined the different types of agreements and touched on the parties, terms, liability, ownership, compliance and compensation clauses of

these contracts. While stressing the need to obtain competent legal advice, each of the speakers shared their experiences in negotiating and/or reviewing contracts within the ISO/merchant context. The point was to dispel any notion of the "generic, standard" ISO agreement.

Steve Moon chaired the final session: "Generating More From Your Base," which addressed the question: Are my margins decreasing? Panelists included Alan Gitles, Landmark Merchant Solutions; Cory Gray, Digital Financial Group; and Vaden Landers, ProfitPoint, LLC.

Moon's presentation began with the discussion: What constitutes a margin? An overview of discount rates, occurrence fees, fixed monthly fees, annual fees and other products led to the conclusion that margins might not be decreasing, but rather diversifying. Moon's primary assumption was "you must first understand your costs to improve your margins."

The panel discussed various methods for increasing margins, including tiered pricing, unbundling rates and value-added products. And the dialogue revealed that the most important "value-added" product on the street is actually the sales professional. Various strategies for using the semi-annual association rate adjustments to increase sales activity were described.

Overall, the "Field Guide for the Developing ISO" is a strong new player in the regional ISO training marketplace. A few years ago the noise "on the street" was that a lack of training opportunities and information existed for the MLS. Today, there is real competition in this arena and a plethora of events, books and Web sites available from which MLSs can choose. If you missed FGI in Chicago, another seminar will be held Nov. 3, 2004 from 12:30 – 5:00 p.m., at the Western States Acquirers' Association Inaugural Meeting at the Sir Francis Drake Hotel in San Francisco, Nov. 3 – 4. For more information, visit www.fieldguideforISOs.com .

MWAA's Second Annual Conference

Directly following FGI, MWAA held its second annual conference. The two-day expo and seminar set a new attendance record for regional events in the industry with 523 total attendees, including 86 vendors; it was the largest bankcard acquiring conference to-date outside ETA's Annual Meeting and Expo.

This year, MWAA held its conference at Chicago's incomparable Drake Hotel, and the event was an unmistakable success. The venue, food, event orchestration and professionalism set a new benchmark for the regional acquirers' associations. MWAA's "secret weapon" was Tina Smith, a meeting planner for Carlson Wagonlit Travel/Viking Travel.

"Merchant level salespeople and sales managers make it a point to come to this event because it provides them with outstanding opportunities to develop essential contacts within the ISO community, meet vendors who sell to that community, and to obtain insightful information about the ISO world beyond their own sales territories," Mark Dunn said. Beyond the tremendous networking and educational opportunities, MLS attendees also had a chance to win copies of *Good Selling!ᔆᴹ 2* by Paul Green and one of 20 American Express Co. $500 gift cards that were given away during the event.

"The gift cards are our way to recognize that MLS attendees are making sacrifices to be here," Dunn said. "Attendees receive information and build relationships that will help them throughout their careers. The gift cards enable the winners to get a more immediate benefit as well."

The MWAA conference opened with a panel discussion on value-added products. The panelists were: Dale Humphries, Cignify; Patty Colby, VeriFone, Inc.; and Bob Carr, Heartland Payment Systems, Inc. These individuals offered their views on how the selling of additional products can contribute to the merchant portfolio.

The opening reception in the vendor expo hall immediately followed this gathering. The MWAA event echoed the "level playing field" approach to the vendor table expo, which was pioneered by the Northeast Acquirers' Association (NEAA). This approach to the vendor displays has proven to be successful for several reasons:
  • Promotes one-on-one conversation between
     vendors and attendees
  • Equalizes visibility among the vendors
  • Reduces vendor participation expense

Overall, the participating vendors reported that traffic to their booths and displays was better than anticipated. Even more importantly, the percentage of MLSs among the attendees was higher than at the larger, annual industry gatherings. This translates to a higher quality of prospective sales recruits for the expo participants. The only criticism of the event heard on the floor was a desire to have more time on the agenda for the sponsored expo.

Day two of the conference began with an equipment panel discussion. The "usual suspects": Hypercom Corp., Ingenico, Lipman USA and VeriFone, each touted their latest product improvements. "Multi-app," "triple-DES," "IP" and "certification" were the buzzwords here, and the uniformity of the presentations was their most striking feature.

Other presentations at the MWAA conference were:
  • Check 21: Fred Joachim, (formerly with TransFirst)

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The concluding informational session was the MWAA "Vision Panel." This year's panelists were: Corey Saftler, Integrated Leasing Corp.; Randy Sagar, National Processing Co.; John Rante; Kurt Strawhecker; and Ed Freedman. This panel gave voice to one of the most talked about, "hot button" issues in the industry at this time: education and certification of the MLS.

Saftler opened the discussion with an impassioned plea for education and certification. The other members of the panel echoed this need. Sagar called on each ISO to become responsible for "certifying" its sales team. He further emphasized the responsibility of each individual in the industry to act with integrity and honesty.

Rante shared his experience selling on the street using the "Brian Tracy" technique, which he paraphrased, "I LOVE this guy!" He stressed that by approaching each sale with the attitude of "I love this guy" will lead directly to respecting the merchant. With "love" and respect comes integrity and honesty in the negotiation.

Strawhecker voiced the negative side of certification: the "bad guy" list. To date, no group or association in the

industry has been willing or able to publish such a list because of the legal liability involved in such an undertaking. Strawhecker emphasized two significant points that our industry must address as this discussion unfolds:
• What is the objective of credentialing?
• Who should manage the process?

He detailed the various forms of credentialing available to businesses, which range from the most restrictive to the least challenging:
• Licensing – standardized education
   and testing requirements
• Professional certification – association testing
• Recognition – association recognition of expertise
• Certification – organized training and testing
• Registration – filing an identifiable form

Strawhecker also pointed out that with any type of certification comes the necessity of a "de-certification" process. The industry must decide what the consequences are for a lack of or revocation of the certification.

Freedman closed the panel presentation by recognizing that the image of the MLS has significantly improved during the last decade. The bankcard associations, vendors and ETA have all embraced the MLS as a valued

participant in the marketplace. Freedman echoed Sagar and Strawhecker saying that ISOs must be responsible for training and certification. However, individual MLSs are ultimately responsible for their personal integrity and business ethics.

The panel ended with a statement that the discussion was far from over. Our industry must find a way to successfully regulate itself in order to avoid outside regulation being imposed upon it by the state and federal governments.

MWAA Presents Lifetime Achievement Award

The MWAA closed with its second annual award presentation, naming Paul H. Green, Chairman and Editor in Chief of The Green Sheet, Inc. as the winner of the association's Lifetime Achievement Award.

Caroline Marino of Ingenico USA and Vice President of MWAA, and Bob Carr presented the award to Paul, who was greeted with a standing ovation.

"I had been in the acquiring industry for 22 years. I had left the industry a few years ago; when I came back in, there was a publication, The Green Sheet, that had quickly become the most popular publication in the industry," Marino said. "The Green Sheet is absolutely the top industry publication; it's created a forum for the

person on street." Paul's remarks appeared as the lead story in the Aug. 9, 2004 issue of The Green Sheet: "More Than 26 Years in Payment Processing and a Lifetime of Achievement," (issue 04:08:01) and are also posted on GS Online.

Plenty of Events Available for the MLS

There are now 10 regional annual conferences that target the MLS: ETA sponsors five of them, and the various regional acquirers' associations produce the other five. Additionally, ETA holds its Annual Meeting and Expo every spring in Las Vegas and its Strategic Leadership and Networking Forum (SLNF) in the fall.

These 12 events call upon the same, finite group of industry vendors for sponsorship and participation; and all except ETA's SLNF aim to provide MLS recruiting opportunities. The Green Sheet, Inc. is a media sponsor for all of these events.

A "turf war" is brewing between the regional associations, ETA, and the industry's independent training initiatives. The Green Sheet, Inc., its publications and staff, steadfastly remain a neutral party: the "Switzerland" of our industry. We believe that the market will determine which of these events will prosper to the betterment of the MLS.

Royal Bank of Scotland to Acquire Lynk Systems

Grab your targes, axes and pikes. Things are heating up this summer in the battle of the billion dollar bankcard acquirers, and there's no saying who will get captured next.

On Aug. 3, 2004, Atlanta-based Lynk Systems, Inc., announced it would be acquired by the Royal Bank of Scotland Group plc (RBS) for $525 million in cash. The transaction is expected to close in the third quarter of 2004.

Keeping its name, Lynk will continue to operate as Lynk Systems, said Norma Wayco, Chief Marketing Officer of Lynk. Wayco also said that, strategically, RBS was the right company for Lynk.

"We've had a lot of suitors over the years but have committed to the company that could give us the best strategic positioning by keeping us intact and using our technology and processing platform," she said.

With the acquisition of Lynk, RBS said it will be the third-largest merchant acquirer in the world. Previously, RBS had no merchant processing presence in the United States.

Lynk, a provider of credit and debit card processing services, employs

> **"We've had a lot of suitors over the years but have committed to the company that could give us the best strategic positioning by keeping us intact and using our technology and processing platform."**
>
> – Norma Wayco
> Chief Marketing Officer, Lynk

550 people at its headquarters and has a national network of 400 salespeople. Lynk services approximately 100,000 merchants, processing $18 billion in charge card volume and 400 million transactions annually. RBS owns Citizens Bank, soon to be the sixth largest bank in the United States, and will provide Lynk access to Citizens' customer base.

RBS' purchase of Lynk isn't the only merger this year poised to shake up The Green Sheet's most recent rankings of the billion dollar acquirers (based on 2003 transaction volume estimates). On July 13, Bank of America Corp. (BofA) announced plans to acquire National Processing Inc.'s National Processing Co. (NPC) for $1.4 billion. BofA also acquired FleetBoston Financial Corp. in April.

Also in July, J.P. Morgan Chase Co. completed its acquisition of Bank One, and the newly-formed company, now called J.P. Morgan Chase & Co., selected TSYS, not First Data Corp., to provide processing services for its 87 million Visa and MasterCard-branded cards. And in February, First Data officially acquired Concord EFS, Inc.

In the Green Sheet's 2003 rankings of top credit card acquirers in the United States (GSQ, December 2003, Vol.

6, No. 4), J.P. Morgan Chase's Chase Merchant Services, LLC was the largest acquirer; NPC was the second largest; Bank One (and First Data) was third; First Data's First Data Merchant Services was fifth, followed by Concord EFS, in sixth place; Bank of America's BA Merchant Services, Inc. division came in 10th; Lynk was the 14th largest acquirer; and FleetBoston's Fleet Business Payment Solutions was the 16th.

The effects of these acquisitions might also impact the top online (PIN) debit acquirers, which The Green Sheet also ranked in 2003 (based on 2002 transaction totals). First Data's acquisition of Concord this year included Concord's STAR debit network, the largest in the United States.

However, in order to appease the Department of Justice's monopoly concerns, First Data sold its majority stake in NYCE, the nation's third largest debit network, to Metavante Corp., a subsidiary of Marshall & Ilsley Corp. In the 2003 PIN debit rankings, Concord was first, followed by J.P. Morgan Chase (2), First Data (3), BofA (4), Lynk (5), and FleetBoston (11).

The 2004 acquirer rankings will appear in the December 2004 GSQ.

Education

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STREET SMARTS™ by Ed Freedman

Blueprint for MLS Success: Part II

In my last "Street Smarts" column, "Blueprint for MLS Success: Part I" (The Green Sheet, Aug. 9, 2004, issue 04:08:01), I introduced a plan for you, MLSs serious about achieving unprecedented success. I also gave a presentation based on this plan to hundreds of industry professionals at Mark Dunn's seminar: "Field Guide for the Developing ISO," held July 28, 2004 at the Drake Hotel in Chicago.

In Part I, I laid the groundwork for building your business on a solid foundation. I also explored how to set yourself up for success by incorporating the right contract and compensation plan; effectively selecting vendor partners, including choosing the best ISO partner; and generating lucrative leads. In this second installment, we'll look at executing the blueprint.

There are not many secrets in this business. The difference between your success and the success of your competitors is how well you execute your blueprint. You know what you need to do, and how well you do it makes the difference. The key components to effective execution are:
• Closing Deals
• Value-added Services
• Industry Involvement
• Doing the Right Thing

Closing Deals

One of my favorite scenes from a must-see movie for any sales professional illustrates my feelings on the subject of closing. In the 1992 film "Glengarry Glen Ross" the character Blake, played by Alex Baldwin, says:

"…Put that coffee down. Coffee is for closers only…because only one thing counts in this life: Get them to sign on the line that is dotted. 'A,' 'B,' 'C.' 'A': always; 'B': be; 'C': closing. Always be closing. Always be closing."

The difference between a professional salesperson and a hack is that a professional salesperson has a game plan for every sales presentation, whether it is given in person or over the phone. The successful closer controls the process. Here are my secrets to closing deals:
  • Break the ice. Introduce yourself, and make the prospect feel comfortable speaking with you.
  • Ask the all-important initial question: "What is your time frame for getting up and running?"
  • Interview the merchant. Ask lots of questions that lead your prospect to make small commitments. Use the merchant's answers to help explain and validate recommendations.

• Make appropriate recommendations, and base them on the prospect's answers. For example, "Based on what you have explained to me, I recommend…"
• Explain start-up costs and logistics for getting the account set up.
• Finally, make the assumptive close. It doesn't matter whether they tell you they need to get set up in two days, two weeks or a month. Your final statement is: "Based on the time frame you told me, (insert that time frame here, i.e. one week, two weeks), we need to get started TODAY!"

Let me offer one last secret weapon to closing the deal. I highly recommend a book by Zig Ziglar titled *Secrets of Closing The Sale*. This book offers practical advice and effective questioning techniques to transform prospects into clients.

Value-added Services

The next area of the blueprint includes a strategy that will put more tools in your deal-closing tool belt. Credit and debit card processing is no longer enough in today's competitive market. In fact, starting conversations with prospects by explaining how you can save them money on their credit card processing services will not likely produce great results.

You must come up with a new intro or lead for why they need to work with you. If you learn to sell at least one new product or service, you'll not only have a competitive edge, but you'll surely add value to your existing credit- and debit-processing service offerings. Value-added services include:

• Check conversion with/without guarantee
• Gift and loyalty cards
• Wireless services
• Internet/gateway transactions

For example, a check conversion program with or without guarantee enables merchants to accept and process checks similar to credit card transactions. That means they can increase sales, and you can increase revenue.

Merchants offering gift and loyalty cards can create a compelling reason for customers to choose their shop over another's; these programs also help retain customers and increase shopping frequency.

By adding these types of services to your offering, you're not just an MLS who gives merchants good rates on credit card processing services, but you've transformed yourself into a payment-processing expert: a consultant who

figures out ways for merchants to develop their business and achieve more profits. That translates into greater merchant retention.

Wireless processing, also known as mobile commerce, or m-commerce, offers merchants the capability to accept credit cards anywhere and anytime using a wireless merchant account.

Right now, there's real opportunity for you to sell wireless. POS devices have expanded to include a myriad of wireless capabilities. To meet growing demand, new wireless service providers have also emerged. Learn how to sell these other options, and add them to your arsenal. Also, study the coverage areas, and target the areas where standard service does not work. Find a wireless solution that will work in that area and start selling it! Internet processing also offers a growing opportunity. If you're not selling to both brick and mortar and online merchants, you're missing a significant revenue opportunity. With advances in technology, the ability to sell products and services online has never been easier, safer or more cost-effective.

Online stores allow merchants to be open for business 24 hours a day, seven days a week. Not only is this an important convenience for customers, but it also means more revenue for the merchant and you.

More than 75% of the merchants that our company sets up with an Internet gateway do not sell products or services online. They just find it to be an easy, inexpensive way to process card-not-present transactions. Think about it. There's no software to install, no worries about terminals breaking down or becoming outdated or obsolete. All your merchant needs to do to process transactions is access a Web site. It doesn't get much easier than that. From your perspective, you can usually get a merchant set up for free with the Internet gateway of your choice.

Industry Involvement

To stay ahead of the curve, you need to be informed about new products and services available in the marketplace, at least on a semi-annual or annual basis. You should also expand your resources to create a solid network of colleagues.

The best way to do this is through active participation in the Electronic Transactions Association (ETA); National Association of Payment Professionals (NAOPP); regional acquirers' associations; locally hosted trade shows/conferences; and training events and sales seminars. If you don't heed this advice, your business will slip while your competitors' business grows. A better industry will make a better company.

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Doing the Right Thing

How we conduct ourselves in both our professional and personal lives directly correlates to how much success and failure we experience. This can also be a separating factor between you and your competitors. Nearly a decade ago, after I enjoyed some initial success selling bankcard services and setting up merchant accounts, I encountered several roadblocks while attempting to take my business to the next level: I struggled with vendor partners; I had trouble finding sources of capital to grow my business; I felt like some good things were happening but, at the same time, some not-so-good things were happening, too.

I was convinced these things weren't based on luck, so I searched for consistency. There had to be more to it. I figured it was something I could learn to do. I just hadn't had enough time to get it done.

Then I found a book that helped me understand what I was doing right and what I needed to work on. The book is titled, *The Diamond Cutter: The Buddha on Strategies for Managing Your Business and Your Life* by Geshe Michael Roach. I recommend that everyone read it; not only once but several times, especially the section on real solutions to common business problems.

Two excerpts from this book proved invaluable to my success. They are:

• "…take a little time figuring out how business really works. In the end, it would save you years of your life if you could figure out the basic reasons why business success does or doesn't happen in the first place."

• "…It is essential to understand that, in terms of content, a positive result (business or personal success) cannot come from a negative cause (such as hurting or cheating anyone else)."

Your world, namely your personal or business success, is a creation of your integrity, or lack of it. Success is driven by the good or bad that we do to the people around us. I firmly believe that if we learn how to act consistently and in a good way, we can design our own future…and that future will come out just the way we want it.

There you have it: the complete Blueprint for MLS Success. If you've skipped over a step, you need to go back and fix it. For instance, at Total Merchant Services, we recently announced a Special Forces Work Group, a branch of professionally trained people dedicated to the needs of MLSs. Some people asked why we waited so long to do this, and wasn't it too late?

StreetSmarts

Let me unequivocally state, "It's never too late." I am not a proud man. I have no problem admitting I missed something. Rather, I boldly announced I had gone back and fixed something that was missing. It's never too late to go back and get your contract set, choose better vendors or implement value-added services to your offering.

Don't be embarrassed if you missed any part of this blueprint. Reading about it now, it might seem obvious, but execution is not always so simple.

If it were easy, then everyone would be successful. Remember, having a blueprint means having a foundation. People have a tendency to skip this basic premise and realize, too late, that a solid foundation is the key to success. If you follow this outline, I guarantee you that success will be a "when" and not an "if." For many of you right now it's an "if." To take the "if" out of your business equation, embrace this blueprint and follow it.

My next column will feature a guest columnist. As always, I'd love to hear from you. Please send feedback on this topic (and any others) to Streetsmarts@totalmerchantservices.com . Your voice is an invaluable part of this phenomenal industry.

> **"The fundamental qualities for good execution of a plan is first, intelligence; then discernment and judgment, which enable one to recognize the best method as to attain it; the singleness of purpose; and, lastly, what is most essential of all: will, stubborn will."**
> –Ferdinand Foch

See you next time where the rubber meets the road.

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

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

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The ATM Industry Association (ATMIA) (www.atmia.com) is a 6 year-old non-profit trade organisation devoted exclusively to the ATM distribution channel, with members in more than 20 countries. It is the only international and independent trade body for the ATM industry. The organisation comprises ATMIA USA, ATMIA Canada, ATMIA Europe, ATMIA Africa, ATMIA Australasia and, most recently, ATMIA Asia.

ATMIA is an alliance dedicated to the global advancement and proliferation of automated teller machines. We proudly promote and protect the ATM industry worldwide. We have formed the Global ATM Security Alliance (GASA) (www.globalasa.com) to cover security best practice across the whole ATM lifecycle and launch a global ATM crime information system. Join us, too, in our efforts to enhance the reputation, profitability and business efficiency of this profoundly trusted delivery channel.

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Education (continued)

How to Document an ISO Financing

By Adam Atlas
Attorney at Law

I f you're an ISO that has never borrowed money against your residuals, but you are considering this option, keep reading. This column will give you a general introduction to the kinds of documents you will likely be asked to review and sign prior to receiving funding.

Most ISO financings that I work on involve at least $1 million, and the lender usually advances this money in sums varying between $100,000 and $500,000 at a time.

I always feel uncomfortable promoting legal services in this column, but this is a case where I really have to advise readers to consult an independent attorney before signing any financing deal. The consequences of not being properly advised can be catastrophic for your business.

Now that I have your attention, following are the key documents to most ISO financings. (Please note that each financing is unique and all of these documents might not appear in every deal.) Let's assume, for the purpose of this column, that you are an ISO borrowing $1 million from your processor.

ISO Agreement

The cornerstone of any ISO business, whether financed or not, is the ISO agreement. In this document, the ISO agrees to promote the processing services of the processor or bank and, in return, will be paid residuals, commissions or other fees.

The ISO agreement is also the "golden goose" of any ISO business. When an ISO receives financing from its processor, the ISO agreement takes on greater significance because: 1) residuals payable under the ISO agreement become the means by which the loan to the ISO is paid off; and 2) a default under the ISO agreement often causes a cross default under the loan agreement.

To put it simply: If you default on the ISO agreement, the loan is likely to become immediately due and payable, and this will be at a time when you can least afford to repay the loan: when you have no residuals with which to pay it.

Because of the common cross-default feature of ISO agreements with loan documents, pay particular attention to the default clauses in the ISO agreement to make sure you do not collapse the financing for some relatively minor breach of the agreement.

Loan Agreement

The loan agreement defines the basic conditions under which the lender (in this case the processor) will advance funds to the ISO. For example, there will be a raft of standard clauses, such as: the ISO is not bankrupt; the ISO has not breached any rules; and the ISO is not in default under the ISO agreement.

These conditions for the advancement of funds are usually satisfied on the first advance, but they still might not be satisfied when the time comes for the second advance. The ISO that takes financing from its processor should carefully monitor its operations to make sure that it remains in compliance with the conditions for lending described in the loan agreement.

The loan agreement also details the interest rate applicable to the loan and the term of the loan. These are negotiable points. Depending on the size of your residual stream and your monthly deal count, you might be able to negotiate these and other key provisions.

Promissory Notes

Advances under the loan agreement are usually evidenced by promissory notes. In a promissory, the borrower (ISO) promises to pay the lender (processor) funds that have been advanced to it under the loan agreement, in addition to the applicable interest on a fixed schedule (or sooner under certain circumstances).

There is usually very little to negotiate in a promissory note because it should reflect exactly the terms negotiated under the loan agreement.

Read the promissory note carefully to see if it is a "demand note" or not. In a demand promissory note, the lender can demand immediate (i.e. prior to term) repayment for no reason at all. Many lenders will ask borrowers to sign this kind of promissory note; however, a demand note might be too onerous for some borrowers because of the uncertainty that it introduces into their finances.

Security Agreement

More often than not, lenders will ask borrowers to sign a security agreement to accompany the loan agreement. In a security agreement, the borrower grants a security interest to the lender in certain property of the borrower. A security interest is the lender's right to acquire some of

the borrower's collateral property in the event of a default by the borrower.

The most important part of a security agreement is the definition of collateral, which can range widely in an ISO financing, from only rights in residuals to rights in shares of the borrowing ISO. Other important clauses in a security agreement include the conditions under which the lender can exercise its security (i.e. seize the collateral). A security agreement is like the mortgage on your house, except it covers your business instead.

Bank Agreement

Depending on how free the processor is to allocate residual and acquiring rights, an ISO financing might require a direct contractual relationship with the bank sponsoring the lending processor. The bank (usually the financier of the processor) will often want to have some direct connection with the ISO. This connection can actually be positive for the ISO as it might help secure residuals and portfolio rights that the processor might not be in a position to fully secure for the ISO.

One very important idea to remember in an ISO financing is to think of each document as part of the ISO agreement. With this perspective, you will see how all of the documents come together to, hopefully, create a mutually beneficial relationship between all the parties involved.

Don't forget to plan on portability rights and non-competition and non-solicitation rights for both parties during the term and after termination of the ISO agreement and in the related loan documentation. When a loan is fully paid back make sure the lender signs a full release and discharge, which is a simple one-page document that your attorney can easily draft. This document can then serve as evidence that the lender no longer has any rights under the loan documents or in any of the collateral.

Taking out an ISO loan is a business decision with important legal ramifications for the borrower. I always advise clients not to borrow unless they really have to. Once the decision is made to borrow, then you owe it to your business to carefully consider the terms of your borrowing.

In publishing The Green Sheet, neither the author nor the publisher is engaged in rendering legal, accounting or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought. For further information on this article, please contact Adam Atlas, Attorney at Law by e-mail at atlas@adamatlas.com or by phone at 514-842-0886.

Education (continued)

Selling Portable Payment in Restaurants

By Michael W. English
Ingenico

There is great opportunity available to you to sell restaurants a solution that increases establishment profitability while reducing the opportunity for fraud and decreasing their cost of payment. Customer-convenient payment has arrived, and it's adding excitement to a market segment with which you are familiar.

Eliminating Credit Card Skimming

A major concern of restaurant owners and managers and restaurant patrons is credit card skimming. Skimming can occur anytime a credit card holder loses sight of his or her credit card, and employees most often perpetrate it. Unscrupulous wait staff or attendants use a small magnetic stripe reader to capture the encoded information from a consumer's credit or check card.

The magnetic stripe reader, used to copy this information, is often small enough for employees to hide it in their apron or pocket. Crooks then re-encode the captured card information and use it for making fraudulent purchases.

Many daily newspapers and Internet sites have already reported incidents of card skimming. No restaurant owners or managers want to read about their establishments in the local paper in reference to skimming.

Identity Theft

The number one issue on the minds of many consumers today is identity theft. The Federal Trade Commission (FTC) released a report in September 2003 stating that 2.3 million Americans discovered that their personal information had been misused in the past year.

Identity theft is the top fraud complaint reported by consumers, accounting for 43% of the complaints logged by the FTC. The number of reported fraud complaints jumped from 220,000 in 2001 to 380,000 in 2002, and the dollar loss consumers attributed to the reported fraud grew from $160 million in 2001 to $343 million in 2002.

Solving the Issues of Skimming and Identity Theft

The solution to skimming and identity theft in restaurants is simple: Implement an electronic payment solution that provides customer-convenient payment, enabling patrons to always keep sight of their card. Portable wireless terminals allow the wait staff to complete the transaction in front of the customer, including card swiping, account authorization and receipt printing.

Depending on the establishment's procedures, the wait staff can swipe the card for the consumer or the consumer can complete his or her own payment transaction, including automated tip entry. When a check card is tendered, a customer can enter a PIN, which converts the transaction from signature-based to online debit.

This type of POS solution solves the issue of credit card skimming and identity theft for both restaurant owners and patrons. By educating merchants on how to solve these issues, portable wireless terminals become a compelling solution to protect the restaurant's patrons and its reputation.

Reducing the Cost of Payment

Online debit is the fastest growing type of consumer payment in the United States. Consumers of all ages and economic backgrounds appreciate online debit for the security and ease of use it offers. Merchants appreciate online debit because it reduces their cost of payment.

The vast majority of cards issued today are check cards, which consumers use for both signature-based and PIN-based purchases. Over the last decade, the number of check cards issued has grown from 17 million in 1993 to 183 million in 2003. Today, more than half the people with checking accounts in the United States have a check card.

Consumers who previously paid by check or cash now use a check card as a more convenient and budget-conscious alternative. These consumers use their check cards with PIN entry for ATM withdrawals, in supermarkets and in the majority of major multi-lane retail stores.

The Ingenico i7770, with its Visa-PED approved integrated PIN pad, is an example of the type of POS terminal that can be brought to the table, giving patrons the options of entering their PIN to complete the transaction as online debit or having the transaction processed as a signature-based credit card sale.

Through parameter and Bank Identification Number (BIN) management, today's portable wireless payment terminals can prompt consumers for their PIN when a check card is tendered, increasing the likelihood of con-

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nexusATM

We have taken our years of experience, technology systems like the Interactive ISO System, the award winning customer support and aggressive pricing of United Bank Card and rolled it into Nexus ATM. Our program is entirely in-house. We offer a simple application, fast turnaround times, same-day deployment of ATM machines, nationwide on-site installation and 24-hour support. If you are already in the ATM industry, Nexus ATM guarantees to beat your current processor's pricing and offer superior service. If you are interested in selling, leasing or placing ATM machines, Nexus ATM is the reliable new generation solution you are looking for.

Placement Program

In addition to our full-blown ATM ISO Program, Nexus ATM also offers a unique Placement Program to qualified merchants. Merchants accepted in the program will receive a free state-of-the-art color ATM machine, free promotional material, neon signs, installation and training. The ISO and Merchant do not have to invest a single dollar to the cost of the machine. Nexus ATM can even stock the machine with cash. The Merchant and ISO both receive residuals on every transaction. There is no expense to the merchant, no expense to the ISO – just immediate profit. Nexus ATM has more than 10,000 ATM machines for free placement.

Program Highlights:

▸ Turnkey ISO ATM program
▸ 100% of ATM surcharges plus up to an additional 39 cent residual per transaction
▸ Multiple residual revenue streams
▸ Easy application with same-day turnaround
▸ Residual ownership
▸ Free ATM placement program
▸ Free online web reporting for merchants and ISO's

▸ Distributor for new Triton and Lipman ATM machines
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version to an online debit transaction. Educating restaurant owners and patrons on the benefits and security of debit will provide new sales opportunities and increased merchant loyalty.

Increasing Restaurant Profitability

One of the keys to selling portable payment terminals to restaurants is to prove to wait staff and restaurant management that portable wireless terminals will save time and put more money in their pockets. These terminals can reduce the time it takes for the wait staff to present a bill, collect the card, authorize the transaction and present the receipt for a patron to sign, usually by 33 – 40%. This improved efficiency provides the following benefits:

- Moves diners through the restaurant more quickly; turns tables faster and increases restaurant revenue
- Provides more "face time" with the customer, presenting the opportunity for add-on sales that increase both the meal ticket and tip
- Improves customer satisfaction through faster transaction finalization and reduced opportunity for identity theft
- Improves the wait staffs' ability to check patron identification, reducing the opportunity for card fraud

Not only does this benefit the wait staff and restaurant management, it also benefits the consumer. Nothing can spoil a positive dining experience more than a delay in finalizing the check once the patron is ready to leave.

The restaurant's wait staff can benefit from a portable payment terminal's ability to "suggest" a tip percentage. When patrons add a tip to their bill using this type of terminal, the tip options are exactly 15%, 18% or 20%; this is often an increase in tip percentage for the waiter or waitress.

Restaurant Benefits Summary

In summary, short-range wireless and portable terminals offer significant value to the restaurant and the restaurant's patrons. There are an estimated 243,000 full service restaurants with 315,831 points of payment in the United States. Additionally, there are 62,000 hotel, motel and lodging establishments with in-house full service restaurants that have 80,200 points of payment. These segments offer significant opportunity for customer-convenient payment and provide new earning potential for ISOs, MLSs and acquirers.

Michael W. English is Ingenico's Director of Marketing and Communications. E-mail him at menglish@ingenico-us.com .

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New**Products**

The Little Terminal That Can

Companies: Givex Corp. and VeriFone, Inc.

Product: All-in-one POS Terminal Device

Handling all the payment methods on the market today, including credit, debit and gift cards, loyalty programs and coupons, is a big job for a POS terminal.

Selecting the right device for the job is essential for a merchant's business: Retailers want to be able to offer their customers as many options as possible, but how many merchants have money or counter space to spare to invest in more than one terminal?

Gift and loyalty card transaction processor Givex Corp. introduced its new VeriFone-enabled "all-in-one" POS terminals capable of taking on numerous payment methods currently on the market. The system works on VeriFone's Omni 3750 and Elite 710 products; powered with Givex processing solutions, it enables merchants to accept cred-

it and debit payments and gives them the opportunity to develop loyalty programs and sell gift cards in one integrated environment.

A key feature for merchants is that this all-in-one solution gives them a single stand-alone product to process all of their card-based programs. Merchants who, in the past, needed a second or even a third terminal to accommodate the various payment methods, can now run all systems through one device. The products have a very small footprint so merchant countertops stay neat and uncluttered. The terminals use thin-client technology to connect to high-speed lines or can use standard phone lines for transaction processing.

The all-in-one terminals are one facet of Givex's turnkey and custom solutions for tracking and managing gift cards, frequent user cards, e-gift certificates and loyalty points programs the company offers across multiple sales channels. Givex introduced the terminal system at the National Restaurant Association's Restaurant Hotel-Motel show in Chicago in May 2004.

Givex Corp.

877-478-7733
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Companies: Brother Int'l. Corp.; MP2 Solutions; Samsung Telecommunications America

Product: Wireless POS System

Merchants on the go have a new option for accepting payments in the field. Brother Int'l. Corp., MP2 Solutions and Samsung Telecommunications America have part-

nered to offer a unique wireless mobile point-of-sale system. The system operates on Samsung's i700 MS Windows Mobile-based Pocket PC Phone and includes Brother's MPrint microprinter using Bluetooth technology. MP2's sales force automation software pulls the components together.

The system provides sales professionals in the field and any merchant who might need to accept payments at locations other than a fixed, wired site with the ability to perform secure transactions, capture digital signatures and print receipts.

The solution is geared toward companies that use mobile workforces and salespeople who conduct transactions and collect payments. It also aids in placing and receiving orders, reporting and sales performance.

All sorts of businesses will benefit from using this system as a payment processing tool; from food and furniture delivery to home-based enterprises, these merchants have an all-in-one solution that accepts card payments, captures signatures and prints receipts.

The MP2 solution uses a Semtek mag stripe reader; the device attaches to the Samsung i700 wireless handset and communicates with the Brother printer to wirelessly transmit card data using Bluetooth technology.

The Brother MPrint micro printer is an ultra-lightweight, pocket-sized device about the size of a paperback book. It features a slim silver case, weighs less than 10 ounces and interfaces with the Samsung i700 wireless handset and Pocket PC-based PDA.

A built-in rechargeable lithium ion battery prints up to 100 pages on a single charge. As a mobile peripheral, it interfaces wirelessly via an infrared port and a USB port enables printing from tablets and notebooks.

The printer comes with an internal paper cassette that holds 50 sheets and a variety of output media, including A7ThermaPlus paper, self-adhesive labels and carbon copy paper. (ThermaPlus paper allows the use of highlighters and reduces print fading. The unique carbon copy paper simultaneously prints an original and a copy, and supports capture of a customer signature for authorization or proof of receipt.)

The system is designed to help mobile sales forces improve productivity and exceed goals, and is an excellent tool for workers on the go or in the field.

Brother Int'l. Corp.

800-276-7746
www.brother.com

Samsung Telecommunications America

www.samsungusa.com/wireless

MP2 Solutions

866-678-9622
www.mptwo.com

Merchants Sound Alarms to Prevent Fraud

Company: CardCops.com
Product: Merchant Alarm
....

I t's getting tougher and more expensive for high-risk merchants to process payments they receive from the customers with whom they do business. These merchants face more stringent card Association regulations, higher fees and difficulty finding companies willing to process transactions for them.

Not all high-risk merchants are bad apples, and the good eggs among them now have a means of combating the challenges they collectively face.

NewProducts

CardCops, a company whose stated mission is "getting compromised credit card and personal information data into the hands of American consumers and helping global Internet merchants reduce online fraud," has added two new features to its Merchant Alarm database.

The database's expanded capabilities are designed to improve the ways high-risk merchants reduce chargeback rates and keep them below the levels preferred by the card Associations.

Using Merchant Alarm, merchants can collectively contribute to and scrub transactions against a database from private groups such as ISOs or e-commerce vertical markets.

When ISOs and groups of merchants have access to and can share negative data, there is a higher probability of catching a fraudulent order or a crook targeting a specific industry.

Many times, a fraudulent transaction is not identified at the time the transaction occurs, but can take days or weeks to become evident. The other improvement to Merchant Alarm is a card monitoring service, available exclusively to database subscribers.

This feature automatically notifies merchants of fraudulent activity on a previously approved transaction. CardCops monitors the card for 30 days or longer, helping prevent fraudulent orders, chargebacks on back orders and losses in recurring billing

CardCops gathers data on compromised credit cards from its proprietary "bot," which scans the Internet, including newsgroups, search engines and chat rooms for card and personally identifiable information.

CardCops also obtains compromised card data from its participating merchants as well as consumers, the underground via an amnesty program and an anonymous disclosure program.

CardCops.com

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WaterCoolerWisdom:

"The time to stop talking is when the other person nods his head affirmatively but says nothing."

– Henry S. Haskins

Talking Without Moving Your Lips

Many times when we aren't sure what to believe, we trust what we feel, rather than what we hear. That's because the cliché rings true: Actions do speak louder than words. Often our intuition is correct because we subconsciously interpret unspoken cues, such as body language, and compare them to the words we hear. In fact, it's estimated that we communicate 60 – 80% of a message with body language.

For example, when you have a productive meeting with a prospective client you know it; no one has to tell you. Conversely, you might leave a presentation feeling things didn't go well, even though all the comments were positive. This is because time and again, it's the actions, not the words, communicating true feelings.

Listen to What You See

Decoding body language can provide insight into the minds of your prospects, clients, associates…even your boss. This glimpse into someone else's mind can help you get what you need, whether it's a sale, help with a project or a vacation day.

For example, a peek into your prospect's thinking can help you tailor your presentation to him. For example, by leaning toward you or sitting still and nodding, he indicates that he is listening and actively involved in the conversation. A relaxed expression or smile is also a good sign.

On the other hand, if you are presenting your boss with reasons why you deserve a raise or company car and he fidgets, avoids eye contact or taps his foot, it could indicate that he has lost interest or disagrees with you.

If you pitch an idea to a colleague and he touches his lip he might need you to explain further, or he might have a thought or opinion that he hasn't voiced. It would be wise to stop speaking and give him an opportunity to either ask his question or voice his opinion. Then you can determine if you need to amend your talking points to address his concerns.

Project What You Want Heard

Now that you can decode body language, it's time to look at your body language and what it conveys to peers, superiors, clients and prospects. What are you saying to them, and more importantly, what do you want to say?

As sales professionals, it's important that those we work with and work for know that we are capable, professional, trustworthy and understanding. We can use body language to convey confidence, communicate professionalism, exude trustworthiness and demonstrate understanding.

Convey Confidence

You want to convey confidence so that your prospects and superiors will have confidence in you as well. If you

are hunched over, they might feel you are timid or intimidated. If you overcorrect and lift your head up too much, you could appear arrogant or superior. Instead, stand up straight and keep you head up and level. If you are required to lead, place your hands on your hips to show that you're ready to take action.

Communicate Professionalism

You want to communicate peace and relaxation so that your clients and prospects will be relaxed. If you touch your face or hair repeatedly, you might convey nervousness. Keep your hands away from your face and refrain from fidgeting.

Exude Trustworthiness

You want to communicate honesty so clients and colleagues know they can rely on you. They need to know you are sincere so they can feel safe. Look them in the eye. Practice having your palms up, to communicate a feeling of teamwork.

Demonstrate Understanding

You want your prospects to know that what is important to them is important to you. The best way to do this is to let them talk. Then, lean in or tilt your head to let them know you are engaged and actively listening.

You can also practice mirroring with body language. If the prospect is sitting with his head rested on his hand, you might lean forward and do the same. This sends a message that you are on the same team and open and friendly.

(A note about mirroring: It's usually a good idea but, if you meet with someone from a culture different from your own, you will want to be mindful of cultural differences. For example, the "thumbs up" sign that is positive in the United States is offensive in some countries.)

Understanding body language and non-verbal communication can help you improve your speaking and listening skills, which makes you a better sales professional. Listen to what people say with words and their bodies. Trust your intuition. And remember, a picture really is worth 1,000 words. Make sure the picture you paint says what you want it to say.

Good Selling!ᔆᴹ

Paul H. Green

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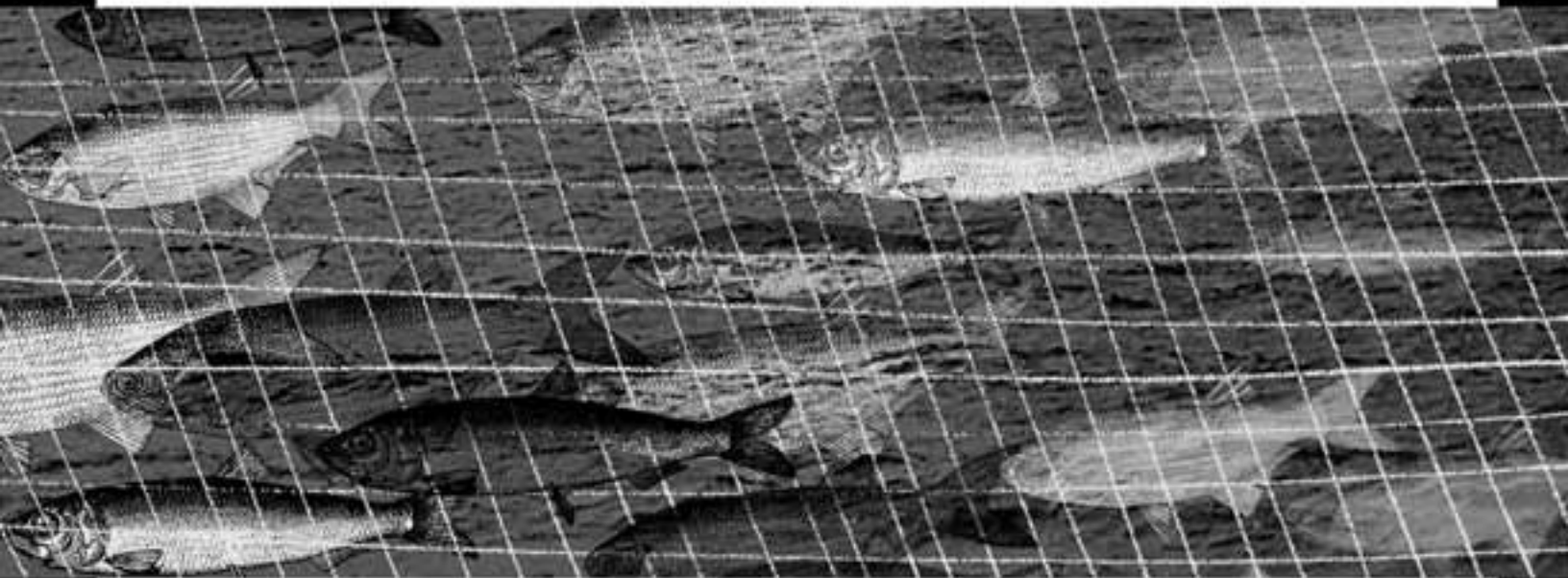(866) GO4 FAPS
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