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July 27, 2009 • Issue 09:07:02

Translating tech for profit

Innovation is the payments industry's middle name. Fueled by consumer demand, purveyors of technology continue to roll out faster, safer and more dynamic ways to pay electronically for goods and services. Meanwhile, merchants are concerned with getting more consumers through the door or to the Web site, increasing sales and, especially in today's economy, reducing overhead.

With so many other things demanding the attention of small to medium-sized business owners, credit card processing may not be a priority for them. Or perhaps when they think of it at all, chargebacks and interchange are what come to mind. And when their POS systems are working well, they may simply have a laissez faire attitude. However, upgrading equipment and systems, for some, is no longer just an option. All noncompliant, stand-alone PIN entry devices must be phased out by July 1, 2010. Some early integrated devices with internal PIN pads must also be eliminated by that date. In addition, the sunset date for wireless equivalent privacy (WEP) for encrypting data over a wireless connection is June 30, 2010.

Many merchants don't know what WEP is, let alone how to switch to Wi-Fi protected access. Alex Kehayias, Product Manager for Comodo Group Inc., said agents need to relate their technical security solutions to merchants' ability to keep their businesses and customers safe in addition to their desire to ease the pain of meeting regulatory obligations.

Whether it's to meet regulatory requirements or improve business efficiency, merchants have problems for which payment technology is the answer. Maybe they need a faster connection or a way to link inventory tracking to transactions. But how do ISOs or merchant level salespeople (MLSs) market integrated POS systems, contactless payment terminals or Wi-Fi connectivity to merchants who might not even know what a firewall or gateway is?

Breaking barriers

Todd Ablowitz, President of Double Diamond Group LLC, suggested ISOs and MLSs relate new technology "to something that they're already using." He pointed out that many people who aren't technologically savvy will still use the self-serve kiosk at the airport rather than waiting in a long line. This could be brought to the attention of retailers who are leery of using self-service payment methods in their stores.

Mohammad Khan, President of ViVOTech Inc., recently surveyed five merchants who weren't accepting contactless payments. He said most didn't know what a contactless card was. One store manager fished one out of his wallet. The others, not having one of their own, didn't grasp the concept until Khan explained that it's a card that you touch – rather than swipe – to pay. Then they understood.

Khan stressed the importance of simplifying the technology for the merchant or

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NotableQuote

Along with a successful idea usually come a few failures because the true test of an idea isn't if it looks or sounds good; it's can you really sell it? Can you get others engaged enough with the idea to literally buy into it?

See story on page 32



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Forum

The righteous WAY

The June 2009 GSQ has a series of articles pertaining to tech knowledge and mobile payments. GSQ pictures the WAY Systems 1581 on page 6 under "Tech knowledge means acquiring power" (that's good), but it pictures our device again on page 27 with the banner reading "Older terminals, cause for concern."

The WAY Systems MTT 1581 is fully PCI/PED/DSS-compliant, in addition to other security measures, so I don't understand why GSQ would picture our device with "older terminals." One thing I did not notice was a reference to the new series of wireless devices emerging in the market. At WAY, we have developed the way5000, which is a multi-application device capable of over-the-air updates for security compliances, as well as parameters from the processor. Was anyone at WAY Systems asked to offer a quote for the article? No one contacted me, but I have only been back working at the company since April 1, 2009, so this article's research may have predated my return.

Tim McWeeney
WAY Systems Inc.

Tim,

Thank you for bringing up your concern about the placement of the WAY Systems 1581 picture on page 26 of GSQ, Vol 12., No. 2, "2009 Tech snapshots: Acquiring technologies for the 21st century." We placed it there to contrast with older terminals, but we did not create the desired effect, as you have pointed out. We did not intend to imply that the WAY Systems 158 is obsolete, out of compliance with the Payment Card Industry (PCI) Data Security Standard or the PCI PIN Entry Device standard, or a cause for concern in any way. We apologize for not making that clear.

Many people were contacted in the process of conducting research for this issue of GSQ. While I do not have all the research notes in my possession at this time and cannot say who was contacted when, I can say that, while we make an effort to include as many views as possible in every GSQ, we cannot include the perspectives of everyone who has something valuable to add to the discussion, given the amount of time and space we have available.

Coincidentally, the way5000 is featured on page 90 of this issue of The Green Sheet (July 27, 2009, issue 09:07:02).

Editor

Print edition in demand

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Stuart Chadwick
Xpert Merchant Services LLC

Stuart,

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Clicking "Subscriptions" from our home page will also give you the option to register for our Web site. This will allow you to access our industry forums and enable you to receive the electronic version of The Green Sheet via e-mail.

Editor

Which companies are best?

I am interested in getting into the credit card processing field; however, there are so many companies that make many claims. I am looking for a little direction, as to who are the best, most reputable companies to seek out? Any help would be greatly appreciated.

Bob Maynard

Bob,

Our purpose is to educate and inform professionals in the payments industry, specifically the ISOs and merchant level salespeople whose work is so vital to the industry's health. However, we do not recommend specific companies to our readers. We suggest you review our editorial content and advertising, including our Resource Guide; select companies that look as though they might be a good fit for you, and contact them to obtain further information. Prepare a list of questions beforehand and closely evaluate the responses you receive.

Also, joining GS Online's MLS Forum will give you the opportunity to ask questions of those who are established in the industry. You'll need to register on our Web site first. Just click on "Register Today!" in the upper right-hand corner of our home page, and follow the prompts from there. After you've registered, click on "General Information" for information on accessing the MLS Forum. Good luck to you!

Editor

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A quick summary of key articles in this issue to help keep you up-to-date on the latest news and hot topics in the payments industry.

Cover Story

1

Translating tech for profit

Whether it's meeting regulatory requirements or improving business efficiency, merchants have challenges for which payment technology is the answer. But how do ISOs or merchant level salespeople (MLSs) market integrated POS systems, contactless payment terminals or Wi-Fi connectivity to merchants who might not even know what a firewall or gateway is?

Feature

32

Vertical market virtues - Part II

Establishing a niche in one or more vertical markets is said to be an excellent way for an ISO or MLS to expand a merchant portfolio during any type of economy. We thought it would be valuable to seek perspectives on this topic from our esteemed advisory board.

View

26

The cards, they are a changin'

It's time to face the music folks: The payments space today is radically different than it was just 10 to 15 years ago. It's time for acquirers and their partners – especially the card companies – to accept and work with this change rather than fight it.

Feature

41

End-to-end payroll

The newest player in the growing payroll card marketplace is Springbok Services Inc. The Englewood, Colo.-based company launched enPay, a Visa Inc.-branded prepaid card. Springbok calls itself the "only end-to-end prepaid MasterCard and Visa solutions provider."

View

29

Dude's got my money: What can I do?

These days, I receive two or more calls per week from ISOs or MLSs who have the same complaint about some contractual counterparty higher up in the processing chain: "Some dude's got my money and won't give it back." I seldom received these calls before September 2008, so why are so many coming in now?

Feature

46

Allied vendors speak

The inception of the Secure POS Vendor Alliance has set the stage for a more pointed debate on issues relating to data security. In this question and answer with *The Green Sheet*, the organization's founders discuss the current state of industry security, what they want to change and how they're working with the PCI Security Standards Council.



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The executive management team at EVO would like to congratulate Ray Sidhom, founder and Chief Executive Officer of EVO Merchant Services, on receiving the Ernst & Young Entrepreneur Of The Year[®] 2009 Award in the Business Services Category. This award recognizes outstanding entrepreneurs who are building and leading dynamic, growing businesses.

"Ray Sidhom is an out of the box thinker who believes anything is possible when you control your own destiny. Ray started by selling credit card machines to retailers. By 1994, he was convinced of his prospects. He formed EVO Merchant Services with a goal of building an in-house infrastructure to process credit cards throughout the entire transaction cycle. Fourteen years later, the tools he developed serve \$20 billion in transaction volume for the nearly 200,000 merchants he processes for every day.

Ray is a champion to the independent sales organizations he works with, which he calls partners. Currently, EVO is investing in the growth of its partners that have helped it achieve its own phenomenal expansion. For Ray, controlling his own destiny has been a winning strategy."

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News

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UBC hopes to cash in with free program

On July 13, 2009, United Bank Card Inc. rolled out what the company said is the "first truly integrated" electronic cash register (ECR) solution. And the company is giving the ECRs away. Given the controversy that has surrounded free terminals, how will the industry react to this?

Education

64

Street SmartsSM: Unexamined emotion, a pit bull that mangles business

The day after my daughter's graduation we had a get together of family and friends at our house. The grill was glowing hot. Dinner was almost ready, and everyone was busily taking care of their tasks so we could start eating. Then something happened.

News

52

Canadians' call for regulation rejected

The Canadian Senate Standing Committee on Banking, Trade and Commerce recently rejected its own merchant lobbyists' call for price regulation on fees charged to merchants for credit card transactions.

Education

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Understanding chargeback rules

Both Visa and MasterCard have implemented severe fines and escalating penalties for excess chargebacks. Visa has two specific chargeback monitoring programs and a fraud identification program to minimize disputes and cardholder angst; MasterCard has similar programs. This article takes a closer look at what those programs entail.

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Education

72

Seven rules of 'celling'

Using smart phones for credit card acceptance is a green solution and a great way for merchants to do more with less. But with all the hardware models and software applications to choose from, how can MLSs help merchants decide on the best smart phone solutions for their businesses? Here are seven rules of "celling."

Education

80

Use technology to tighten relationships, expand revenue

Challenging times call for a renewed focus on providing higher levels of value and service. As business needs fluctuate, payments industry professionals are faced with new challenges – yet, merchants of all sizes still need reliable products and services. This article looks at strategies for generating business from merchants in a down economy.

Education

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Moving the needle on level 4 merchants

By most estimates, fewer than 10 percent of the level 4 merchant population has attested to compliance with the Payment Card Industry Data Security Standard. This represents an ongoing challenge for acquirers, who bear the ultimate risk for noncompliance. The solution is for acquirers and ISOs to develop comprehensive and highly targeted merchant outreach programs.

Inspiration

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Time for a change?

Change is all around us. In fact, we are always surrounded by change – the seasons, the traffic, the economy. We, ourselves, are also always changing. This article discusses the phenomenon of change, and why changes can be dangerous when they're not properly thought through.

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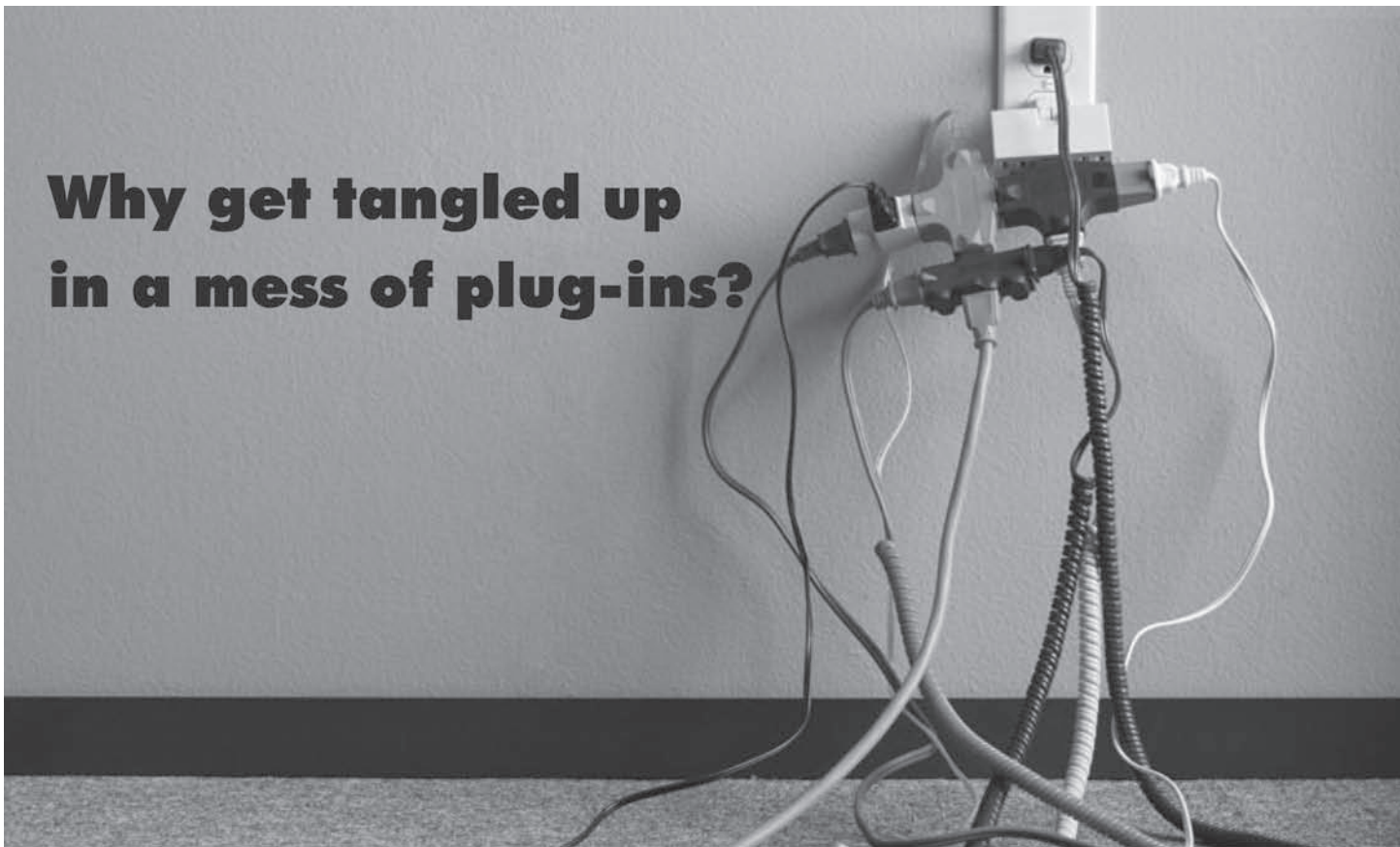
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NEWS

Three new feathers in The Green Sheet's cap

The results are in for the 21st Annual Awards for Publication Excellence (APEX), and this year **The Green Sheet Inc.** brought home three awards for feature writing, news writing and Web site design. APEX awards are based on excellence in graphic design, editorial content and the ability to achieve overall communications distinction.

Awards are given in 11 main categories, divided into 122 subcategories. In 2009, 3,785 entries were evaluated.

According to Springfield, Va.-based Communications Concepts Inc., which evaluates submissions and presents the awards, this year's entries "displayed an extraordinarily high level of quality, and the competition was exceptionally intense."

The APEX judges said they were impressed by the creative ideas and concepts submitted this year.

The Green Sheet Inc. has now received 38 APEX awards, a feat that gives General Manager and Chief Operating Officer Kate Gillespie a tremendous sense of validation.

"I am happy that other people recognize the quality of our magazine," Gillespie said. "I know we have a high-quality publication.

"And what surprises me every year is that we are able to continually keep such high standards, especially considering how small we are. And you can't lose sight of the fact that everyone here plays an integral part in

everything we do. These awards are for everyone at *The Green Sheet*. We're all part of this."

Shoppers value safety online

According to a survey of 2,608 consumers conducted by financial consulting firm **Analytica Inc.**, 43.5 percent of respondents had never made an Internet purchase due to security and fraud concerns. And those who limit their online shopping indicated they would make more purchases online if their financial institution offered a safer payment method.

Nearly half (49.9 percent) said they would replace their current online payment method if their bank or credit union offered them a more secure method of making online purchases.

"We found that consumers are not necessarily loyal to the online payment options available to them today," said Steve Rathgaber, President of **NYCE Payments Network LLC**, which commissioned the survey. "This is good news for financial institutions that wish to keep consumer demand deposit accounts central to their payment relationship.

"Offering an online payment method gives institutions the potential not only to generate new revenue by encouraging consumers to make more online purchases, but also to solidify their relationships with the people they serve."

Webcast addresses online fraud fears

As online fraud continues to rise and financial institutions lose hundreds of millions of dollars to criminal groups, financial organizations are seeking guidance on how to defend against online attacks. In response to this concern, **Entrust** is offering a webcast that features

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

- For 2009, the **Consumer Electronics Association** expects the sale of Blu-ray players to double over 2008 sales to about 10 million units, representing 10 percent of all DVD players sold worldwide.
- Book sales tracked by the **Association of American Publishers** for April 2009 increased by 3.3 percent over April 2008, to \$494.9 million. However, they were down by 4.1 percent for the year.
- A survey of 175 retail locations by **American Apparel** reported that in June 2009 sales for stores open for more than 12 months decreased 13 percent over the same period a year ago.
- According to a **Forrester Research** study, U.S. online retail sales are projected to rise to \$156 billion, an 11 percent increase over comparable 2008 sales. Online sales are expected to make up 7 percent of overall retail revenue in 2009, compared with 6 percent in 2008.



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information technology research firm **Gartner Inc.** to help address the questions that directly impact the ongoing fight against online fraud.

The webcast, entitled "Fast & the Fraudulent: Actions Financial Institutions Can Take to Defeat Online Fraud," features 40 minutes of expert opinions on current industry methods to defend against fraud specific to global banks and payment organizations. It is available for viewing at www.entrust.com/gartner-webinar.htm.

"It is critical for experts to help inform other organizations on the necessity of implementing both strong authentication and fraud detection solutions to help stop the alarming growth of e-crime," said Entrust's Director of Identity Products, Steve Neville.

According to the **Anti-Phishing Work Group**, financial services and payment companies make up 85 percent of the organizations targeted by online criminal groups.

Growth in 2010 for financial services

A report published by **Ernst & Young Global Ltd.**, concluded a majority of financial services companies expect no growth before the first six months of 2010. Of the 125 financial institutions surveyed, one-third expect some expansion in 2009; the other two-thirds expect growth to

begin in the first six months of 2010 or later.

"The end of the recession and a return to profitability is a tough one for any industry to call," said Tom McGrath, EY's Managing Partner.

McGrath said that if there is any silver lining, it is that 61 percent of the survey's respondents have been able to improve cost cutting measures in the past six months. "Managers are working hard to position their organizations to emerge stronger when the recovery comes ... but the reorganization will vary by sector," he said.

Carmine DiSibio, Managing Partner for EY's Americas Financial Services Office, added that, although the payments industry has been "battered," it will emerge from the recession stronger and healthier with more focus on risk management.

"As the industry recovers, we are likely to see changes in operating models and regulatory frameworks," DiSibio said. "It is likely financial services firms will find their way out of this together."

Survey addresses consumer breach concerns

According to a **Secure POS Vendor Alliance** survey of 1,030 consumers in the United States, France and Great Britain, 46 percent of respondents expressed concern about the potential for a security breach when making purchases with credit or debit cards.

The SPVA is a nonprofit organization founded by **Hypercom Corp.**, **VeriFone** and **Ingenico S.A.** that focuses on standardized implementation of existing security standards.

"Security is clearly a pivotal issue for the [payments] industry and consumers," said Christophe Dolique, SPVA Chairman and Executive Vice President, Global Marketing and Transaction Services at Ingenico. "These findings confirm the strong correlation between the strength and quality of security and consumers' views and behaviors toward using card payment systems, which presents a unique opportunity to come together and achieve positive change."

ANNOUNCEMENTS

3Delta Systems connects with AmEx

3Delta Systems Inc. reported it has been certified to process online merchant transactions directly through the **American Express Co.** Card Authorization and Processing Network. Merchants who accept AmEx credit cards and use 3Delta's online payment processing gateway can now securely transmit transactions directly to AmEx for authorization, settlement and payment.

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Doin' it right

Employees and friends of Bermuda-based First Atlantic Commerce, an online multicurrency payment and risk management solutions provider, participated in the island's annual Catlin End-to-End charity event held May 2, 2009. An FAC team of 10, including five staff members, biked in superhero costumes across Bermuda to raise money for the Bermuda End-to-End Charitable Trust. They raised just over \$9,140.

FAC, whose client base is primarily international, serves a few local merchants, too, so for the company this was all about being involved with a good cause and contributing to the local community.

Everyone a superhero

"A couple of years ago, a former FAC colleague and I decided that we would ride our bicycles in the event, and someone actually sponsored us some extra money to do it in dresses," said Christopher Burns, FAC's Vice President, International Business Development. "We said we'd do it and got such a response that we decided to continue our involvement."

Burns went further and asked a number of friends and FAC employees to join him, and they all signed on. This year's superhero theme inspired FAC participants to dress up as Batman and Robin, Superman and Spiderman.

"They did a great job," Burns said. "The guy who came as Robin stayed up until two in the morning making his outfit. It's amazing how much money people will donate

if you're willing to make a fool of yourself. We also won the Team Spirit Award as well, so it really gave everyone a common reference point outside of work."

The End-to-End event has been raising money for local Bermuda charities for 20 years. The course covers the entire island and is a little over 24 miles. Participants could kayak, bicycle, walk or run all or parts of the course.

This year, more than 2,500 people participated – on an island with a population of only 66,000 – with many thousands more lining the streets as well-wishers.

No one left out

Burns and Tricia Lines Hill, FAC's Vice President, Marketing and Corporate Communications, agree the event had a tremendous effect on participating FAC employees.

"We had people from all departments in the organization," Hill said. "We're not a massive company. Even so, sometimes we don't have a chance to interact outside of these kinds of events, so it turned out to be a great team-building exercise – everyone really pulled together."

The 2009 event brought in more than \$340,000 for such Bermuda charities as The Aerie Foundation, Open Airways, Bermuda Red Cross, Coalition for the Protection of Children, The Family Centre, The Reading Clinic, The Menuhin Foundation of Bermuda, Centre for Talented

Youth Bermuda, Windreach, BIFF Kids Children's Film Festival and the Bermuda Public Library.


Burns noted that participation in the event has grown significantly since 2008. "It's fantastic to be involved with something that pulls the whole island together," he said. "We raised a lot more money and gained a bit more of a profile within the community, so it's kind of snowballed. It seems we've generated a lot of more interest, but we're always looking for more participants and sponsors. And once you run this in *The Green Sheet*, who knows what might happen?"

Anyone is welcome

Burns and Hill anticipate even more involvement from the "FAC team" in End-to-End going forward. "I think that we're going to get many more friends and family from FAC next year," Hill said. "And who knows how big it might get? But after the last couple of years and the success we've had, we can't turn back now."

The company plans to continue its costume theme, hoping to establish a yearly tradition that will continue to stimulate interest from Bermuda residents as well as others in the payments industry.

"It's a long shot, but we'd love to encourage any payment professionals to come down here and be a part of this," Burns said.

If running through Bermuda for a good cause appeals to you, be sure to find out what the 2010 theme will be, and bring a fitting costume. 

Entrepreneurs of the Year

AdvanceMe Inc. President and Chief Executive Officer **Glenn Goldman** received the Ernst & Young Entrepreneur of the Year 2009 Award in the Financial Services category for the metropolitan New York area. The EY award program honors entrepreneurs who have demonstrated excellence in such areas as innovation, financial performance and personal commitment to their businesses.

Additionally, **iPay Technologies'** co-founder and managing partner **Dana Bowers** was named Entrepreneur of the Year in the electronic bill payment category. Both are now eligible for the national award, which will be presented in Palm Springs, Calif., in November 2009.

Charge Anywhere expands mobile platforms

Charge Anywhere LLC introduced a mobile payment solution designed for use with the Palm Pre.

The application will enable merchants to accept mobile credit card payments and e-mail receipts directly from customers. The company also released the latest version of its mobile payment software application to support the 3G BlackBerry Tour Smartphone.

Multiple units, one gateway

Payment gateway and software development company **eProcessing Network LLC** is offering its ePnjPOS pay-

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ment software for merchants who have multiple business units in one location – for example, hair and nail salons, medical offices, tax accountants, law firms and investment companies.

ePnjPOS is designed to give merchants secure processing capabilities from a PC or laptop computer with external Universal Serial Bus devices that facilitate card-swipe, PIN debit, gift card, loyalty, signature capture and check processing functions.

FNMS branching out

Payment processor **First National Merchant Solutions** expanded its international portfolio, adding Puerto Rico and the U.S. Virgin Islands. FNMS said the company will continue to expand its international footprint as economic and business conditions permit.

Panini ideal for Metavante

Banking and payment technology provider **Metavante Corp.** certified the Panini I:Deal, the latest check scanning platform from **Panini**, a market leader in distributed capture solutions.

"The Panini I:Deal is compact, affordable and easy to operate," said Paul Danola, President, Metavante Image

Solutions. "The I:Deal is designed to operate in a variety of small business markets, making it an excellent choice to deploy with Metavante's Direct Merchant solution."

Online calculator clarifies merchant costs

The costs of processing debit and credit card transactions can be significant; they are also inherently complex. To help merchants understand and lower these processing costs, **Optimized Payments Consulting** introduced what is said to be the first online payment calculator.

Merchants using the calculator will receive a personalized analysis comparing their effective rate with their industry norms, as well as recommendations for lowering costs.

Hypercom gets RBS stamp of approval

Payment processor **RBS WorldPay Inc.** Class A certified **Hypercom Corp.**'s Optimum T4210 (dial) and T4220 (Ethernet with dial) Payment Card Industry (PCI) PIN Entry Device-approved payment terminals.

SafeandSurf secures smart phones

ThreatMetrix Inc. unveiled SafeandSurf, a new mobile security application for smart-phone users. SafeandSurf is a Web browser that securely stores smart-phone users'



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personal data until they are ready to sign on to a social network, execute an online banking transaction or complete an e-commerce purchase.

TSYS approves VeriFone Vx Solutions

TSYS Acquiring Solutions approved for Class A support and training two wireless and Ethernet connectivity models in VeriFone's Vx Solutions product family: Vx 670 Wi-Fi and Vx 510 Ethernet countertop system. Based on the Verix platform, Vx Solutions are designed to provide a common user interface across multiple form factors, as well as offer consistent software, applications and support.

UATP adds Virgin to its portfolio

Payment solutions provider **Universal Air Travel Plan Inc.** added **Virgin America Airlines** as its newest merchant. "As a new airline, we've quickly recognized the demand for UATP acceptance and want to expand our corporate client base while lowering distribution costs," said Diana Walke, Vice President of Planning and Sales at Virgin America.

Verrus rolls out Pay by Phone parking

Verrus Mobile Technologies Inc. launched its Pay

by Phone parking services in Sacramento, Calif., Ann Arbor, Mich., and at Texas Tech University in Lubbock, Texas. The system is designed to help decrease the number of tickets drivers receive and reduce reliance on parking meters for revenue collection.

XPIENT prefers RBS

Information technology and POS solutions firm **XPIENT Solutions LLC** selected payment processor **RBS World Pay** as its preferred payment provider. Under the agreement's terms, XPIENT will recommend RBS to both current and future clients in order to provide a fully integrated payment offering.

PARTNERSHIPS

Agreement to reduce card skimming

Payment security solutions company **CardSwitch Technology Ltd.** and credit card solutions provider **OpenCard S.A.** signed an agreement that will allow OpenCard to market CardSwitch's payment security solutions. The CardSwitch system is said to prevent fraud that results from card skimming and provide an effective method of reducing consumer card fraud.

ID Analytics gets Deluxe solution

Fraud and risk management specialist **ID Analytics Inc.** teamed up with online and direct marketing firm **Deluxe Corp.** to help Deluxe comply with the Fair and Accurate Credit Transactions Act of 2003 Identity Theft Red Flags Rule.

Deluxe intends to use ID Analytics to improve fraud detection rates, automate Red Flags Rule compliance and reduce operational costs.

Tri-partnership helps merchants meet PCI

Payment processor **Financial Transaction Services LLC** teamed up with **Data Delivery Services Inc.** and **Comply Guard Networks Inc.** to help merchants meet requirements set forth by the PCI Security Standard Council.

Effort to streamline health care spending

MasterCard Worldwide signed a multiyear contract extension with **OptumHealth Inc.** to issue MasterCard cards for health saving accounts, flexible spending accounts and health reimbursement arrangements.

The cards can be used as a form of payment, tied to these tax-advantaged accounts, for eligible medical expenses such as co-payments, deductibles, prescriptions, vision care and certain over-the-counter items.

MyECheck Simplifiles online payments

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to facilitate integration of the MyECheck Remotely Created Check solution into the Simplifile Internet-based electronic recording service. This will allow Simplifile customers to make payments for recording and submission fees using an online check imaging process.

Travel industry supported by eNett

Travelport formed an alliance with payment solutions provider **PSP International** to create a joint venture that will provide integrated payment solutions tailored specifically to the travel industry. The new company, **eNett International**, will enable automated payment, settlement and reporting between travel agencies and travel product suppliers using all payment form factors.

TrustCash adds Electracash ACH

Stored-value solutions specialist **TrustCash Holdings Inc.** partnered with Internet payment processor **Electracash Inc.** to add automated clearing house (ACH) processing functionality to its suite of payment solution services.

XCEL excels with TNB

In a move designed to improve management, marketing

and customer service for its credit card program, **XCEL Federal Credit Union** of New Jersey switched its card processing to **TNB Card Services**.

XCEL is transferring all 2,500 of its accounts to TNB in an upgrade that Chief Operating Officer Marianne Pulice said was "definitely needed."

APPOINTMENTS

Holmes is ascending

Payment solutions firm Universal Air Travel Plan hired **K. David Holmes III** as the company's new Vice President, Global Sales. Holmes was promoted from Regional Commercial Director, The Americas, and will focus on recruiting new airline merchants, growing existing UATP issuer programs and expanding UATP's partner program.

Comdata gets new VP

Comdata Corp. named **Greg Licata** as its Vice President of Health Care. Licata's responsibilities include implementing Comdata's payment products and services in the health care industry.

Paymetric selects new EVP and GM

Paymetric Inc. expanded its team with the addition of **Asif Ramji** as Executive Vice President and General Manager of Integrated Payment Solutions. Ramji is responsible for driving revenue for Paymetric through its direct sales force in addition to overseeing all the company's marketing programs, strategies and demand generation activities.

41st Parameter hires 35-year vet

Fraud detection and prevention solutions provider 41st Parameter Inc. reported that **J. Peter Selda**, a 35-year information technology veteran, joined the company as President, CEO and member of its board of directors.

Total Card taps Paul Simon

Third-party credit card servicer Total Card Inc. hired **Paul Simon** as National Sales Director. Simon, who has been in the payments industry for 20 years, is responsible for market expansion and new business development.

Hypercom appoints managing director

POS terminal manufacturer Hypercom appointed **Peter Vesco** as Managing Director, Northern Europe. Vesco's new responsibilities include directing and driving Hypercom's business activities throughout the region. Vesco's tenure begins in October 2009. ☐

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Insider's report on payments**The cards, they are a changin'****By Patti Murphy***The Takoma Group*

In "Regulation, deregulation, self-regulation," published in *The Green Sheet*, March 23, 2009, issue 09:03:02, I proffered the notion that financial services deregulation went awry because it failed to take into account basic human emotions like greed.

I still believe in that basic premise, but I think it was short-sighted of me to limit the discussion to greed.

The fact is financial markets are subject to the whims and fancies of individual participants – not just greed, but also decisions based on all manner of human emotions, perceptions and interactions. That makes markets unpredictable. And I'm not just describing equity markets.

It's time to face the music folks: The payments space today is radically different than it was just 10 to 15 years ago. It's time for acquirers and their partners (especially the card companies) to accept and work with this change rather than fight it.

Who among us, just a decade ago, truly expected usage of Visa Inc.- and MasterCard Worldwide-branded debit cards would outstrip credit card payments? Who back then (other than a few dozen champions of "check electronication") expected we'd see billions of checks a year digitized and cleared electronically?

No escape from change

The most profound difficulty we face as businesspeople today is that many of the basic principles upon which financial markets and individual companies have been built are woefully out of date.

George Soros, an international investor (and philanthropist) who has made billions of dollars through hedge funds, addressed this in his book, *The New Paradigm for Financial Markets: The Credit Crisis of 2008 and What it Means*.

He wrote, "One cannot escape the conclusion that both the financial authorities and market participants harbor fundamental misconceptions about the way financial markets function. These misconceptions have manifested themselves not only in a failure to understand what is going on; they have given rise to the excesses which are at the root of the current market turmoil."

Despite prevailing economic theory, financial markets do not tend toward equilibrium, Soros insists, because

investment decisions (all financial decisions, really) can and generally are influenced by the perceptions and interpretations of the individuals involved. "Both markets and regulators are fallible," he wrote.

No lesser a spiritual authority than Pope Benedict XVI made a similar point. "Without internal forms of solidarity and mutual trust, the market cannot completely fulfill its proper economic function," he wrote in "Charity in Truth," an encyclical released in July 2009.

"And today it is this trust which has ceased to exist." (An encyclical is a written document detailing Papal views on specific moral and social issues.)

Fear of the unknown

For years, acquirers and their partners have trusted the old ways of doing business would carry payment card businesses forward ad infinitum. But that's not the case; the ongoing debates over interchange and data security drive home this point.

Data security is crucial. If the card industry cannot ensure the integrity of systems that store and carry payments and related cardholder data, merchants and consumers will find alternatives.

The Payment Card Industry (PCI) Data Security Standard (DSS) was a good start, but as a succession of well-publicized data thefts has shown, it's not enough.

Criminals, merchants and consumers understand this changing market dynamic. Some processors do as well, and several are pressing for greater use of encryption to protect card data.

However, Visa and the PCI Security Standards Council prefer pointing fingers to accepting reality. Using what I call a "Möbius defense," they insist, in essence, that the PCI DSS works; the only times it hasn't worked is when an organization has been noncompliant.

And companies deemed compliant by Visa that were subsequently breached obviously weren't compliant, or they would not have been breached. Or so the logic goes.

How many breaches are needed before the card companies accept that it's time for a new, broader approach to card data security?

I've lost count of the number of friends who have approached me in the past year about alternatives to using credit cards for online purchases. Most are consid-

ering (or using instead) prepaid cards or alternatives like PayPal. I also know people who refuse to use cards at large retail chains. Figuring those stores are more likely to be hacked, these folks are using cash and checks instead.

Interchange change

Meanwhile, retail merchants have become fervid in their crusade against interchange.

In early July 2009, 7-Eleven Inc. launched a campaign, taking the discourse to the people, with petitions in all 6,300 stores it operates throughout the United States.

"Ask Congress to stop credit card companies from charging unfair transaction fees to the businesses you shop," reads a prominently placed sign with a signature page at every checkout counter. Darren Rebelez, Executive Vice President and Chief Operating Officer at the Dallas-based chain, said 7-Eleven hopes to collect at least 1 million signatures.

In an article published in the *NACS Daily News*, a publication of the National Association of Convenience Stores, Rebelez described the petition drive as a "grass roots effort" and noted that individual small business operators run roughly 75 percent of 7-Eleven stores in the United States.

In early July 2009, the The Huffington Post blog also weighed in on the subject with an article titled "TARP recipients fighting to keep charging exorbitant credit card fees." It can be found at www.huffingtonpost.com/2009/07/09/tarp-recipients-fighting_n_228682.html.

At least two bills are pending in the U.S. Congress that would impose drastic changes in the way interchange is set: S.1212 and H.R. 2695. Experts who have studied the bills say both are seriously flawed. If that's the case, it's time to focus on workable changes rather than dig in to defend the status quo.

Addressing the issue at a recent payments industry conference, Josh Perez, Group Executive, Innovation Platforms at MasterCard, insisted change wasn't necessary because free markets work. "There's absolutely zero evidence that lower is better," he said, adding that merchants who think they can get a better deal elsewhere, should.

It reminded me of the skit Lily Tomlin made famous on the 1960s comedy "Laugh In." As a telephone operator dealing with cranky customers, her typical retort was, "We don't care; we're the phone company."

At the time, AT&T was *the* telephone company. ☒

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



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View

Mobile payments in the mainstream

By Tim McWeeney

WAY Systems Inc.

The people in the wireless POS industry have been saying it for more than 10 years: Mobile payments are coming. And we have been saying mobile payments are not a niche market but a mainstream form of processing electronic payments.

Now, if we look carefully at one current "redefinition" of mobility, self-proclaimed gurus are telling us mobility means an evolution to a choice between a cell phone and near field communication. Wrong. The primary purposes of offering merchants true mobility are to increase the available space in which they operate, make it easier to become a merchant and accept electronic payments virtually anywhere.

A new wave of merchants

Since Jan. 1, 2009, nearly 4 million people in the United States have lost their jobs. Most of these jobs are not coming back in any form. This means millions of people are

looking at becoming entrepreneurs. They are short on cash and seek a cost-effective way to enter the business community and open a merchant account.

Most of these new businesses will not be traditional brick-and-mortar because of the upfront costs involved and the continued tightening of lending. Most will be mobile merchants looking for a simple, easy, inexpensive way to accept electronic payments.

The cell phone merchant account will not replace traditional wireless POS equipment – it will bolster it. If the emerging industry of cell phone merchant accounts adds 1 million new merchants, how many of those new merchants are going to be 100 percent satisfied with the built-in limitations of the cell phone?

The cell phone is not capable of PIN debit, nor is it capable of many value-added features the wireless POS device carries. For a qualified transaction, a remote Bluetooth printer with a mag strip reader needs to be added to the equation, adding cost to the merchant and still leaving limitations in processing.

The need for further functions

How many of these million-plus new merchants will be coming back to their processors and demanding a more efficient and robust method of accepting credit, debit, gift and check transactions? One-third? One half?

That alone will account for 350,000 to 500,000 so-called cell-phone merchants demanding a full-featured wireless POS device to continue their businesses in a more complete way. With that in mind, processors need to offer and support all solutions for their merchants.

Pricing of wireless POS hardware to merchants remains an issue. Merchants who are starting their businesses cannot afford a wireless POS device costing them \$1,000 or more. A more effective and broader view of wireless is needed to truly capitalize on the potential here. It begins by viewing the market in similar terms to traditional POS devices and not overcharging for the premium of selling a niche wireless device.

Remember that with wireless POS devices you gain full-featured terminals capable of many additional value-added features for merchants. These items are essential to merchants opening their new business.

The challenge is to view this market in its entirety. Mobile payments market growth includes cell phone applications, but it does not end there. We all need to make the most of the tremendous opportunity. ☑

Tim McWeeney is Vice President, North American Sales for WAY Systems Inc., a wireless, cost-efficient POS manufacturer. He is also a member of The Green Sheet Advisory Board. He can be reached at tmcweeney@waysystems.com.

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Dude's got my money: What can I do?

By Theodore F. Monroe

Attorney at Law

These days, I receive two or more calls per week from ISOs or merchant level salespeople (MLSs) with the same complaint about some contractual counterparty higher up in the processing chain: "Some dude's got my money and won't give it back." I seldom received these calls before September 2008.

Thus, if my practice is any barometer, it appears ISOs and other higher-level counterparties are more frequently using tenuous (if not plainly bogus) claims to seize residual payments, portfolios and merchant reserves from downstream ISOs and agents to satisfy their need of cash.

Why do they do it?

One common justification for withholding money is that an MLS has breached the referral contract in some manner, resulting in a forfeiture of the residual stream.

Typical examples include the alleged breach of an exclusivity, nonsolicitation or monthly minimum provision contained in the contract.

Another common justification is that the agent is contractually responsible for all losses suffered by the counterparty as a result of merchant fraud.

These claims are often illegitimate; many make little sense except under the most strained interpretation of the contract or law.

Still, these cases can be hard to fight, and they often prove costly. The agent generally must hire a lawyer to deal with the situation immediately if he or she wants any hope of getting the money back (this, of course, means spending money).

In almost all cases, the counterparty rather than the MLS drafted the agreement; and almost always, the MLS did not have an attorney review the agreement before signing.

As a result, the contractual terms tend to be weighted heavily in favor of the counterparty, or may be vague or ambiguous on certain key points. Moreover, litigating these cases can take years – and cost the agent hundreds of thousands of dollars – without any guarantee of seeing a dime.

Indeed, the counterparty often has a strong incentive to use all means within its power to string out the lawsuit

on the bet that the agent will not stay in business long enough to keep paying his or her attorneys or reach the finish line.

The real reason these upstream parties are holding the money may be easier to understand. Nowadays, times are tough. ISOs (big and small) are struggling to survive, and some are gravely concerned about their cash flow and making their payroll.

Accordingly, some ISOs are resorting to drastic and desperate measures, including simply seizing money (residual payments, portfolios, and merchant reserves) from their downstream agents and merchants.

Who are the victims?

Even more disturbing, the victims of these seizures do not appear to represent a random section of the MLS community.

Based on the calls I am receiving, it appears the perpetrators are selecting their victims systematically, specifically targeting agents and merchants they believe are less likely to fight back.

Thus, the primary group of victims seems to be those who lack the financial resources to survive the seizure of funds. Certain ISOs are hedging that such parties cannot afford to put up a fight and will therefore quietly fade away.

The next most targeted group appears to be MLSs and merchants who belong to ethnic or cultural minority groups – particularly those who are recent immigrants or non-native English speakers.

The perpetrators may pick disproportionately on this group because they believe such agents are less likely to understand, resort to, or benefit from the legal system (whether due to cultural or language issues).

The other group consists of former rainmakers who are no longer bringing in new merchant accounts. Here, the ISOs appear to reason that, rather than send out a check each month and continue to pay an MLS who is no longer bringing in new business, they'll find an excuse (any excuse) for terminating the residual stream altogether.

What can you do to protect yourself?

The single most important action is to perform your due diligence. Deal only with counterparties who are ethical and reliable and have a reputation in the industry as such.

View

Ask around, and look at agency boards or sites such as www.ripoffreport.com to find out more about other people's experiences with those you are considering working with.

If they have cheated others in the past, they will probably cheat you if they get the chance. A close second is securing a good contract at the beginning of your relationship.

Look out for self-serving or ambiguous contractual terms, particularly those governing exclusivity, nonsolicitation, monthly minimums, and liability for merchant or employee misconduct. ISOs often link violation of these provisions to termination of residual streams.


Insist on plain language you understand, and make sure your contract clearly spells out the term and duration of any exclusivity and nonsolicitation provision, as well as the mechanism for terminating the relationship. You should also attempt to negotiate reasonable exceptions to such provisions.

Also, take a long, hard look at your responsibility under the contract for merchant and employee fraud. For example, try to negotiate a contract that requires the upstream ISO to prove you had knowledge of false or fraudulent information offered in connection with a merchant application before you can be held responsible.

The contract should also stipulate that you bear no responsibility for merchant fraud unless the ISO can prove you engaged in affirmative misconduct.

Finally, the contract should provide that, in the event you are responsible for any losses to the ISO, the residual stream will be reduced only by the amount of the loss, not terminated.

The present economic environment appears to be the driving force behind the increasing victimization of agents by their upstream counterparties in the payments industry.

Accordingly, whether or not you fall into one of the target categories discussed herein, protect yourself by dealing only with reputable ISOs, negotiating a good contract at the start of the relationship and having that contract reviewed by an experienced lawyer before you sign on the dotted line. 

The information contained in this article is for educational purposes only. Please consult an attorney before relying upon it for your specific legal needs. Theodore F. Monroe is an Attorney whose practice focuses on the electronic payment and direct marketing industries. For more information about this article or any other matter, e-mail Monroe at monroe@tfmlaw.com or call him at 310-694-8161.

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ADVISORY BOARD

Vertical market virtues - Part II

Establishing a niche in one or more vertical markets is said to be an excellent way for an ISO or merchant level salesperson (MLS) to expand a merchant portfolio during any type of economy.

We thought it would be valuable to seek perspectives on this topic from our esteemed advisory board. Thus, we asked them to answer the following questions:

1. What are the pros and cons of pursuing vertical markets as opposed to being more of a generalist?
2. How do you evaluate which markets are best to pursue during an economic downturn? What factors do you consider in determining which markets are worth pursuing? Which verticals do you think are hot right now?
3. Which vertical markets does your company pursue right now? Why did you choose these types of businesses, and which ones have brought you the greatest success?

Are there other markets you have your eye on for the near future? Have you ever met with failure in attempting to break into a market you thought would be ideal?

4. What advice do you have for MLSs who want to break into new verticals? Are there certain things they absolutely should and shouldn't do?

The Green Sheet, July 13, 2009, issue 09:07:01, contains the first portion of their responses; following is the final portion. Many thanks to those busy professionals who took the time to share their knowledge.

Dan Lewis

AmeriBanc National

1. Pros: Your learning curve pays back much more quickly as you learn to anticipate and handle the needs of the merchant prospect since, in a vertical market, almost all of your businesses have similar needs, issues,

questions and problems. Networking is also simpler as "birds of a feather."

Cons: Population density can cause a lower sales frequency since you are passing over many other merchant types to target only one type. Also, if most or all of your eggs are in one basket, if your processor hands your merchant a change or problem, it can affect your entire portfolio.

2. You need to look at your cost/benefit ratio, as some verticals may have a much more defined need in an economic downturn. But that may be a precursor to going out of business. Balancing a clear need with a stable outlook to pay you dividends for the long run has to be addressed for success.

Verticals that are "hot" right now would be surrounding educational markets, do-it-yourself industries, as well as resale types of outlets that all traditionally thrive as the economy turns down.

Auto repair is doing well, as many consumers are holding on to their vehicles for longer periods instead of buying that new car. With loan qualification being more stringent and auto makers disappearing and dealerships closing, it can be a tough time to buy a new car.

Along with a successful idea usually come a few failures because the true test of an idea isn't if it looks or sounds good; it's can you really sell it? Can you get others engaged enough with the idea to literally buy into it?

4. Try more than one vertical, and be brutally honest about your results in comparing them to each other. Don't let your passion for your idea keep you from being successful in the arena that is actually showing a profit.

I can't even begin to tell you how many great ideas we have had, and tried, that we just couldn't get to work. We still think they're great ideas; we just can't make any money with them.

So guard your objectivity, and make sure you've got a good sounding board relationship with someone who's not afraid to tell you that your idea is a stinker when you look at the numbers and ROI (return on investment). Numbers don't lie.

Biff Matthews

CardWare International

1. The obvious pro in pursuing a vertical market is becoming highly proficient and cost effective in that area in addition to being deemed an expert.

A siloing con is highly evidenced today by those organizations that focused on restaurants, lodging and hospitality industries. When they're hot, they're



hot; when they're not, they are, in this instance, frigid.

On the other hand, siloed focus can generate exponential growth, however, at the expense of long-term stability; for, as things go up, so do they come down.

2. A hot vertical today is surely remote deposit capture (RDC) / back-office conversion (BOC) / point-of-purchase (POP), plus most anything away from credit.

Cash and cash equivalents will remain the payment methods of choice, in my opinion, through 2015. Credit and its abuse really has taken a beating, and it could take a generation, 2028, before credit comes into real favor again.

Hot market: anything to do with the future necessities of the aging baby boomers – health and wellness care, activities and places associated with retirement. Where will boomers spend what retirement money they have left and how will they spend it is another consideration.

The economy is cyclical, so like gas, the downturn shall pass. Our industry, our clients – businesses of all types – are consumer driven. Therefore, consider pent-up consumer demand – what will it be or where will it be?

Next, what is stable today? The basic necessities, from food and sundries to utilities and housing, along with medical care, remain relatively stable. While not glamorous in any economy, they provide a stable base from which to launch other high-flying opportunities as they recover.

3. The company is pursuing RDC/BOC/POP relationships and opportunities. Without divulging proprietary information, we are leveraging our strengths in people, technology and systems into nontraditional areas.

A former chief financial officer shared that what we are doing today is not what we will be doing tomorrow, as evidenced by our shutting down imprinter repair – the foundation of the company.

Providing services and products aligned outside or beyond the electronic transaction industry broadens our experience, further enhancing what we do in supporting electronic transactions.

Why nontraditional markets? For one, many nontraditional markets are less likely to be living and dying on price. Many are markets in which value and quality play important roles.

Fail, yes, we did fail and fail well. About a decade ago we failed with a box, LogoExpression, between the

standalone terminal and printer that produced graphics and marketing messages on the face of receipts.

We believe the reason the concept failed is we were too far ahead of that curve, having to educate users to the benefits of personalized, individualized printer receipts. Plus, this was about the time of migration to the integrated terminal/printer.

4. In my opinion, research, research, research well the vertical and its market potential, both short and long term. Why have some failed and exited? Learn from the mistakes of others. Also, what is the successful competition doing that makes them successful?

Honestly, understand your niche and the value you bring to the game. Understand the competition and why they are successful. Competing on price is OK so long as you don't muddy the water for everyone else. Pigs get fat; hogs get slaughtered.

Understand that it takes time, typically considerably more time, to penetrate a vertical market, hence deeper pockets to sustain the effort while the silo develops.

Have an exit strategy in the event of failure as well as a managed growth plan in case of huge success.

Tim McWeeney

WAY Systems Inc.

1. I think it's wise to be pursuing all avenues of business now. That being said, vertical markets represent independent challenges and require resources from the vendor that typical brick-and-mortar merchants do not. If calling on merchants in a vertical market, one should be prepared to support that market with the idiosyncratic needs they bring with them.

The upside is that vertical markets tend to be more loyal and offer the possibility of higher rates/fees to support their specific needs.

2. Proximity payments is becoming a vertical market on its own, and it is sizzling hot. The downstream effect on all contactless payments equals more merchants for everyone, including hardware manufacturers. Anything that expands the merchant market is a win for everyone.

The economy is down for certain. The fundamentals of business development have not changed. What we are seeing is more pressure to reduce costs and increase features. This is something that is not going to go away.

All markets are worth pursuing at the right price. The trick is knowing when a market (or vertical) becomes more of a loser than a winner if you are awarded the business.

AdvisoryBoard



3. My company manufactures pocket-sized, multi-application, wireless POS devices. We are seeing a tremendous interest from merchants and their ISOs in the direct selling arena. This is no surprise. With the economic downturn, new merchants (formerly 8 a.m. to 5 p.m. workers) are opening their own businesses.

My company is exploiting that need with our low-cost solution for these new merchants. For WAY, this has been a very good year, thus far in 2009, for primarily this reason.

Markets that seemed like a good idea at the time? The airline industry. The needs of the major airlines are very specific and demanding.

Couple that with an industry suffering economically, and you have a combination of high need/low revenue – a less than desirable market for my company. Yet, that model met the needs of other companies who sought and gained that business.

4. Make sure the needs, and your ability to meet/exceed them, are in your "wheelhouse." Don't let your reach exceed your grasp or else you will lose money and respect. These days, none of us can afford to lose either.

Bill Pittman

SoundPOS LLC

1. By definition, vertical markets are smaller target markets. Consequently, you are going after a smaller piece of the pie, thus limiting your upside. However, everything is relative, so what is a small amount of money that could not sustain a large ISO will support a small MLS just fine.

Thus, the size of your target vertical market, your competitive advantage and your ability to differentiate yourself determine your potential success. If it is too small of a market, it can be easily saturated, and you may have a hard time surviving.

However, a small target market also limits your competition, so you may be able to become an expert in your vertical market and thus increase margins. Typically, large businesses target large markets and use economies of scale to drive down costs.

If you are interested in raising money from venture capitalists (VCs), one of the first points you have to sell the VC on is the size of your target market.

VCs are only interested in companies with large target markets. If you have the best widget but can only sell three of them, a VC will not be interested.

One way to address this is to use what is known as Bowling Alley Marketing by segmenting the market. You look at the total potential market as 10 pins in a bowling alley. Each pin represents a potential vertical market segment.

Rather than go after all the pins at once, you identify the first vertical market that offers the best opportunity to succeed and make it the head pin. You then target that market exclusively.

Once you dominate that market, you use your momentum from that success to knock down the next row of pins (or vertical markets). You continue this pattern until you have all the pins knocked down.

2. In general, markets that are inefficient, underserved or are growing provide the best opportunities. You need to research your markets, review the competitive landscape, regulatory environment and new technologies, and try to understand how they will impact the industry and create opportunities. Remember, change creates opportunities.

Important factors are elasticity of demand and competition. Ideally you would like the demand for your product to be very inelastic so that businesses have to have your product to be in business. Completion is key to determining the price customers will pay for your offering.

You also need to pursue markets that you know and you can sell value to. This becomes even more important during an economic downturn.

Businesses are struggling to survive, so you need to be able to provide solutions with real value that lower costs, reduce expenses or increase revenues. The sale becomes less about personality and style and more about ROI.

There are a lot of vertical opportunities in this industry, depending on your business. From a vendor's perspective, I believe PC-based POS, mobile, medical, government, debit, gift/loyalty, home-based business and alternative payments are all growing.

3. We targeted the PC POS vertical. We have a new product called a Virtual Electronic Cash Register (vECR). It provides similar functionality to a physical cash register plus payment terminal, but via software offered as a hosted service.

Our research indicates there is a large gap between a traditional cash register plus payment terminal and a standard PC POS system. Our vECR fills that gap.

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provides basic POS functionality with low monthly fees that is easy to install, set up and use.

It takes advantage of new software technology in conjunction with a hosted software service to accomplish this in a way you could never do with traditional, fat-client software.

We would like to expand our concept to other verticals – such as fast food/restaurants, health care and franchise businesses – over time, but we need to stay focused at this stage of our business.

If you try to do too many things at once, you end up doing none of them well (remember the bowling alley). We also need to do more market research before we decide how and what markets we want to explore before moving forward.

I've had many successes as well as some failures. There is a saying that if you meet someone who has never failed, then they have not reached their full potential. You try to do everything that you can to minimize your failures. You need to have more successes than failures to stay in business.

You can fail for many reasons, such as not knowing the markets as well as you think you do. For example, not understanding the competitive landscape can result in a new competitor bringing out new products at prices you were not expecting.

Another common reason is running out of money before your business takes off. Everything takes longer than you think it will, so you need to make sure you have sufficient money (your runway).

You need to learn from your failures so you don't repeat the same mistakes. Remember, it is possible to fail for reasons outside your control, so you can't take failure too personally. It is what you do with that failure that is important.

4. What markets to pursue depends a lot on the knowledge and skills of you and your team. Go after opportunities you know and have the domain knowledge to support.

Research your market, understand your competition, build a competitive advantage and differentiation, and talk to potential customers. Build a cushion into your plan.

Expect things to go wrong and take longer than you think they will. Have a fall-back plan just in case, so you do not put all your eggs in one basket and thus limit your downside.

Jeffrey I. Shavitz

Charge Card Systems

What is great about our industry is that we, as ISOs and MLSSs, have the potential to meet thousands of prospective merchant customers; however, these endless opportunities also create a lack of day-to-day focus.

This morning, you are selling to a restaurant, in the afternoon working with a gas station, tomorrow a business-to-business merchant, and next week you are planning a technology integration with a start-up, e-commerce company. Just visit www.sec.gov/info/edgar/siccodes.htm, a Web page prepared by the United States Securities & Exchange Commission that lists the Standard Industrial Classification Code List (SIC codes) that illustrates the numerous industry types.

Although working with a myriad of industries is exciting, there is great validity to developing a specialty or niche within a particular vertical market. Pick one within the SIC code list, or work within an industry that appeals to you – from challenge and profit perspectives.

For example, Charge Card Systems has many sales partners that have taken ownership of industries (including nonprofits, medical/health care, gas stations, fast food restaurants, automotive and many others).

Specializing in an industry makes networking and referrals that much easier. Win one nonprofit, and they undoubtedly will know the executive director of many other organizations and nonprofits in the area. Identify and attend a few industry tradeshow and, within days, you will know the key players in the industry.

In today's marketplace, we believe that there is great opportunity to earn profitable accounts in these niche markets versus just calling on the neighborhood retailer who typically has incredibly competitive pricing.

With special and reduced rates now for emerging markets and other interchange classifications, salespeople who understand these interchange programs will have a competitive advantage in winning those merchants.

Bottom line: Becoming a specialist and having expertise in a niche market will help you exponentially grow your merchant portfolio and increase your earnings going forward.

J. David Siembieda

CrossCheck Inc.

1. One of the pros of focusing on a vertical market is that it gives you an opportunity to specialize and become successful in that particular market. This can



open the door to more business from referrals, industry contacts and networking. It can also make good use of time spent researching new opportunities and preparing special, industry-specific programs.

However, staying with just one or two verticals can lead to tunnel vision, so keep aware of what's going on throughout your business environment, and stay prepared to react if new markets open up.

2. Look at your existing market base and determine which business segments are the most profitable. Then ask yourself if the merchants within those segments are stable. Do you see a need from those merchants for future products? Is the industry growing and adding new members? If the answer is yes to these questions, there could be great potential in that market.

Health care is an example of a business segment that is hot right now for payment processing.


Many physicians' offices are not set up with credit card processing, and almost all could benefit from a back-office conversion service. The market for cosmetic surgery continues to grow and, because much of that work is not covered by insurance billing, streamlined payment processes are in high demand.

3. For years we've had tremendous success with the auto industry and new car dealerships. That's changed a bit, though surprisingly a lot of our new business is still from dealers. Recently we've seen a lot of growth from auto repair, and we've been able to leverage our experience with auto and auto aftermarket to extend this market.

Being able to offer services such as back-office conversion and recovery has helped us break into the medical market, and we see a huge future in this.

4. Gaining referral business is one of the most effective ways of getting business in a vertical market.

Your reputation as a service provider who understands the needs of the market can open the door to new contacts, so make sure you educate yourself on the industry; know the language, the rules and the protocol.

Conversely, a sloppy reputation can get around a market just as fast, so always provide top-notch service, and go the extra mile for all, even the smaller accounts within the market. Those small accounts can grow to big ones. 

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White paper discusses prepaid's future

In its initial white paper entitled Meeting the Challenges of Today's Prepaid Market, prepaid and credit card processing software company **CoreCard Software Inc.** reported on growth areas in the prepaid card industry.

Based on research culled from payments industry advisory firms TowerGroup and Mercator Advisory Group, CoreCard reported the following:

- Prepaid and gift card usage will represent \$75 billion in 2010, a 600 percent increase over 2005. (TowerGroup)
- By 2010, 375 million cards will be in circulation, up 1,000 percent from 2005. (TowerGroup)
- The open-loop, network-branded prepaid card market will see an annual market spend of \$28 billion; the closed-loop, private-label prepaid card market will see \$171 billion in 2009. (Mercator)

"In order for a company to take advantage of using prepaid cards, they must choose a solution that is flexible enough to fit their overall operations and marketing needs and allow them to grow in the future," said J. Leland Strange, CoreCard's Software Managing Director. "With this first white paper, we examine the marketplace and help card issuers determine the best solution for them."

CoreCard intends to publish a series of white papers on the prepaid card industry.

Latin America prepaid forecast encouraging

NovoPayment Inc., a prepaid card service provider for Latin America, released its regional forecast for general-purpose, reloadable mobile and utility cards in which it estimated a potential market of nearly \$160 billion annually by 2015. The forecast is part of a regional study covering 15 countries; it measured factors such as size of labor force, poverty rates, wages and banking.

Today, the company's prepaid programs reportedly allow more than 200,000 mobile and utility consumers to pay for services on demand or via scheduled debits to their MasterCard Worldwide Maestro- or Visa Inc.-branded prepaid cards. "Unbanked consumers spend on average 10 hours per month standing in line to pay bills for services simply because they don't have a traditional bank account or credit history," said Anabel Perez, NovoPayment's Chief Executive Officer.

According to NovoPayment, the majority of mobile customers in Latin America – between 80 and 90 percent – are already on prepaid plans, representing a huge market opportunity for ISOs and a value-added solution for users who currently rely on single-use, scratch-off cards.

SPA takes smart card market pulse

The **Smart Payment Association** completed its 2008 internal market monitoring activity to get a better understanding of the status of the smart card market and its most significant trends. Comparing 2007 data to 2008, the SPA found:

- More than 580 million smart cards were delivered to the marketplace by SPA's members, which corresponds to a 39 percent year-over-year growth in smart card disbursement, showing the momentum of Europay, MasterCard and Visa (EMV) deployment.
- Over 25 percent growth was achieved in all regions, with the fastest growth seen in North America, where shipments have more than doubled.
- Fifteen percent of all shipments were for open-platform cards (such as multi-applicative EMV cards), representing a 72 percent increase.
- Both dual-interface and pure contactless cards had year-over-year growth rates of 140 and 66 percent respectively.

"A lot of industries were severely affected by the financial crisis," said Marie-Jane Denis, SPA's President. "High volumes continue to be shipped around the world, and a majority of regions carry on their migration to EMV standards."

ANNOUNCEMENTS

Chexar champions the underbanked

Payday advance company **Check Into Cash Inc.** integrated a **Chexar Networks Inc.** risk management solu-

tion for more than 1,000 of Check Into Cash's financial services centers. Company officials said the integration is an important step in serving the more than 100 million underbanked consumers in the United States. Chexar's solution facilitates the cashing of all types of checks.

FSCA promotes payroll cards

A report published by the **Financial Services Centers of America** indicated check cashing facilities are charging between 1.5 and 4 percent in fees for cashing payroll or government checks. This means a person cashing an \$800 payroll check every two weeks pays between \$240 and \$768 each year in fees. However, the FSCA said check cashing fees can be avoided if they direct deposit checks onto reloadable prepaid debit cards.

MoneyGram taps Central European market

Money transfer provider **MoneyGram International Ltd.** expanded its multicurrency payout service in Romania. The service enables customers to select euros, local lei or U.S. dollars. "Romania is an important growth market and one of MoneyGram's largest countries in terms of transactions received," said John Hempsey, Head of MoneyGram. "The expansion of multicurrency payout options better services customers sending funds from outside of the European Union."

Cash consumers predisposed to prepaid

Houston-based **PreCash Inc.** is offering The Vision Premier Prepaid Visa Card with direct deposit. Consumers can use the card anywhere Visa is accepted, sign up for free direct deposit, get online statements, and use e-mails and text messages to keep track of their transactions.

GO-Tag covered by Sheetz

Convenience store chain **Sheetz Inc.** now offers **First Data Corp.**'s GO-Tag payment solution to enable its customers to make purchases at contactless readers. Sheetz will begin selling the solution at all of its 350 locations across the United States by the end of July 2009. The GO-Tag solution deployed by Sheetz is configured as an open-loop, reloadable prepaid payment sticker and can be used wherever Visa's payWave contactless system is used.

Sterling in Philippines goes prepaid

Phillipines-based **Sterling Bank of Asia** launched the ShopNPay Visa prepaid card, following the success of what Sterling said was the first locally issued ShopNPay Visa debit card and EMV-certified debit card in 2008. Unlike the debit card, the prepaid card is a reloadable, multipurpose, nondeposit card that can be acquired without opening a bank account. It can be used for travel, remittance, payroll, commissions and even loan proceeds.

Trade unwanted gift cards for ca\$h

Swapagift.com now offers its service in over 600 agent locations nationwide, giving consumers the ability to receive cash on the spot for unwanted gift cards. Swapagift estimates that \$8 to \$10 billion of gift cards go unused each year. "Our service benefits consumers looking to liquidate unwanted gift cards and use the cash for other purposes," said Mike Kelly, Swapagift's CEO.

TransCard finds a strong Pulse

Prepaid debit card solutions company **TransCard LLC** added **Discover Financial Services** Pulse Network to its ATM and debit network, which comprises more than 289,000 ATMs and POS terminals. The network is reportedly used by more than 4,500 financial institutions – including banks and credit unions – across the United States.

Western Union card is gold

The Western Union Co. plans to enhance its Gold Card, the company's global consumer loyalty program, with the convenience of a reloadable Visa prepaid card. Western Union will offer the program to its 8 million Gold Card loyalty members in the United States.

PARTNERSHIPS

ACS improves Illinois payment distribution

Affiliated Computer Services Inc. signed a five-year agreement with the **Illinois Department of Human Services** to help the state improve distribution of payments to childcare providers and specialized personal assistants. ACS said its electronic payment card solution will help IDHS accelerate payments to recipients by using a reloadable MasterCard debit card as an alternative to paper check payments.

Triumvirate introduce My Tech Card

Security and identity theft solutions provider **CyberDefender Corp.** expanded its retailer marketing program from 40,000 stores to 145,000 stores globally. In conjunction with brand management services company **Allianex LLC** and stored-value and prepaid specialist **InComm**, CyberDefender introduced the My Tech Card prepaid card for use at mom-and-pop stores, as well as in the United States' big-box stores.

Alliance targets the young and unbanked

Alternative payment services company **Rixty Inc.** partnered with electronic payment systems developer **Coinstar Inc.** to launch a cash-based payment system at over 10,000 retail locations. The service is aimed mainly at younger unbanked customers to enable them to purchase prepaid cards.

Selling Prepaid

Zwinky Cuties takes kids exploring

SmartyCard, an online games service for children between 6 and 11 years old, inked a deal with **Zwinky Cuties**, a virtual world designed to help children explore their individuality and creativity.

SmartyCard allows parents and family members to purchase prepaid SmartyCard points for their offspring. The children can then earn this currency by playing the interactive educational games and taking the follow-up quizzes. "Zwinky Cuties provides kids with a safe and fun online environment while SmartyCard allows them to learn the value of hard work and choices," said Dae Mellencamp, General Manager for Zwinky Cuties.

Loyalty offers rewards

TechTrex Inc. and loyalty solutions provider **DigiCoins Canada Inc.** implemented the Micro Payment Loyalty Project in Sudbury, Canada. The program involves the use of contactless technology to reward loyalty points to consumers.

Urban Trust, Visa sign for Success

Visa signed a multiyear agreement with Orlando, Fla.-based **Urban Trust Bank**, a minority-controlled, federally chartered thrift bank, to offer the Urban Trust Success prepaid debit card. The goal is to provide a low-cost alternative for consumers who face challenges in obtaining traditional bank accounts or lines of credit.

APPOINTMENTS

VIPGift promotes Gildea

Prepaid solutions firm VIPGift LLC promoted **Patrick Gildea** to Chief Financial Officer. Gildea succeeds **John F. "Jack" Quigley**, who is remaining with the company through 2010 as Senior Vice President of Finance. 📧



Features

Incentive card usage reflects difficult economy

Based on U.S. and Canadian cardholder data, Scotiabank and Berkeley Payment Solutions concluded corporate employees are using their incentive cards to purchase everyday necessi-

ties, such as food and clothing, instead of nonessential items like furniture. And the reason for this shift in consumer spending is the troubled economy.

The analysis looked at Visa Inc.-branded, reloadable incentive card use over a 15-month period (January 2008 through March 2009). Purchases at quick service restaurants soared 107 percent. Family clothing store purchases rose 79 percent. Discount store spending was up by 37 percent, with drug stores and pharmacies up 26 percent, and grocery stores up 20 percent. On the flip side, purchasing at home furnishing and equipment stores slumped by 44 percent and at department stores by 35 percent.

According to David Eason, President of Berkeley Payment, the state of the economy was largely to blame for this switch in consumer spending. Cardholders purchased more day-to-day essentials such as clothing, pharmaceuticals and groceries and less lifestyle items such as furniture.

Additionally, no single merchant category accounted for more than 8 percent of the total spent using incentive cards, Eason said. That statistic means cardholders spent their rewards for a wide spectrum of purchases, he added.

Fiji junkets out, cards in

Another effect of the down economy is that corporations are increasingly forgoing expensive travel and merchandise for prepaid incentive cards to reward their employees, Berkeley Payment said.

"Right now companies are sensitive to the optics [visibility] of giving them the flashy, big-ticket type of merchandise such as the Blu-ray players or big screen TVs," Eason said. "As well as the luxury travel of sending people to exotic locations around the world, particularly when there have been a lot of cutbacks and a lot of belt tightening over the last months."

Eason cited an October 2008 study conducted by the New York City-based Incentive Research Foundation that found 75 percent of survey respondents did not want to be perceived as out touch with the current economic climate and would therefore change their employee incentive programs. As part of that trend, 24 percent of the respondents expected to use more incentive card programs in the future.

Plasticity

Eason has found that employees in the corporate sphere gravitate toward the reloadable incentive card as opposed to the single-use, nonreloadable variety. "Reloadable programs are very popular for employees, sales forces and channel resellers, where a corporation has a set number of employees or resellers," Eason said.

"Nonreloadable cards are much more popular amongst consumers." The main thing open-loop, network-branded cards offer employees is choice.

"If you provided an option for someone to buy a DVD player from our Web site or would you rather receive cash, I think most people will usually opt for having that discretion themselves to make the choice for their incentives," Eason said.

Another benefit of incentive cards is that they are a more democratic option for corporations. The amount spent on corporate incentive travel is massive, worth billions of dollars, Eason said. "It can be very good for recognizing your top performers and really treating them."

However, according to Eason, only 5 to 10 percent of a corporation's top performers could be rewarded with expensive trips, for example.

"If you're not in the top 10 percent, you can pretty much write yourself out of being involved in that campaign," he said. "So you're almost alienating 90 percent of your workforce and giving incentives that are unattainable. But by having a card, you can actually give the cards to your entire workforce. So I get \$20 on the card and the top performer might get \$200 on the card. This way it can be more inclusive."

Going forward

Eason said the first incentive card programs were rolled out in the early 2000s. He expects the incentive card industry to continue to grow, even as the industry consolidates, crowding out smaller players in the marketplace.

End-to-end payroll

The newest player in the growing payroll card marketplace is Springbok Services Inc. The Englewood, Colo.-based company launched enPay, a Visa Inc.-branded prepaid card. Springbok, which services the business community, not consumers, is offering the card to its roster of over 6,000 companies.

"A lot of our strategy right now is actually going after our current clients," said John Nail, Compensation Product Manager at Springbok.

"We service over 200 of the Fortune 500 businesses today. But we also work with small and medium-sized clients as well that also have this need and have a lot of unbanked or even credit challenged employees.

"So we're basically working toward providing a value-added service to all those existing clients, as well as any of our marketing partners that have clients out there that have this need."

Fulfilling service

The main need payroll cards address is the overhead costs of businesses issuing paper checks to employees. Typically, employers pay \$2 per paper check per pay period, Nail said. That adds up to \$50 per employee per year – a cost that electronic payroll eliminates, he added.

According to Nail, the enPay solution is easy for employers to set up without their having to change existing processes; employers only need to have direct deposit for employees with bank accounts to take advantage of enPay for workers without bank accounts. Springbok can integrate a program in seven to 10 days, he said.

From the employees' perspective, payroll cards offer savings, convenience and safety. Nail said unbanked employees are charged up to 5 or 6 percent of the face value of checks to have them cashed at check cashing businesses. For a \$300 check, "that's about \$15 per pay check just to get their funds," he said. "So it can be close to \$500 to \$600 a year that they're paying just in these fees."

Although a large percentage of employers have adopted direct deposit, that still leaves out their unbanked employees from participating in electronic payroll, Nail said. He cited statistics that state consumers spend over \$1.5 billion annually in check cashing fees. "So there is a large population out there that can really benefit from this card product," he said.

While eliminating that cost, the enPay card offers:

- Faster access to pay by eliminating delays in mailed paychecks
- Safety of not having to carry large amounts of cash
- Protection with Visa's Zero Liability Policy, which guards cardholders against unauthorized purchases
- Acceptance of the card anywhere Visa debit cards are accepted, including over 37,000 surcharge-free ATMs in the United States
- Access to Springbok's new online bill pay service

Springbok Bill Pay is a "pay anyone model," Nail said. "You can not only electronically pay billers, but we can also send out checks to those billers. It's very easy to use. Very similar to a bank's bill pay model. So you can add payers that you want. You can do recurring payment. So [you have] all of this functionality that we are able to provide these cardholders that they would typically be able to get at a bank."

Competitive advantage

Springbok calls itself the "only end-to-end prepaid MasterCard and Visa solutions provider." It functions as program manager, processor, card producer and shipper.

"We do all that in-house," Nail said. For example, as pro-

Selling Prepaid

gram manager, Springbok works "directly with the banks to make sure that the card program is compliant and that everything is done satisfactorily," he added.

Typically, companies will keep some functions in-house and outsource others. But Nail illustrated the benefit of keeping all the functions under one roof.

Questions can be answered and problems solved quickly because the person with the answer might be right down the hall.

"The same thing with employers," he said. "They may need a rush card, and they have to have it the next day, no questions. We can go to fulfillment and get the card rushed, then out. A lot of times if you're working through a vendor, it's not quite that easy to do."

Gift card legal perils - Part II

At Prepaid Day held during the Electronic Transactions Association's 2009 Meeting & Expo, Daveed A. Schwartz, Attorney at Pillsbury, Winthrop, Shaw, Pittman LLP, advised gift card program managers of what areas in gift card laws should be given special attention to avoid getting into legal trouble.

Trouble may come in the form of a knock on the door from a representative of the Federal Trade Commission, the U.S. Department of Justice, state attorneys general, or city or county district attorneys, he said.

Factors pertaining to prepaid cards that attract the attention of such entities include:

- Expiration dates in jurisdictions where they are prohibited
- Impermissible dormancy or other administrative fees
- No cash redemption where it is required
- Hidden, misleading or inadequate disclaimers

The issue of having expiration dates in jurisdictions that don't allow this is "a big problem," Schwartz said. "Most companies and ISOs are hip to that, but not everyone, believe it or not."

Details, details

Program providers can even run afoul of the law when expiration dates are valid.

As an example, Schwartz offered the following scenario: An ISO registered with a national bank sets up a merchant with a gift card mall in April 2009.

In accordance with state law, the cards that populate that mall come with legal expiration dates. But the expiration date on one batch of cards is June 2009, only two months after the mall was implemented.

When a customer purchases one of those cards, he or she fails to notice the card's expiration date, which is not prominently displayed.

Four months later, when the gift card's recipient finally uses the card, the expiration date has passed and the recipient must pay a reactivation fee to access the funds on the card.

"That's a problem," Schwartz said. "That's where you could get [in trouble], even though you have a legitimate expiration date on the card, because it's too close to when the sale of the card occurred."

"I would recommend that ISOs pay close attention to open-loop gift cards with expiration dates. What are the expiration dates? Are you stocking [cards with] expiration dates that are coming up too quickly in the future?"

Fatal conditions

Another area of emerging litigation is in discrepancies in terms and conditions, Schwartz said.

For instance, the terms and conditions outlined on a card may differ from what is posted on a Web site. Or the language on the outside packaging may differ from the language on the card. Even if it's a simple typo, lawyers have exploited that lack of coordination, he said.

"If you're an ISO, are you going to rely on the card issuer to craft the terms and conditions and then let the issuer put your name on the card?" Schwartz said.

"If you're going to do that, you should do some due diligence. Because if it comes time for a lawsuit, the people that get named are going to be the card issuer, the ISO and the major stores in which the card is sold."

"So there are all sorts of ways in which you can get sued. And you've got to think about these things up front. You can't just default to or rely on the card issuer [or] you're really putting yourself at risk."

When entities are found liable of misrepresenting or defrauding consumers, the penalties can be "fairly draconian," Schwartz said. Civil judgments can range from \$5,000 to \$25,000 per violation, he added.

According to Schwartz, the way to deal with such potentially devastating civil actions is to avoid them in the first place. "You want to do your due diligence, adhere to best practices and engage in risk management so that you don't have to talk to a guy like me," he said. ☺

Company Profile



SPARKBASE

SparkBase

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Web site: www.sparkbase.com

ISO/MLS benefits:

- Strictly private-label for ISOs
- Superior technology and uptime
- Advanced marketing tools for merchants
- Direct integration with CRM software
- Industry-First terminal certifications

SparkBase of operations

When Douglas Hardman, Chief Executive Officer of SparkBase, grabbed the reins of the company in February 2004, he promptly took the loyalty and gift card network apart. It wasn't as efficient and profitable as Hardman would have liked.

By October of that year, Hardman and his staff of developers had entirely rewritten the software that powers SparkBase and relaunched the network. While it ran better than before and was processing gift and loyalty transactions for about 1,000 merchants, Hardman was still not satisfied. SparkBase could be better.

In August 2005, version 2.0 of SparkBase was launched after Hardman and his staff had rebuilt the network from the ground up once more. "We built it once, and then we built it again because we were a lot smarter," Hardman said. "We knew what we would need now. We saw pretty quickly that our transaction volume was going up.

"But this wasn't going to scale as big as we thought it would. So right away we said, 'OK, let's put in the stuff that our merchants are looking for. Let's put in the scalability that our ISOs are demanding.'"

Lessons learned

The learning curve for SparkBase involved understanding the needs of its customers: ISOs. Alan Semel, National Sales Manager at the Cleveland, Ohio-based company, highlighted three main things ISOs need in gift and loyalty card programs: control, flexibility and reporting. ISOs want control of how programs are implemented and managed, Semel said. Through SparkBase's administrative portal, ISOs can add merchants, add or customize programs tied to individual merchants, and set up merchants on the fly.

"They can log into a merchant and finalize a deal and set them up right on the spot from their laptop with a wireless connection," he said. "That's a huge benefit because of that momentum." In other words, no lag exists between when merchants say yes to a program and when action is taken to get programs rolling, he added.

Program flexibility is also important, Semel noted. In SparkBase's world, flexibility means feature-rich programs. One feature merchants were looking for was a way to instantly connect with their customers. Thus, SparkBase implemented text messaging using simple message service technology for mobile phones. "Now, Ed's Ice Cream store is having a slow day; he hits a button; he can let a thousand [customers] know that he's got chocolate ice cream on sale today," Hardman said.

Additionally, ISOs told SparkBase that merchants wanted a way for their customers to check their gift and loyalty card balances. So SparkBase developed GetYourBalance.com, a Web site where cardholders can check their balances on gift cards in real time.

"You can drive a Ferrari 25 miles an hour and you can drive it 200 miles an hour, and if you don't know what you're doing at either, you're going to screw up the gear box. So, when we're training an ISO, we make sure they understand all the moving parts before they even get in the car."

- Douglas Hardman, Chief Executive Officer, Sparkbase

The final most important thing ISOs are looking for is reporting. "Some systems don't have good reporting or they limit the amount of information that they let the merchant – or that they even let the ISO – see," Semel said. "In our system, we're basically completely open."

ISOs can generate reports, or let merchants generate reports, in real time. After "a few milliseconds of a transaction happening, they can run a report, and it's already updated with that transaction," Semel said.

That speed is vital for businesses today. "The merchant needs instantaneous data," Hardman said. "That merchant needs to know who to call and how to get it fixed. ... They ought to know what their transaction volume has been for the last six months at a snapshot and see a graph of it. It needs to be all that data right now, no excuses."

Interchange for stored-value

SparkBase is content to stay firmly in the background. It deals only with ISOs, not merchants. That strategy is designed to avoid conflicts of interest and keep SparkBase's role in the value chain clearly delineated.

"I don't ever want an ISO to say, 'Hey, you talked to my merchant, and you were moving them over to here,' or, 'You sent them a bill for something,'" Hardman said. "We will not ever talk to a merchant without that ISO on the phone."

That's why SparkBase considers itself a type of interchange for stored-value. Although interchange is central to the payments industry, awareness of it among merchants is low, Hardman said. He wants SparkBase to keep a similar low profile with merchants.

"We're dedicated to being the fastest, biggest, most reliable stored-value network and nothing else," he said. "We worry about the ISO's problem. Let them worry about the merchant's problem."

To that end, SparkBase puts substantial effort into ISO training. Semel said it offers live, real-time, online demos that lead ISOs step by step through how SparkBase works, how to set up merchants and how to educate merchants about the network. "We believe that training is not just training the ISO, but

providing them with tools to train their merchants and present their merchants with a workable program," he said.

Hardman likens SparkBase to a high performance sports car. "You can drive a Ferrari 25 miles an hour and you can drive it 200 miles an hour, and if you don't know what you're doing at either, you're going to screw up the gear box," Hardman said. "So, when we're training an ISO, we make sure they understand all the moving parts before they even get in the car."

"We're giving them a safety course on the right way to use a gift card program and the right way to talk to their merchants about it because the last thing we want out there is them mis-selling it – underselling or overselling capabilities – to the merchant because ultimately it's the merchant that will drive the transactions."

Six nines of uptime

SparkBase does no outsourcing. Hardman is proud to say that every line of code that powers the SparkBase network was written in-house. With 14 developers on staff, ISOs calling SparkBase with questions get them answered immediately, he said.

SparkBase's emphasis on in-house development and problem-solving facilitates quick and accurate turn-around times on terminal certifications as well, Hardman noted. In the days prior to exhibiting at the Electronic Transactions Association's 2009 Meeting & Expo, SparkBase needed only 72 hours to certify Hypercom Corp.'s Optimum M4230 mobile payment terminal.

"Part of the reason we were able to do that so quickly is we write everything in-house," Hardman said. Consequently, SparkBase's ISOs had access to a new terminal that they didn't have access to the previous week, he added.

SparkBase also operates its own servers. It has a tier five data center, as well as secondary and tertiary backup data centers.

Hardman said the network has had at most five minutes of down time in the five years it has been in existence, with most of that time coming in the first year of operation. Therefore, the company can boast of "99.9999

percent uptime over the last four-and-a-half years," Hardman said.

SparkBase is constantly in the process of improving its network. The company is currently working on version 3.0, with a July 2009 launch. "SparkBase is the only network right now that is still actively developing itself," Hardman said. While its competitors are content with the gift card networks they have in place, SparkBase is always striving to make itself better, he added.

CEO that was the CTO

Hardman, a self-professed "technology head," began as the Chief Technology Officer at SparkBase when the network was owned by the private investment firm for which he worked. In January 2007, Hardman bought the company from the firm.

While he has taken on the mantle of CEO, he remains passionate about the technology. "I know this technology better than any three people you're ever going to find," he said.

When SparkBase holds in-person meetings with prospective ISO partners large enough to support information technology (IT) departments, Hardman makes a point of addressing their IT officers.

"And they know I'm not BS-ing them," he said. "I'm telling them exactly what language we wrote it in, how we wrote it and what procedures we used for that, how it is deployed, how it's going to interact with their systems in real time, what's not gonna be real time."

Once Hardman has the IT people "smiling," it makes the SparkBase solution an easier sell to the ISO's executives, he said.

Motivated by loyalty

As part of SparkBase's commitment to anonymity from the merchant perspective, its Web interface can be customized according to ISOs' needs and desires, from logos to color schemes and wording. SparkBase's footprint is nowhere to be seen.

"The best part about our network is it is completely private-labeled," Hardman said. "It has always been completely private-labeled. There's never been someone who has had a direct SparkBase gift card."


Semel admitted that gift and loyalty card programs are not the easiest to sell. "It's more challenging than just competing on price," he said. "It really is an understanding of what it can do for the merchant, the benefit for the merchant – coming up with a workable program and prove that it works. I do think it is key."

It is key to merchants, but also key to ISOs. "ISOs know that they need this, and they know that it's going to save their portfolios eventually," Hardman said. "They know that this is something merchants are clamoring for."

Loyalty programs are "very hot," Hardman said. "In this economy you have merchants that are seeing people that used to come in for dinner at least once a week. Now they are going out once a month. So they need to find a way to reward those customers for their loyalty. So the loyalty engine really needed to ... adapt to our current economy."

According to Hardman, properly executed gift and loyalty card programs can reduce merchant attrition by 30 percent; programs can also increase portfolios and subsequent revenues.

"There's 3.5 million businesses in the ZIP code that we're talking about – retail and spas," Hardman said. "There's only about 200,000 that are taken. So there's a lot of runway left."

SparkBase has approximately 50 ISOs offering its network to merchants, Hardman said. And he wants more. In fact, he wants them all: "If I'm going to be interchange for stored-value, I'll need every single one of them." 



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Allied vendors speak

Data security remains one of the most visible and controversial issues affecting the payments space, underscored by a number of high-profile data breaches in recent years. Such events have helped spur debate about the viability of the Payment Card Industry (PCI) Data Security Standard (DSS) – regarding the regulations themselves and their implementation – particularly with merchants, for whom PCI compliance has proven especially challenging.

An announcement at the Electronic Transactions Association Annual Meeting & Expo in April 2009 by the founders of the Secure POS Vendor Alliance marked the organization's official inception, setting the stage for a more pointed debate on issues relating to data security. The SPVA's general purpose is to help address the voluminous, and often complex, concerns of those in the industry – merchants, acquirers, issuers, et cetera – for whom data security is a central concern.

The Green Sheet spoke with the SPVA's three founding members: Paul Rasori, Senior Vice President, Global Marketing for VeriFone and SPVA Secretary/Treasurer; Christophe Dolique, Executive Vice President, Global Marketing and Transaction Services for Ingenico and

SPVA Chairman; and TK Cheung, Vice President, Global Quality and Security for Hypercom Corp., and SPVA Vice Chairman and Chief Technology Officer.

The following is excerpted from the conversation:

The Green Sheet: What is the aim of the SPVA?

Paul Rasori: First and foremost the goal of the alliance is to better align point of sale vendors with the various [PCI] security standards in an attempt to try to clarify what's going on out there in the marketplace.

We are soliciting membership from essentially any point of sale vendor that does business in the space and any other company that interacts with the payments system, including acquirers, banks, retailers and so forth.

The idea is to develop a set of interpretations of the existing standards, so when you select vendor A versus vendor B, when they've gone through what we call an SPVA approval process, it's much clearer what you're getting in return. That's just one of the areas. Another area is we see some gaps in the existing security standards, and we've set up working groups to try to address those gaps to try to raise the level of security overall.

One of the key focuses of the SPVA is to work to develop standards around things like end-to-end encryption of credit and debit card information. Another area is standardizing the payment device life cycle from the point of development, manufacturing and deployment, to the ongoing operation of that device while it's in service and all the way up through the secure destruction of these devices once they're [out of service].

GS: What do you mean by "standardizing the life cycle" of payment devices?

PR: Today there's no standard whatsoever that governs the deployment of a payment device in terms of the life cycle of that device. You can go on to eBay today and purchase payment devices, but who's to say there's not residual consumer information on those devices you're purchasing? Who's to say criminals aren't using those devices to be used fraudulently?

So there are no regulations in terms of where these devices end up and how they're managed over the course of their life cycle.

GS: Paul Rasori mentioned the "SPVA approval process" in reference to helping merchants select a security vendor. What does the process involve, and where is it used?

TK Cheung: SPVA is committed to accelerating widespread adoption of enhanced security guidelines. Merchants that choose SPVA-approved solutions will be assured they are providing consumers with the highest level of

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security currently possible and protection against future threats. They will be able to more easily comply with current industry mandates such as PCI, and compliance with individual card brand rules. This will reduce their risks and ensure their investments against future changes to security requirements.

GS: You say part of your aim is to help "interpret" the PCI DSS for merchants and other industry players operating under the regulations. What makes them so difficult to understand and why do they require interpretation?

TKC: The overall complexity of electronic payments has increased and gone global, bringing a new set of security and regulatory challenges and making life more demanding for merchants and acquirers to implement and manage secured and cost-effective payment solutions.

The multiplicity of rules together with the fact that various countries have their own rules makes it very difficult for all stakeholders to have a common understanding of the whole payment security value chain. SPVA will develop a common understanding of the various security requirements and standards and provide easy-to-understand guidelines to ensure security against threats and attacks.

Christophe Dolique: One example is contactless solutions. There are different contactless solutions, and our point is how can contactless work together in the same terminal and provide the same level of security? It's an example of a challenge we need to address.

GS: How will you address the needs of merchants who can't afford to upgrade an outmoded security system?

TKC: Affordability is balanced against the risk of fraud. More exposure will dictate the shift toward newer and more effective methods of security, and this is not limited to merchants. The cost of conducting business and the ability to accept electronic payments means that transaction acquirers, issuers and merchants and other key stakeholders in the payment value chain must protect critical customer data.

The cost of not doing so will be far greater due to the likelihood of lost business as a result of any breaches.

GS: Are things being done in other countries to secure contactless payments that we might do well to emulate in the United States?

PR: Right now it's up to each individual card brand to define how each of their contactless programs work, so one card brand may employ a certain security where another one wouldn't.

And the way it works today is each vendor, such as VeriFone or Ingenico, must implement each individual

program separately. So even within the same terminal you may have a more secure way to take card brand A than card brand B, and that's because we follow different rules on how that is accepted.

Christophe and I were just talking about reaching out to the EMVCo [the Europay, MasterCard and Visa International standards body], which today is the global standard for chip card acceptance, and they've actually done a good job of creating that standardization, so it's pretty standard across the world how a typical smart card is accepted.

And our goal is to reach out to them and work with them toward a similar standard for contactless.

GS: What are you doing to attract members to the organization?

PR: Each of us is calling directly with a lot of the industry contacts we have. We've been speaking at various forums around the world – I know we've spoken at several in the U.K. and France and the United States. Each founding member is individually holding discussions, webinars and/or meetings with our top customers.

GS: What size membership do you foresee for the organization?



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CD: Between 20 and 50 members at least. We have a chance to be quite active in the creation of the new structure – like the way new payment rules are going to be defined. And I think it's important regarding this fact that major players in this industry be contributors to this creation.

GS: What are some of the benefits associated with SPVA membership?

TKC: Members can, through their participation and leadership on technical working groups, help shape future security guidelines and acquire first-hand knowledge of current security threats and ways to mitigate them.

GS: How is your organization structured?

CD: We have an organization with five board members. There's three founders: VeriFone, Ingenico, and Hypercom, and two seats left for people acting in the POS business. Two of the members are elected, and the other three members are permanent. But this alliance is open to any member from the payments ecosystem.

GS: Where specifically did the idea come from to create the SPVA?

PR: I think it came about in 2008 when the three [founding] CEOs were together at the card tradeshow held in Paris every November. I think they just got into a general conversation about what some of the issues in the industry are and just planted the seed of the idea: Is there a way for us to better influence what's going on?

I think the realization was that in general, vendors in our category have always been followers in this industry as it relates to a lot of these standards and haven't been proactive enough in providing the perspective of the companies that implement these solutions. We began more formal discussions probably in the January [2009] time frame and launched it in April.

GS: Are you working directly with the PCI Security Standards Council to help develop your game plan and provide them with feedback?

PR: Yes, we've had a lot of interaction so far. Certain members of our organization participate in their [special interest groups], but one area we will be focusing on with them is they've recently hired an outside consultant to look at the whole end-to-end encryption issue, so we've been in contact with them and participating with them on that particular topic – which is probably the one that's most relevant.


In addition, we'll be reaching out to them as we develop our interpretations of the existing standards around PCI, to make sure it aligns with their goals.

Because ultimately the number one priority of our organi-

zation is not to replace the standards but to better implement the standards.

So it's not competitive, if you will, with an organization like the [PCI SSC]; we really look at it as complementary, and so far the feedback from the PCI Council – as well as the members that represent the card brand that runs the council – is I would say cautiously optimistic. They welcome a unified voice of the POS community because it helps them implement what they want to implement faster.

GS: Do you have confidence in the PCI DSS? Do you think PCI SSC members and industry leaders understand the security needs and concerns of the average merchant?

TKC: We have every confidence in the PCI DSS and the base standard guidelines that the industry follows. Council members are elected from a broad spectrum of companies to ensure the widest possible representation of acquirers, processors, merchants and those related to electronic commerce. With the SPVA's global reach, the three founding members have the ability to analyze global security threats and increase awareness to meet and exceed the base standard guidelines in the most effective manner by working alongside the PCI DSS and reinforcing the message. 



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UBC hopes to cash in with free program

On July 13, 2009, United Bank Card Inc. rolled out what the company said is the "first truly integrated" electronic cash register (ECR) solution. And the company is giving the ECRs away.

Jared Isaacman, Chief Executive Officer for UBC, said the program is unique because of the "built-in capability that this system possesses." It is more than just a standard, all-in-one unit with a credit card terminal plugged into a cash register, he added.

The ECR comes in two Casio Computer Co. Ltd. models (one designed for retail and one for restaurant environments), with UBC's integrated technology. Both have a cash drawer and customer display and process credit, debit and gift cards, all handled from a liquid crystal display (LCD) menu.

The program includes a turnkey fulfillment center and a lifetime guarantee on the pre-programmed ECR. Merchants can use the online wizard to customize the look

and feel of their ECR's LCD display. Isaacman said that, in addition, UBC integrates the merchants' preferences into the UBC system and archives them, so if the ECR goes down, the merchants' parameters can be reloaded onto the replacement machine.

Sign up, get one free

Paul Martaus, President of consulting firm Martaus & Associates, said, "I suspect that [Isaacman's] competitors are going to say, 'Here we go again,' because the rest of the industry absolutely hated the free terminal stuff." Their disdain came from so many retailers having been fooled by ISOs into paying exorbitant discount fees in order to gain access to the free terminals, he said.

According to Isaacman, the annual fee that UBC's merchants paid in 2000 is the same fee its merchants paid in 2004 when they got free terminals. Now the same \$79 annual fee gets the merchants free cash registers. "We are in the service, recurring revenue business," Isaacman said. "At some point or another, the box itself, whether it's a cash register, or a cell phone or a cable box or something like that, takes a distant second to a recurring revenue."

Marc Abbey, Managing Partner, First Annapolis Consulting, called UBC's timing clever. Given the depressed economy, most of UBC's competitors won't have the kind of capital required to give the equipment away upfront, he said. He added that this free ECR program was not likely to have the same broad ramifications that the free terminal program had because the target market this time is a niche market: merchants that can afford the total cost of integration.

Independent consultant Mark Dunn believes UBC isn't the first to offer an integrated cash register. "I think what's neat, of course, is that they're taking the free equipment approach," he said. But he concluded that the success or failure of the program will rest on whether UBC can offer additional value to the program and whether UBC's sales force can convince merchants the device will deliver benefits.

Will merchants bite?

Martaus figured integrated solutions would have replaced free-standing terminals 20 years ago "because I see such a tremendous amount of promise in having all of the transaction processing stuff integrated into your payment system, your inventory control system and all of that."

Martaus said retailers reject the integrated devices because when they break, merchants can't conduct business until a replacement system arrives. Another reason for merchants' reluctance may be that integrated solutions in the past have utilized Microsoft Corp. POS operating systems. "We all know anything that's Windows-based goes up and down like a yo-yo," he said. "So, there may be a stigma attached."



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Million dollar deal

In another move, UBC launched a year-long contest with a \$1 million prize for its sales partners. Each deal submitted constitutes an entry. Up to 27,000 entries will be accepted. Isaacman said giving ISOs a \$50 bonus for signing up merchants on the program wasn't a big enough incentive; with the free program and the \$1 million contest, UBC changes the industry and one merchant level salesperson's life at the same time.

According to UBC, the company will not implement any new fees or increase rates to fund the million dollar prize. ☐

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Canadians' call for regulation rejected

In June 2009, the Canadian Senate Standing Committee on Banking, Trade and Commerce rejected its own merchant lobbyists' call for price regulation on fees charged to merchants for credit card transactions. MasterCard Canada officials welcomed the decision and said they appreciated the opportunity provided by the committee to participate in a comprehensive examination of Canada's payment systems.

"The Senate Committee clearly recognized that price controls are inappropriate and would harm consumers," said Kevin Stanton, President, MasterCard Canada, in a press release. "Australia continues to provide an excellent example of how such price controls reduce credit card program benefits and result in no appreciable decrease in the price of goods and services."

According to Stanton, when Australia regulated the fees merchants pay for card acceptance, retailers not only pocketed the windfall, but consumers' credit card fees and interest rates went up, competition and consumer choice was reduced, merchants charged consumers extra for using credit and debit cards even though merchant fees decreased, and card reward programs were reduced or disappeared altogether.

The pragmatic solution

Adam Atlas, a Montreal-based Attorney specializing in the payments industry expressed sympathy for merchants, but he feels any kind of regulation would interfere with commercial activity.

"Unlike the Credit Card Fair Fee Act in the States, in which [President] Obama's efforts are geared toward the consumers, most of the debate

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up here has been at the merchant level," Atlas said. "The best solution is not regulation, but to open up competition in the banking industry.

"Merchants don't have a lot of choice for processing services. Some say that the market is not big enough to create effective competition and therefore must be regulated. I'm really pleased that there is no regulation because it's not necessarily going to benefit its intended recipients. And we all know that if one fee is capped the acquirers will make up for it with other fees."

Atlas believes Canadian merchants want the fee cap because many retailers are operating on a profit margin of 2 or 3 percent. But he doesn't see the current pricing model changing anytime soon.

"We have a Conservative government, so I don't think this law will come into force," he said. "As a result – and as much as I am critical of Canadian acquirers – I fully expect to see an increase in outside sales organizations in Canada. I think that's a great thing, and I feel this decision will only increase new opportunities for ISOs in Canada. You can criticize the Canadian banks for being oligopolistic, but to their credit they have remained very stable."

The debit debate

MasterCard also applauded the committee for recognizing the benefits to consumers and merchants of introducing competition in the Canadian debit market. Stanton said MasterCard's Maestro debit solution is flat-fee based and is less expensive to merchants than Interac (the primary debit and ATM network that is owned collectively by the national banks) and called for "a new era in Canadian debit."

However, even though MasterCard has made inroads into the Canadian debit market, other debit solution providers have encountered much more difficulty, especially those specializing in online payments. "This [press release] talks about the brick-and-mortar world, but there is never any mention about online transactions," said Brian Crozier, co-founder of Toronto-based UseMyBank Services Inc., a firm that facilitates real-time, online debit transactions.

"MasterCard has had no trouble implementing a debit network because, along with Visa, they *are* the banks. The banks distribute, issue and accept their products. But Canada has been almost 100 percent credit card only on the Internet. ... Thirty to 40 percent of people up here don't have credit cards. And if you don't have a credit card, you can't shop online."

The missing piece

Crozier said Interac fails to mention that its online service is sold at 2 percent of the transaction value. Additionally, the banks have suppressed a flat-rate service for merchants and billers since 2002 and have restricted most online merchants to using credit cards only.

"If you think of the banks and the credit card companies as working in collusion to make sure they get 2 percent of every transaction ... that's just who they are," Crozier said. "So anyone that comes up against them in any way is considered a threat to their business. ... But I think everyone realizes now that payment options don't cannibalize each other. It's just that the debit market is growing faster than credit."

Atlas said he was unaware that Interac had abused the pricing model, as the pricing he has seen has merchants paying a per-transaction fee without a discount rate.

"Like many payment models, it's hard to discern the correlation between pricing and cost," Atlas said. "It costs the same to move \$1,000 through the



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network as it does to move \$5. For online debit transactions, Interac has launched Interac Online, but only about two merchants use it."

The best scenario

Crozier believes UseMyBank and others are essentially being locked out of the Canadian market. "The banksters want to keep it that way, and we're fighting to change that," Crozier said. "Because of these restrictions, we don't have any Canadian business except for the billers that use us."

"The Canadian travel sites along with West Jet and Air Canada process billions each month with credit cards online and clearly want and have needed more payment options for years. The banks won't give them debit at any price. So when businesses try to use anything but the bank-sponsored products, the banks threaten to take away their credit card business as well."

Crozier doesn't want the credit card model changed. He merely wants to compete in a free market environment. "I believe all payment types can exist in harmony," he said. "Everyone can have a piece of the pie. The banks don't need to be afraid of being stolen from because the e-commerce space is growing so fast. It's not about either/or; it's about both and more." ☒

Fire shuts down processor

A July 2, 2009, fire that deadened the power supply at payment processor Authorize.Net's building in Seattle, Wash., shut down the payment platforms of about 240,000 e-commerce merchants. Power was fully restored after 12 hours, and none of the building's technology was damaged in the fire, according to CyberSource Corp., parent company to Authorize.Net.

Bruce Frymire, Corporate Communications Director for CyberSource, said he didn't know how long the fire itself lasted, nor did he know the nature of the damage done to the building. "I saw pictures of the impact to the lower floor, and it appeared to be pretty serious – but I don't know the extent," he said.

Frymire said the transaction networks of all of Authorize.Net's merchants – almost all of whom are Internet retailers – were shut down during the outage, and consumers who attempted to make online purchases were shown an error message.

Favorable timing

Frymire added, however, that the fire occurred at a time typically marked by comparatively low transaction volumes. "If there's any sort of fortunate side to the whole

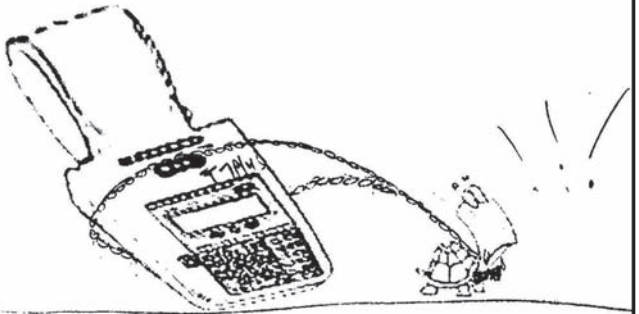
deal, the timing was probably at a relatively low ebb for transactions because of the time of day and the day of the week," he said. "Typically our biggest days of the week are Mondays and Tuesdays, and they kind of slide down the week, the weekend being lowest of all and holidays typically being even lower than that."

During the outage, which shut down all of Authorize.Net's e-mail and phone communications, employees communicated with the company's merchants by sending out messages through Twitter on their mobile phones.

"We were looking for a way to communicate with customers without those phone lines; we went to a Twitter account, and there was a fair amount of gratitude on the part of people for finding a way of communicating," Frymire said. "We were only able to contact those people who thought to search for Authorize.Net and found the Twitter account and could come in and see it."

Fizzled backup

Frymire said Authorize.Net tried in vain to go to its backup power supply during the outage. He said the company had been in the late stages of a transition from its old backup supply to a new one. "We attempted to transfer to a new backup data center, and we had some unanticipated errors in doing that," he said. ☒



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Technology from page 1

consumer. To illustrate his point, he said when the magnetic stripe card was new, merchants didn't call it a mag stripe; they called it a swipe card.

Solving problems

Ablowitz said the decision-making process for selecting payment processing solutions differs from the process used when purchasing consumer products. He added that whether they are considering a technological product, service or bundle of both, merchants want to solve business problems and improve their return on investment.

The level of detail you provide depends on the merchant's needs, Ablowitz noted. Kevin Colaço, President and Chief Executive Officer at InvenTrak agreed. "Most merchants who are not tech savvy don't want to understand how it works; they just want to know it's going to work," he said, adding that he believes in "giving people information when they want it, where they want it and how they want it."

According to Kehayias, selling merchants on technology is "not really about the technical implementation or technically what it does."

He said Comodo's approach is to tell the merchant a remedy story because what matters to the merchant is the end benefit. If the technology creates more revenue for a merchant, there's no need to go into technical details "until or if the merchant is ready to hear them," he said.

Avoiding overload

Kehayias also cautioned ISOs and MLSs to not overload merchants with more technical detail than they're ready to hear. He said ISOs and MLSs "need to provide technical information when technical information is asked for."

Kehayias added that sales agents need only know enough of the technology to make the sale; they can go to their ISO's or processor's technical support team on a merchant's behalf for questions that are outside of their knowledge base. Failing that, a specification sheet can be helpful for the tech-savvy merchants or tech department people of larger organizations, he said.

In addition, ISOs should not dispense information they do not comprehend, Kehayias noted. When agents step beyond their own understanding, merchants can see through it. Then trust – and, in turn, the sale – will be lost, and it reflects poorly on the brand itself, he said.

How much knowledge is enough for the ISO to sell the product or service? Ben Goretsky, CEO for USA ePay, stated, "If an ISO does not understand the product, they can't sell the product."

He said that sales agents should thoroughly test drive the products they offer. Otherwise, they won't be able to pro-

Making the pitch

What are the most effective ways to present new electronic payment technology to merchants? The payment experts *The Green Sheet* polled had the following suggestions:

- Build trust in yourself as an agent and in your products and services. Specifically, provide references and case studies for cutting-edge solutions; listen to and understand merchants' business concerns; ensure merchants will receive high-quality technical support and education.
- Use the Rogers Innovation curve to identify how comfortable decision makers are with technology.
- Draw comparisons between new technology and technology merchants already use.
- Tell business owners how the new technology you are offering can benefit them.
- Use language merchants are comfortable with; avoid vocabulary they are not likely to understand.
- Provide information in increments; don't overload customers and prospects with data.
- Learn all you can about your offerings, and then stick with what you know. Don't attempt to explain things you do not understand.
- Assess the strengths and weaknesses of competitive offerings, both current and emergent, as well as the strategies of their vendors.
- Know where to find answers to the tougher technical questions.

vide even the simplest answers when technical questions come up, he said.

Ablowitz stated that ISOs and MLSs must understand enough to field merchants' questions and explain what adopting a given technology will mean for merchants and how it can help them.

Payments industry consultant Gregory Holmes said ISOs and MLSs "need to realize that the small business owner cares not so much about the technology. They care about the benefits to their business; they care about the bottom line."

Building trust

When consumers purchase products or services that require technical knowledge they lack, they search for providers they can trust.

Examples of this would be car repair shops or electricians. Even if you watched such technicians while they worked,

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you probably wouldn't know if they were doing a job correctly or if a particular part really needed replacing. You have to trust them. It's the same with merchants looking for technological solutions to their payment processing problems. They have to trust you.

Ablowitz said a merchant who doesn't trust you won't grasp the benefits of your offerings, no matter how clearly you outline them. "People trust you if you appear to have knowledge and are confident about the knowledge that you have," he said.

Holmes stated that building trust means taking time to understand what merchants' top issues are – not just payment issues, but all of their business concerns. "Trust is built by having that kind of relationship of consultative discussion, awareness of needs and awareness of new technology that perhaps they need to introduce or at the minimum make the person aware of," he said.

Most people have tech support horror stories. Bad tech support can break a business relationship, while good, solid tech support can cinch the deal. Goretsky said price will matter far less when people know they have knowledgeable and thorough tech support readily available.

Part of support is education, which will raise merchants' comfort levels and ease their fears, Goretsky noted. Khan was of the same mind, saying, "the more facts the merchant has about a new technology, the more they'll start believing in it and trusting in it."

Deciding how much technology a merchant is ready for is also important. Colaço cited Dr. Everett M. Rogers' Innovation Adoption Curve, in which Rogers assigns the following categories to people based on their willingness to adopt new technologies:

- Innovators
- Early adopters
- Early majority
- Late majority
- Laggards

"As a solution provider, we have to figure out where that merchant is," Colaço said. "You may have a solution for a merchant that gives them everything that they want, but by nature they're not early adopters, so you probably want to step them into that solution." He added that you have to identify the merchants' pain points and where they fit on the curve.

Most people want the technology they are using to be stable. Similar to many people's reluctance to upgrade to the latest operating system for their computers (before the inevitable bugs are worked out), many merchants need to know how many other companies have purchased the product you're offering, how long it's been on the market, et cetera. Goretsky suggested steering merchants

to what is known to work, which isn't always the latest and greatest.

"I think one should always recommend things that have a level of vetting," Ablowitz said. However he noted that there are some cases in which emerging technology makes perfect sense for a merchant.

He said something very new is OK when there exist references of previous sales, and, more importantly, when the product meets a merchant's needs.

"Some people are really into technology," Ablowitz said. "They don't know anything about technology, but they ... have an idea of what they think that their business should be like." He said ISOs and MLSs should take these innovating merchants all the way to the latest technology available. He added that sometimes they want things just for the "wow factor." For merchants on dial-up, who aren't thrilled about technology, taking them beyond DSL to Wi-Fi or a GSM (global system for mobile communications) wireless terminal can make perfect sense, Ablowitz pointed out.

"If they're in a good coverage area, 15 bucks a month, let's say, is less than they're paying for their phone line, and they don't need to mess around with integrating into their Internet connection," he said. "Now that's a perfect example of just a complete leapfrog that isn't scary or complicated or unproven."

Knowing enough

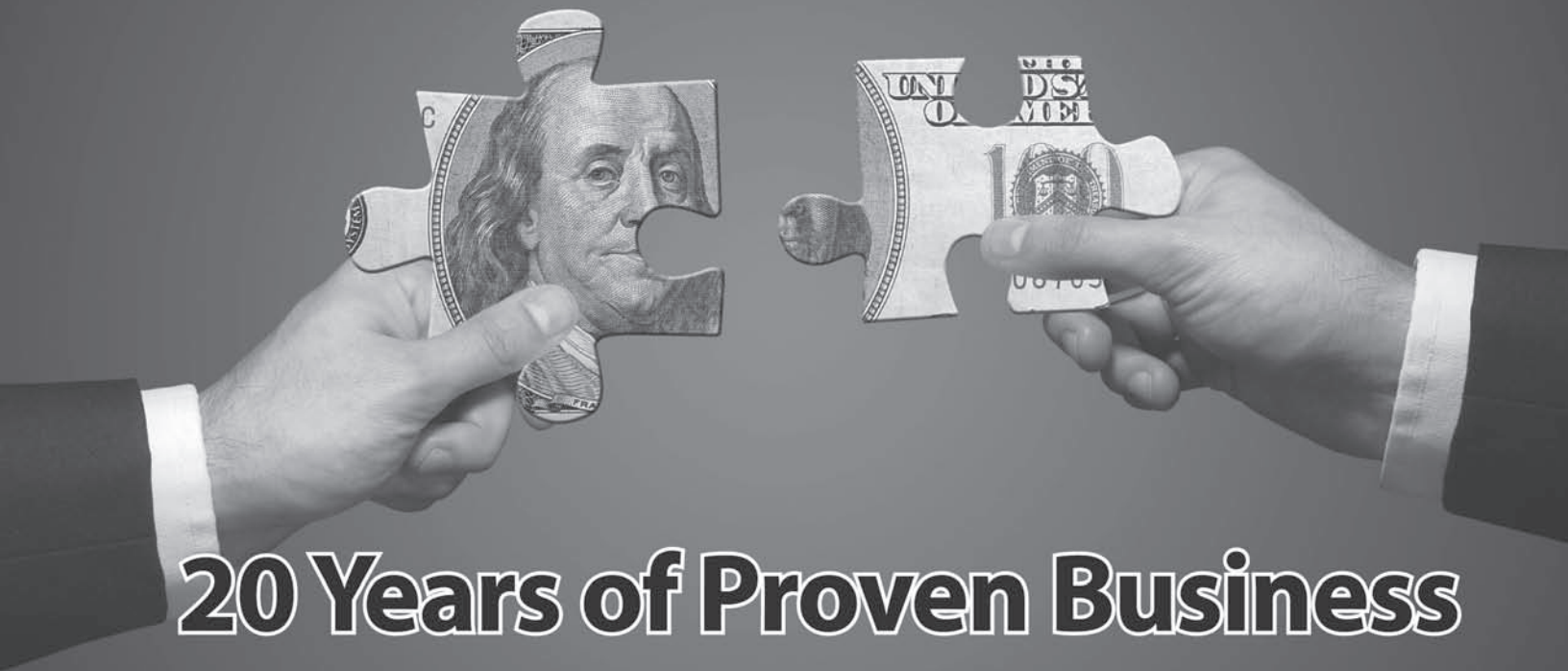
According to Holmes, ISOs and MLSs need to know "there are two fundamentally different types of technologies that merchants increasingly are being made to choose between: those where you buy the software and have to pay for upgrades and maintenance, and software as a service (SaaS), which is an on-demand solution requiring an Internet Protocol connection to the Internet. SaaS typically involves a license fee and a monthly service charge."

To sell the technology, ISOs and MLSs don't need to know coding, developing and programming, but they need to know what options are available to merchants and what vendors are prepared to sell them, Holmes said. Khan agreed that agents need to be aware of industry trends.

"I think that ISOs or salespeople by nature will probably have some baseline understanding of technology," Colaço said. "But if you're really creating a technology solution that's complex for a merchant ... who might have three or four points of purchases and two or three different stores ... that salesperson has to be backed up with a department or a support group within the organization that has technology expertise, which most ISOs and processors have."

Holmes believes agents need to be technologically aware as they're engaging their customers. "And it's not just new

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"We hear a lot of people who say, 'Yeah, I want [new technology], but can I do it in the third quarter because I don't even have the bandwidth to deal with it.'"

- Kevin Colaço, President and Chief Executive Officer, InvenTrak

customers," he said. "It's existing customers because those existing customers are being approached all the time by maybe more tech-aware people who are offering a variety of solutions." He pointed out that some such solutions could be an overall business solution that has a payment element.

Jumping hurdles

You've heard of brand recognition. It's easier to sell a brand if your prospect has heard of it before. The more times someone has heard the name, the more trust he or she will put in it, even if all the mentions were from the company's own advertising rather than from peers who have recommended it. It's called the halo effect. It applies to technology.

If a technological innovation is so new that a merchant has never heard of it, selling it will likely be more of a chal-

lenge. Kehayias said even hearing of a product or service only once before a sales call primes a customer, making it "easier because they already have a prior knowledge bias towards it. If there's no baseline awareness, you're starting from scratch."

He added that the ISO or MLS in this case is also "battling all the previous knowledge that they've acquired about the existing systems."


Kehayias said references and case studies illustrating how a product fits with a particular merchant's business are often more critical when agents are pitching a technology the merchant has never heard of. He said it's a way to conquer that fear of the unknown. "You don't want to be doing things so painfully out of the ordinary because then it almost feels like you're going at it alone," he noted.

Colaço and Holmes both believe cost is the biggest hurdle for merchants to overcome in adopting new technology. "We hear a lot of people who say, 'Yeah, I want it, but can I do it in the third quarter because I don't even have the bandwidth to deal with it,'" Colaço said.

He mentioned that InvenTrak had recently reviewed bids it had lost. He said close to 75 percent of the merchants who declined to sign with the company understood they needed to do something about their payment processing, but said they didn't have the time, energy or money to devote to it at the time.

Holmes mentioned that merchants equate new technology to new costs. "If it's a new cost and they can avoid it, they won't do it," he said. "If it is a cost that they feel that they have to do, it's a necessity, they have to do it to keep pace, or they have to do it because it will help them do better inventory tracking or better customer service or better employee [supervision], then it doesn't become a cost; it becomes a benefit.

"It's actually costing their business the longer they delay in embracing this new technology."

Explaining technology to merchants who barely know how to send an e-mail may be challenging, but the benefits are enormous. As ISOs and MLSs, you're bringing merchants better tools to make their businesses run more efficiently or reduce their overhead and increase their bottom line. Maybe even all three. And improving their businesses, in the end, will improve yours. 

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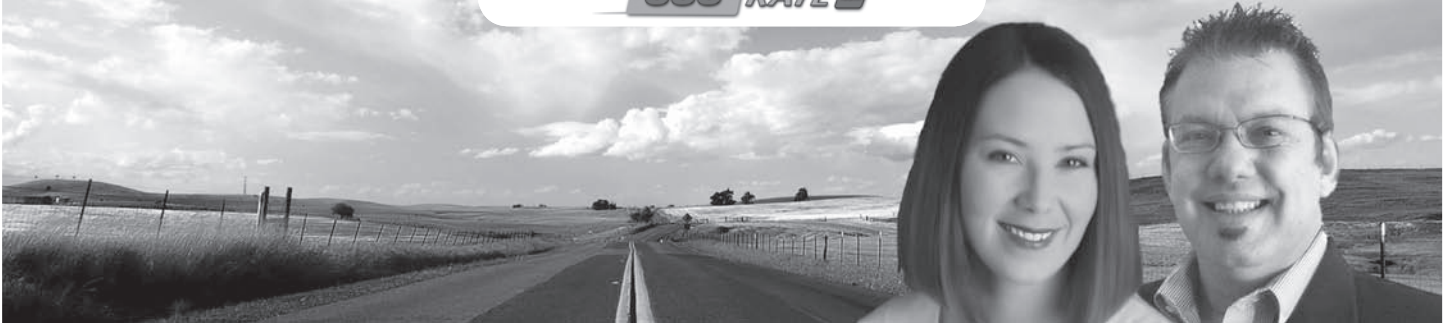
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Education

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Unexamined emotion, a pit bull that mangles business

By Jon Perry and Vanessa Lang

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A few weeks ago, my daughter Veronica graduated from high school. It was a proud moment. In another month she will be off to college at the University of Texas in Austin to study bio-engineering.

The day after her graduation we had a get together of family and friends at our house. The grill was glowing hot. We were barbecuing cowboy rib-eyes: bone-in, Texas-sized pieces of USDA prime, mouthwatering slabs of beef (while the average steak is one-and-a-half measly pounds). In other words, cowboy rib-eyes are slices of heaven, south of the Rio Grande.

It was a beautiful day. The sky was clear and the temperature was warm. It was a day of celebration. We live adjacent to a city park and a small lake. Our wrought iron fence affords us an open view to the beauty of the trees and the water.

Outside, my grandson Easton, a 2-year-old filled with energy and delight, was at the center of attention. His mom, my oldest daughter, had flown out to Texas with Easton for Veronica's once-in-a-lifetime milestone. Easton was playing with Doogie, our 9-year-old miniature schnauzer. (Yes, his name is Doogie Schnauzer.)

Dinner was almost ready, and everyone was busily taking care of their tasks so we could start eating. In the kitchen, the side dishes were being set on the table. I was sautéing onions and mushrooms at the stove. Vanessa was outside finishing up the steaks and watching Easton and Doogie play.

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Disaster strikes

Then something happened. There are maybe one or two times in our lives that we hear the scream of a mother – a scream that alerts us that something is woefully amiss, that danger lurks or someone has been seriously hurt or killed. It is an audible signal we all know the moment it reaches our ears.

My first thought was that something had happened to Easton. Perhaps he fell down on the hard, pebble aggregate deck. I dropped everything and ran outside. Easton was smiling. In his joyful voice he called to me, "Hi, Poppa!" Shifting my eyes and focus, I looked around for the danger.

It was our miniature schnauzer. Doogie and Easton had been peeping through the wrought iron fence when an unleashed pit bull grabbed Doogie by the neck and head, yanked his body through the fence, and shook him like a rag doll. Vanessa saw the entire thing, and it was her scream I heard. Doogie is more than a dog. He is a valued member of our family.

Doogie's blood was everywhere. He staggered as he walked. It is amazing how people respond in emergency situations. Vanessa quickly jumped into action, placing

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Too often when we make emotional decisions, we don't think of the ramifications. The success of any business cannot be sacrificed to making a decision based on emotion. It's not just decisions that affect other people in the organization; it is our leadership decisions as well. How many of us have not sacrificed the long-term strategy for short-term sales quotas, only later to regret it?

herself between the pit bull and our schnauzer. Doogie had an open gash from the pit bull at his throat; a large hole was near his ear. My dear friend looked at me with dismay and shock. He was hurt badly.

We spent the remainder of the night with Doogie at the veterinary emergency room. There were no festivities, no celebrations.

Consequences

The pit bull's owner was nearby when the incident occurred and was shocked as well. Vanessa had the presence of mind to get the dog's registration and rabies information off the animal's collar. The owner had saved this pit bull from almost certain death by adopting it from the pound just two months earlier. He had been running the dog unleashed in the park ever since.

Fortunately, the pit bull did not strike Doogie a fatal blow. In great pain and with many stitches, Doogie survived. On the way home from the vet, I had an epiphany.

Pit bulls are a fierce, ferocious and often aggressive breed. While this dog was a beautiful physical specimen, I asked myself: Why was it at the dog pound? Was it aggressive with its previous owner? Why was this dog given away?

As the old saying goes, the road to hell is paved with good intentions. The dog's new owner apparently didn't ask these questions. He saw a good looking pit bull about to be euthanized and brought it home. It was an emotional decision. My epiphany was that we all have pit bulls in our life experiences. We all make emotional decisions at one time or another. Perhaps it's the employee we hire.

Logic tells us the employee really wouldn't make the best fit in our organization, but we hire him or her anyway. Or maybe it's the person in the organization we should ask to leave, but we don't because he or she has a family to support and a mortgage to pay.

In many cases, we are like a 9-year-old schnauzer battling a lean, mean, fighting machine, and the machine is out for blood. We sacrifice our better judgment to our emotions.

Countless times Doogie would run up to the fence and stick his neck out to play with other dogs or people. This time he stuck his neck out a little too far.

The dog's owner came by our house last week to pay for Doogie's veterinary expenses. I asked him, "Do you realize how lucky you are?" Not understanding, he said, "No." I explained that his pit bull had two potential targets: One was Doogie and the other my 2-year-old grandson. I asked him, "How would have your life changed if your pit bull had chosen the 2-year-old?" He responded, "I guess I didn't think of that."

Think

Too often when we make emotional decisions, we don't think of the ramifications. The success of any business cannot be sacrificed to making a decision based on emotion. It's not just decisions that affect other people in the organization; it is our leadership decisions as well. How many of us have not sacrificed the long-term strategy for short-term sales quotas, only later to regret it?

I have had to make many painful decisions in life, from laying people off to having a co-worker and friend arrested for embezzlement. But it is we, ourselves alone, who determine the fate of our organizations.

The success or failure of our lives is derived from the decisions we make. In the incident I just recounted, everyone was ultimately OK; there were no long-term consequences from the dog attack. Hopefully the owner will think twice before letting his dog run free in the park. Maybe he will; maybe he won't. The choice is his.

We all make mistakes and errors of judgment. In my personal reflection, there have been too many times in my life I've said, "I guess I didn't think of that." ☹️

Jon Perry and Vanessa Lang are the owners of 888QuikRate.com, an ISO based in Ft. Worth, Texas, that was named Small Business of the Year by the local newspaper, The Star Telegram. For more information, tweet them at <http://twitter.com/dfwcard>, comment on their blog at <http://merchantservices.cc> or visit their profile at <http://linkedin.com/in/jonperry> or <http://linkedin.com/in/vanessalang>. Alternatively, you can contact Jon and Vanessa by phone at 817-857-3557 or contact them by e-mail at jon.perry@888quikrate.com or vanessa.lang@888quikrate.com.

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Education (continued)

Understanding chargeback rules

By Ken Musante

Moneris Solutions

Cardholders have little patience for chargebacks. When they dispute charges on their statements, they submit disputes to the card-issuing banks that correspond to acquiring banks, which, in turn, correspond to merchants who must either accept or dispute chargebacks.

While chargebacks are messy, they occur less than once per 1,000 transactions. Thus, when they arise frequently, and at the same merchant, Visa Inc. and MasterCard WorldWide take notice.

Both card companies have set limits on chargebacks and chargeback ratios; if merchants were to continue with abnormally high chargeback ratios, the card brands could suffer reputational damage, and cardholders could lessen or discontinue transacting.

To prevent this, both brands have implemented severe fines and escalating penalties for violations. Visa has two specific chargeback monitoring programs and a fraud identification program to minimize disputes and cardholder angst. MasterCard has similar programs.

MCMP and HRCMP

Visa's Merchant Chargeback Monitoring Program (MCMP) places merchants that exceed *all* of the following in a given month into the MCMP program: 100 transactions, 100 chargebacks and a 1 percent or greater chargeback ratio. In the MCMP program, merchants have three months to reduce chargebacks before per-chargeback fines kick in. During the first three months, there is an initial notice for the first trigger month and a two-month work-out period.

Fines of \$5,000 and \$10,000 can be assessed in months one and two, respectively, if an acceptable chargeback reduction plan is not submitted within 10 days of notice by Visa. This is significant given that Visa notifies the bank, which (sometimes) must then notify the acquirer, who must then notify the merchant.

Additionally, beginning in the third month in which a merchant is in the program, the merchant is fined \$50 per chargeback with escalating fines as follows:

Months in program	Per chargeback fine	Review fee per month
3, 4 and 5	\$50	n/a
6 and 7	\$100	n/a
8 and 9	\$100	\$25,000

Worse, should the merchant exceed the program's limits for more than 9 months, the merchant may be permanently disqualified from accepting Visa transactions.

Visa has another program, specifically targeted to high-risk merchants, called the Visa High-Risk Chargeback Monitoring Program (HRCMP). High-risk merchants are defined as merchants with the following merchant category codes: 5962, 5966, 5967 and 7995.

This program's review fees are greater, starting at \$5,000. The per-chargeback fines are larger, as well, and are assessed the first month the merchant triggers a program.

Months in program	Per chargeback fine	Review fee
1	\$100	\$5,000
2 to 3	\$100	n/a
4 to 5	\$150	n/a
6	\$150	\$25,000

Visa reserves the right to disqualify high-risk merchants after the sixth month. Furthermore, for acquirers naïve enough to sign high-risk merchants without proper registration, there is a \$25,000 per-merchant fine.

In both the MCMP and the HRCMP, merchants remain in the monitoring program until chargebacks are under the threshold for three consecutive months.

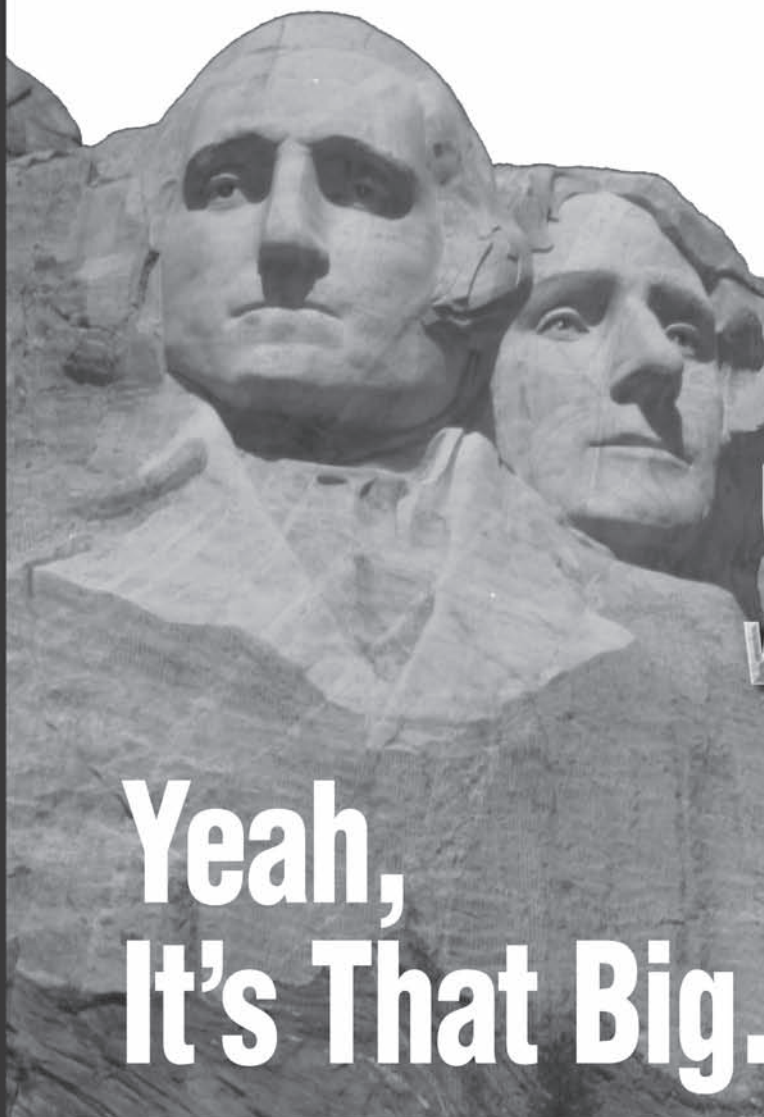
RIS and ECP

To further protect cardholders, Visa also monitors reported fraud transactions through its Risk Identification Service (RIS). The RIS program can sometimes more quickly identify problem merchants and is dependent upon issuer reported fraud. Reported fraud is highly correlated to chargebacks, but not always on a one-to-one basis.

The RIS program identifies merchants with more than \$25,000 in reported fraud and more than 100 fraud transactions and fraud transactions of 1 percent or more. The fees and fines for this program are as follows:

Months in program	Requirement	Fines
2 to 4	Fraud reduction plan	n/a
5 to 10	Follow-up plan and ongoing initiatives to reduce fraud	\$10,000 to 100,000 per month

Merchants may be disqualified from accepting Visa at month 10. MasterCard's Excessive Chargeback Program (ECP) applies to all merchants; no distinction is made between high-risk and non-high-risk merchants. The ECP has two tiers, Chargeback Monitored Merchants (CMMs) and Excessive Chargeback Merchants (ECMs).



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Education

To be a CMM, *all* of the following must apply over a calendar month: At least 50 chargebacks and a 0.50 percent or greater chargeback to transaction ratio. This ratio is calculated by dividing the number of chargebacks in a given month by the number of transactions in the preceding month.

The monthly merchant fines are \$50 per merchant per month. The second classification, ECM, is more severe. It is applied to merchants who exceed all of the following thresholds over a given month: At least 50 chargebacks and a 1 percent or greater chargeback to transaction ratio. This ratio is calculated by dividing the number of chargebacks in a given month by the number of transactions from the prior month.

A \$500 reporting fee is assessed each month a merchant triggers the ECM. MasterCard also assesses an issuer recovery fine and a violation fine. MasterCard's fee schedule is a bit more complex. Like Visa, MasterCard requires a chargeback reduction plan with fees escalating to \$1,000 per day for late submittal.

Unlike Visa, MasterCard relies on self-reporting by the acquirer. Because MasterCard reserves the right to audit, acquirers would be shortsighted if they failed to report their violators.

The benefit to the acquirer is that it will know earlier in the month where its merchants fall within the program, whereas Visa's reporting is often nearly one month in arrears. MasterCard also has an issuer reimbursement fee that is calculated in accordance with section 8.6.3.1 of MasterCard's Security Rules and Procedures Manual:

"Merchants continue to be classified as an ECM until they drop below the threshold for two consecutive months."

Brand protection

Visa and MasterCard enforce these rules rigorously. Their brands are their most valuable assets, and protecting them is more important to them than individual merchants. Regardless of the size of the merchant or perceived unfairness, these rules are consistently applied.

ISOs and merchant level salespeople would be wise to understand these fee and fine programs so that, should their merchants enter one of them, they have proper reserves for the chargebacks – and the fines. Service providers may also assist merchants in understanding the consequences if chargebacks get out of hand. ☒

Ken Musante is Executive Vice President and Chief Sales Officer of Moneris Solutions. You may contact him by phone at 707-269-3200 or e-mail at kmusante@hbms.com.



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Education (continued)

Seven rules of 'celling'

By Dale S. Laszig

DSL Direct LLC

Judging from the viral growth of mobile banking and smart phone applications, mobile commerce may be the next big trend, with consumers using cell phones to transmit credit card data and merchants using smart phones to process credit card transactions.

Near field communication (NFC) technology, which enables the contactless POS, has been widely adopted in Europe. Deployment of NFC-enabled phones, an increasing population of contactless POS terminals, and various incentives offered by banks and card brands are driving demand in the United States and Canada for cell phone initiated transactions.

Using smart phones for credit card acceptance is a green solution and a great way for merchants to do more with less. Low-transaction mobile workers no longer have to carry and set up POS equipment to process

one or two transactions. Smart phones can also capture swiped rates at the POS when paired with hand-held card reader peripherals.

With all the hardware models and software applications to choose from, how can merchant level salespeople (MLSs) help merchants decide on the best smart phone solutions for their businesses?

Here are seven rules of "celling":

1. Qualify your prospects

Smart phone payment processing is not for everyone. Merchants who keep their mobile phones turned off except for emergencies are not good prospects. Merchants who have recently acquired a BlackBerry or iPhone should be given a chance to learn the basics before attempting to process payments on them.

Technically savvy merchants would be most receptive to adding a payment application to their smart phones, particularly if they want to accept credit card payments from wherever they happen to be working.

2. Sell enterprise-worthy applications

Not all smart phones are created equal. The innovative, consumer-friendly iPhone is great at many things, from streaming video broadcasts to texting, but its touch screen keypad may be cumbersome for a mobile worker who needs to type in a lot of data. Also, merchants who process payments on the iPhone will have to manually enter transactions until an iPhone-compatible card reader peripheral becomes available.

There's a world of difference between consumer mobility and business mobility. Enterprise smart phones are equipped with rugged carrying cases and longer battery life. Screens are easy to navigate, and keypads are designed for fast and frequent typing. Enterprise-worthy phones seamlessly integrate a variety of work-related programs. They can be used to track mileage, workers' hours and attendance, and delivery times.

This continuous flow of data can be used by management to evaluate efficiencies and create customized reporting.

3. Sell PCI DSS-certified solutions

It's not enough these days to ask if transactions are processed securely. Any application that manages cardholder data must be a certified Payment Card Industry (PCI) Data Security Standard (DSS) application. (For a complete listing of PCI DSS-compliant software applications, visit www.pcisecuritystandards.org.)

4. Know the difference between Web apps and downloadable apps

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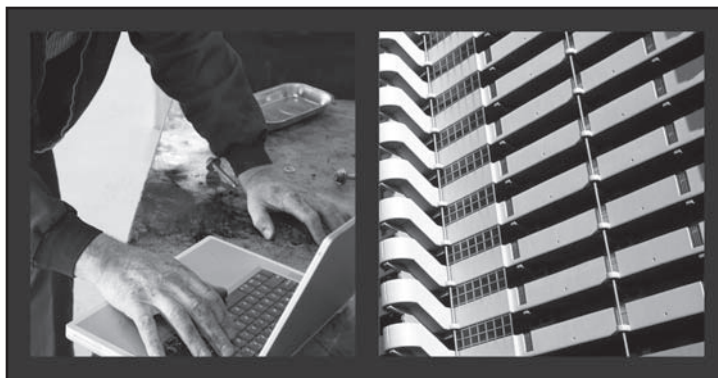
can choose from applications accessed through Web browsers or downloaded onto smart phones. Smart phone Web applications have the same functionality for merchants as virtual terminals on computers; they're just in a slightly modified version to fit a smaller screen.

Web applications work well for merchants whose mobile workers log in from their phones to a browser-based processing application.

Downloadable applications for smart phones are more feature-rich than their virtual counterparts. Features like Store and Forward or the ability to view offline transactions are valued by merchants who process transactions in low-coverage areas.

All smart phones require data plans sold by wireless carriers and their authorized resellers. Before adding credit card processing to a smart phone's menu of applications, make sure the application is compatible with the phone's operating system.

Examples of smart phone operating systems are Research in Motion Ltd.'s RIM OS; Sun Microsystems Inc.'s Java 2 Micro Edition; Microsoft Corp.'s Windows Mobile; Apple Inc.'s iPhone OS; and Palm Inc.'s Palm OS, Garnet OS and webOS.



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5. Sell compatible hardware

To keep up with emerging technologies, carry a list of compatible smart phone models and card reader printer peripherals with you, and refresh it every week. That's how fast this technology is changing.

Many smart phones with touch screens can support signature capture, a valuable tool for merchants with charge-back issues.

Hand-held card reader peripherals communicate with smart phones via serial port connections or Bluetooth wireless technology. While all of these peripherals maximize swiped rates at the POS, all-in-one models with both card readers and printers provide thermal customer and merchant receipts. Confirm which smart phone models are supported by your help desk and processor and which peripherals can be paired with them.

6. Provide excellent service

Early adopters of smart phone processing technology need access to qualified support professionals as they integrate credit card acceptance into their daily business routines. They need to be shown not only how to operate the application and hardware peripherals, but also how to log on to a secure Web site to view real-time transaction activity.

It's best to work with value-added service providers who offer live chat and toll-free support numbers and are readily accessible to help your merchants get comfortable with their distinct user interfaces.

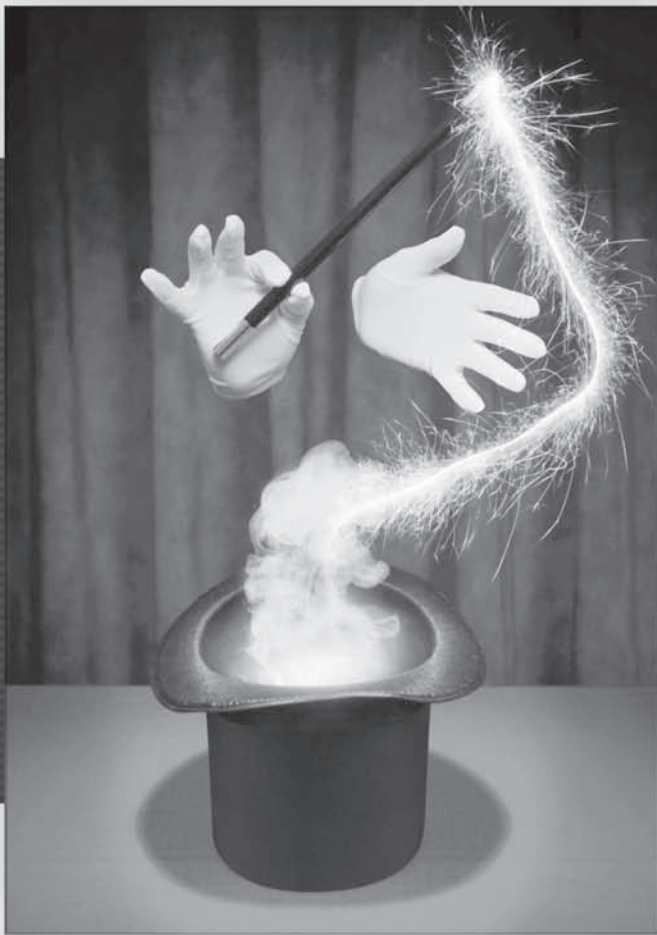
7. Price is no barrier

Intense competition has driven down the price of smart phone applications, which is good news for merchants. While you may not earn much on the hardware or software sale, these solutions will help you grow your portfolio by linking you to a whole new segment of the mobile merchant market.

The pricing model is similar to wireless credit card terminal pricing: an upfront investment in software license and activation followed by monthly gateway and incremental transaction fees.

Smart phones and peripherals can be clipped onto belts or slipped into pockets. They function much the same as laptop computers but with smaller screens and less battery power. They haven't replaced laptops; they've provided another access point to our increasingly virtual workplace. So now that you know the rules, R U celling? ☎

Dale S. Laszig is a writer and payments industry executive with a diversified background in sales and marketing. Her company, DSL Direct LLC, helps industry professionals and business owners leverage electronic transaction technology. She can be reached at 973-930-0331 or dale@dsldirectllc.com.



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Education (continued)

Moving the needle on level 4 merchants

By Joan Herbig

ControlScan

Since the Oct. 1, 2008, deadline requiring all newly boarded merchants to be Payment Card Industry (PCI) Data Security Standard (DSS) compliant or to use Payment Application (PA) DSS-compliant applications, hundreds of processors, banks and ISOs have launched PCI compliance programs for their level 4 merchant portfolios. (The PA DSS was formerly known as PA Best Practices [PABP]).

While this is a great start, a huge uphill battle remains. By most estimates, fewer than 10 percent of the level 4 merchant population has attested to compliance with the PCI DSS.

This represents an ongoing challenge for acquirers, who bear the ultimate risk for noncompliance. In fact, according to an Aite Group LLC report, 43 percent of acquiring executives rate security and PCI compliance as the top challenge for their sector.

The key to moving the needle on this statistic is for acquirers and ISOs to develop comprehensive and highly targeted merchant outreach programs.

The first 90 days

Since most small merchants still don't understand or know about PCI compliance and how it impacts their businesses, it is critical to launch broad awareness and engagement campaigns at the beginning of a program. These campaigns help educate and prepare merchants for the compliance process.

If you are charging a fee for your PCI compliance program, education on the front-end is even more vital. Surprising merchants with a compliance fee before they have had a chance to understand the importance and value of compliance can negatively impact the program and your relationships with your merchants.

Because it is not well understood, PCI compliance is not a priority for most small merchants, so successful programs should begin with a series of touch points to engage merchants. Your campaign strategy should include:

- Frequently asked questions
- Statement inserts or messages
- E-mail campaigns
- Dedicated direct mail campaigns
- Telephone outreach

The 90-day plan shouldn't be focused on merchants alone; also devise training plans and support materials for

merchant-facing employees, such as customer service reps, sales agents and so forth. Regardless of whether you run the compliance program yourself or outsource it, many merchants will call your company to find out if the program is legitimate or to ask for clarification.

Be prepared to answer basic questions about PCI compliance and to handle common objections. And keep in mind that, if your team isn't aligned on the program and the messaging, you will confuse and frustrate your merchants.

If you follow a similar comprehensive communication plan to the one just described you will typically see an initial burst in your portfolio's compliance rates during the first 90 days of the program; then the compliance rates will begin to slow down. So, how do you maintain the momentum?

Target messages and campaigns

Once you complete the launch phase of your PCI compliance program, the next step is to analyze the results and identify key segments of your merchant portfolio to which you should target additional outreach.

The campaigns may be a mix of three target categories based on compliance milestones, merchant classification code and self assessment questionnaire (SAQ) type.

Unfortunately there is not a one-size-fits-all approach to targeting at this point. The results of your initial campaign efforts will dictate the best targeting methods for your portfolio.

Creating campaigns targeted to merchants based on their progress, or lack thereof, during the PCI compliance process creates an opportunity to provide tips to accelerate merchants' compliance efforts. Examples of such targeting include:

- **Disengaged merchants:** This is a point at which you should employ sterner language in your communications to convey a sense of urgency. Some acquirers have also instituted noncompliance fees as penalties.

While more directive, the message targeted to this group of merchants should include instructional language, focusing on the basic steps merchants must take to complete the process, which will make compliance feel less daunting.

- **Stuck merchants:** First, conduct analysis to determine the average length of time it takes your compliant merchants to complete the PCI compliance

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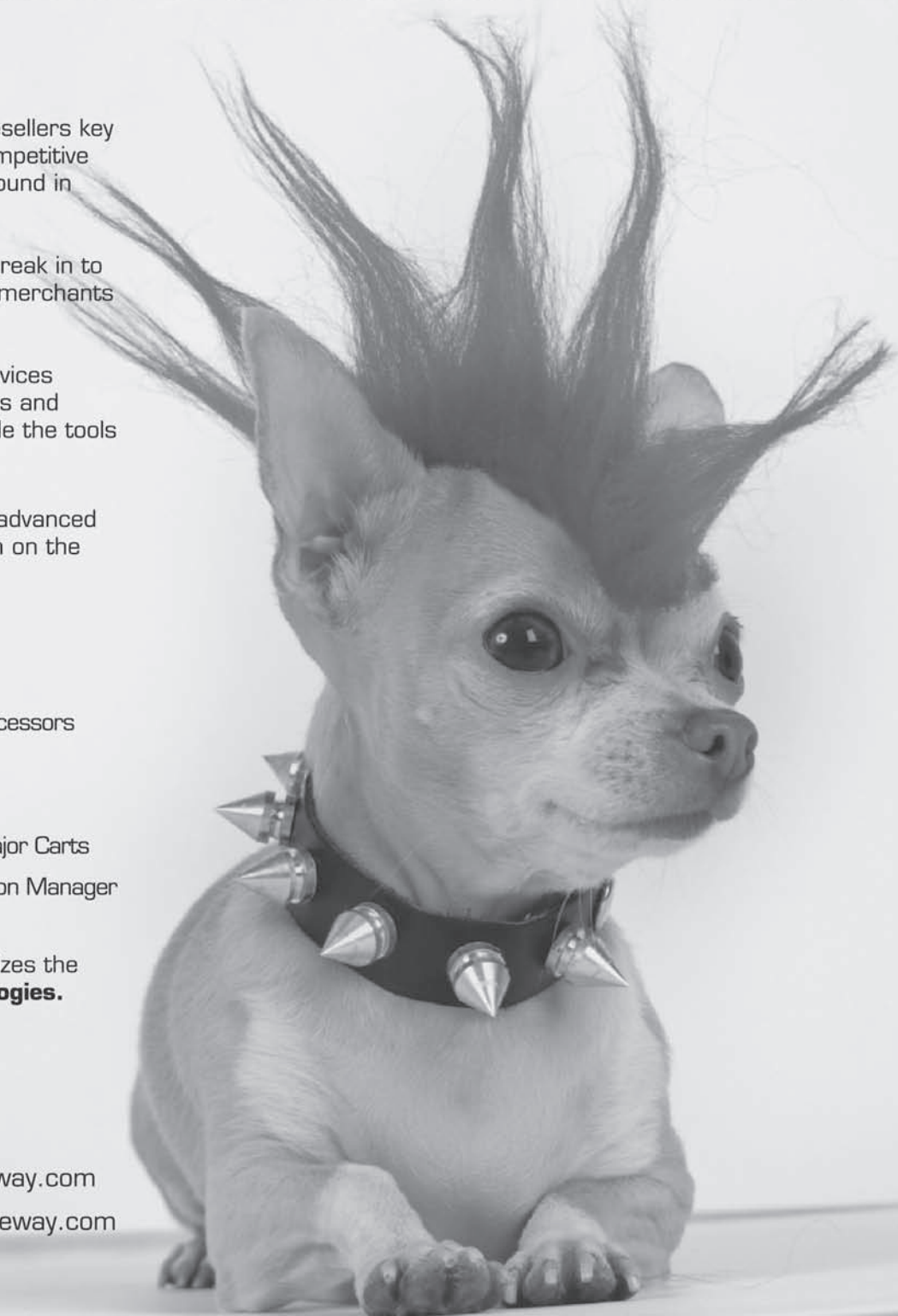
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Education

process. For best results, this should be done by SAQ type. Once you have this data, launch a calling campaign targeted to merchants who have started the process but haven't become compliant within your average time frames.

In many cases these merchants are hung up on a specific area of the SAQ or working toward remediation for noncompliance with a PCI DSS requirement. By calling merchants you have the opportunity to guide them through any issues encountered and help them complete the attestation process.

- **Use of merchant classification codes and categories:** To drive more relevant messages also consider targeting your campaigns to specific merchant groups. Each merchant group has different motivations and varying degrees of understanding of PCI compliance.

For example, an e-commerce merchant could be very familiar with security and the need for Web site scans, but not be very aware of his or her PCI obligations.

Contrast this to a nail salon that may not even have a computer and has no understanding of the basic tenets of security. Think about the distinct characteristics of segments within your merchant portfolio so your communications resonate with the targeted audience.

Your small-merchant portfolio may also consist of a high percentage of a particular merchant classification. This is an opportunity for you to create a targeted campaign that speaks specifically to merchants within this group or keeps their unique circumstances in mind.

For example, if you have a significant population of restaurants in your portfolio, you don't want to launch a calling campaign during their peak serving hours. You can also leverage industry statistics and trends to help specific merchant groups understand where they are most vulnerable or use the information to target the highest risk groups in your portfolios.

- **Compliant merchants approaching annual re-attestation:** When you set up your program, don't forget that PCI compliance is not a one-time event. Each year your merchants need to complete the SAQ and attest to compliance with the PCI DSS. Be sure to remind these merchants at least two months prior to their renewal dates.

Set the expectation in advance that if these merchants haven't changed their credit card data handling dramatically, they should be able to leverage their previous SAQ responses to expedite the process.

SAQ type

Following are suggestions for targeting campaigns based on SAQ type:

- Set up expectations on the front-end. Nearly 80 percent of small merchants fall into SAQ Validation Types 1, 2 or 3, which means they are required to complete SAQ forms A or B. The good news for these merchants is they will only have to complete an 11- or 25-question questionnaire. Having this kind of information will allow you to help these merchants understand that their task is easily manageable and can be completed quickly.
- Since most small merchants don't have security policies or security awareness training in place, consider providing these services as part of your overall PCI compliance program.


They are both part of the PCI DSS, and providing them takes a burden off of your merchants' shoulders, thereby reinforcing the service aspect to your PCI program.

- For merchants who require vulnerability scanning (SAQ forms C and D), you may need to follow up with them to ensure they actually completed a scan.

Require documentation that validates that these merchants completed their scans, and if they haven't, recommend or refer a scanning vendor so the merchant can complete the PCI compliance process at the point of initial engagement.

- Also, make sure you work with an Approved Scanning Vendor (ASV) listed by the PCI Security Standards Council. An ASV must supply the quarterly certification of a passing scan. Most ASVs offer technical support to help merchants complete the process. This usually includes clarification of scan results and assistance with remediation for cases in which a merchant's scan reveals dangerous vulnerabilities.

The right direction

PCI provides a security "compass" to level 4 merchants for whom security is generally not a priority. As such, it ensures that merchants are implementing the basic systems, processes and policies needed to protect cardholder data on an ongoing basis. Regular, targeted communications can keep PCI compliance a priority so that, instead of becoming an annual ordeal for your merchants, it becomes an everyday part of doing business. 

Joan Herbig is Chief Executive Officer of ControlScan. She has more than 20 years' experience in the high-tech world and serves on the Electronic Transactions Association's Risk and Fraud committee. Contact her at |herbig@controlscan.com or 800-825-3301.

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Education (continued)

Use technology to tighten relationships, expand revenue

By Shan Ethridge

TASQ Technology Inc.

Challenging economic times call for a renewed focus on providing higher levels of value and service. As business needs fluctuate, payments industry professionals – such as ISOs, merchant level salespeople (MLSs), acquiring banks and processors – are faced with new challenges. Meanwhile, merchants of all sizes still need reliable products and services.

Despite the economic downturn, opportunities exist to serve small businesses with solutions that support their current needs and allow room for future growth. By looking to new technologies and selecting the right solution providers, ISOs and MLSs and others doing business in the payments sphere can achieve sales and service objectives, while demonstrating enhanced capabilities to meet merchants' business priorities.

Bundling up

In an increasingly competitive marketplace, ISOs and

MLSs require more than pricing and equipment to make relationships with merchants sticky. Bundled solutions present an opportunity to expand and deepen relationships with existing customers. In addition, bundling can broaden service providers' appeal to new, diverse industries through more comprehensive, end-to-end service offerings.

When seeking partners, it's important to consider what should be included in a solution bundle. In addition to hardware, software and processing, key factors are service and support (including equipment repairs, customer care and obtaining supplies for merchants).

Running a business is rarely an 8 a.m. to 5 p.m. proposition. So technology and support that can accommodate an entrepreneur's busy schedule also should be considered. That means 24/7 customer service and sales reps being personally available to merchants day and night.

The ability to offer robust customer service, repairs and help-desk support expands a merchant service provider's capabilities. Providing consistent service options can allow ISOs and MLSs to get closer to their customers by giving them reliable and convenient services they trust.

When it comes to new technologies, bundled solutions also can create an opportunity for ISOs and MLSs to offer new solutions more quickly and focus on selling rather than piecing together individual components.

The ability to offer customers and prospects new services that support overall business processes can ultimately help ISOs assume a consultative role and open up new customer opportunities.

A cozy solution

Remote deposit capture (RDC) can help ISOs and MLSs build upon their current merchant relationships, as well as open the door to new ones. The ability to deposit checks from work or home saves time and travel to banks. It can even help businesses access deposited funds more quickly – no more waiting until it's "worth it" to go to the bank.

Many ISOs and MLSs are aware of RDC, but they don't always know where to begin to create an RDC solution for their customers.

For most sales reps, a practical RDC approach is one that allows them to offer customers an easy-to-use solution, including check scanners, deposit software and customer service without having to do the legwork to integrate these elements.

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Education

Finding a solution that bundles these services and offers the opportunity to tailor scanners and software to the customers' needs provides the best of both worlds: a turnkey solution that also can be tailored to meet the needs of a merchant portfolio.

One essential element of a complete RDC solution is the ability of merchants to take advantage of the convenience of RDC without having to change financial institutions.

MLs can go into a sale without having to convince merchants to switch banks. Rather, they can focus on offering new and existing customers a better solution.

RDC can also boost a merchant service provider's bottom line. In today's precarious economy, many debit and credit transactions (which typically serve as a main source of monthly income for ISOs and MLs) are for smaller amounts. RDC may provide another avenue of stable revenue.

Depending on the contract, RDC can generate income through monthly recurring fees, monthly per-item fees and upfront hardware revenue. In some cases, the solutions provider will underwrite the merchant, reducing the risk to ISOs.

One of the most compelling reasons for ISOs and MLs to add new technologies to their offerings is the opportunity to expand their bankcard processing customer base.

In the case of RDC, some merchants – for instance day care centers, home-based businesses or health care providers – may overlap with credit, debit and other electronic forms of acceptance. However, RDC also appeals to professional services businesses such as law firms, accounting practices and other companies that primarily receive payments by check.

New touch points

In addition, technology also can generate ways for ISOs and MLs to get closer to their existing customers while also creating new revenue streams.

Merchants need to purchase paper, cables, printer ribbons and other consumables for their payment systems as part of the normal course of business. ISOs and MLs may be able to work with solution providers to create branded, online stores where merchants can order supplies, allowing them convenient access to a full range of consumable, POS products.


Online ordering creates additional convenience for merchants and usually creates a low-maintenance revenue stream for the sales force.

The site doesn't replace the merchant's relationship with the service provider, but it does provide added flexibility for merchant customers. Systems that allow merchants to browse by equipment also can save time – no more returning of unsuitable supplies to the office products store.

Additionally, some programs allow merchant service providers to set up different pricing options for their portfolios, so agreements about providing a set number of free rolls of paper, for instance, can be honored online.

Loving that value-add

Even in an uncertain economy, payment professionals can take advantage of new revenue opportunities and customer touch points by embracing new technologies and offering valuable ways to both serve and interact with customers.

It can be daunting to identify and create solutions that embrace new technologies. Finding the right solutions and partner can help merchant service providers move beyond the "nice to know you" of new technologies to the "let's get together," thus putting technologies to work for their customers and businesses. 

Shan Ethridge is the Division Manager for TASQ Technology, one of the largest providers of POS equipment and services in North America. You can reach him at 916-435-3767 or shan@tasq.com.



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The long and event-filled history of the payments industry parallels key advancements in technology. In fact, the two are inextricably linked, like NASA and microwave ovens. Here are a number of the highlights.

- 1951** – The first credit card (Diner's Club) is rolled out.
- 1958** – Bank of America launches the BankAmericard in Fresno, Calif.
- 1959** – American Express Co. introduces plastic cards; previously cards were made of celluloid or cardboard.
- 1966** – Fourteen U.S. banks form the first bankcard processing association to exchange information on credit card transactions.
- 1967** – Four California banks form an association called Master Charge (which was renamed MasterCard in 1979) to compete with BankAmericard (which became Visa in 1977).
- 1968** – The automated chip card is invented in Germany.
- 1970** – The magnetic stripe becomes a feature on credit cards following the London Transit Authority's installation of a magnetic strip-system in the London Underground in the 1960s.
- 1973** – IBM introduces computers that can control POS devices.
- 1974** – Smart cards are patented in France.
- 1976** – Debit cards are introduced in Europe.
- 1992** – Books.com, the first online bookstore, is created – two years before the beginning of Amazon.com – setting the stage for online commerce.
- 1992** – Microchips are embedded into all French debit cards, leading the way to the widespread adoption of smart cards.
- 1995** – Europay, MasterCard and Visa (EMV) co-develops industry-wide chip card specifications to ensure that all chip cards will operate with all chip-reading terminals.
- 1998** – Mobile payments are tested in Finland when two vending machines are enabled to work with short message service payments.
- 2003** – A chip and PIN card trial is completed in Northampton, England, and the technology is rolled out nationwide in the United Kingdom the following year.
- 2004** – The chip and PIN card is rolled out in Europe, where it's now universal.
- 2004** – Digital check scanning is introduced in the United States.
- 2007** – The PCI Security Standards Council adopts the Payment Application Data Security Standard based on Visa Inc.'s Payment Application Best Practices.
- 2008** – The PCI SSC sets a series of deadlines for payment card security technology compliance, including a Sept., 30, 2010, deadline for level 1 and level 2 merchants, who after that date cannot retain consumer card data, such as PINs.
- 2009** – The Secure POS Vendor Alliance is formed by payments industry executives to help foster the proper adoption and use of payment data security technology.

Sources: *Mobilizing for the next wave of U.S. payment innovation*, by James McCauley (Principal Consultant, Capco), Rahul Kapur (Managing Principal, Capco) and Suresh Gupta (Partner, Capco); Wikipedia; *The New York Times*; the PCI Security Standards Council; United Bank Card Inc.; SC Magazine, First Data Corp.



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NewProducts

Self-assessment assistance

Product: CertifyPCI

Company: Network Merchants Inc.

A new software program from Network Merchants Inc. targets what is perhaps the most remediable issue with Payment Card Industry (PCI) Data Security Standard (DSS) compliance: its language.

Using questions, explanations and pictures designed to simplify what many find to be the inscrutably technical language of the PCI regulations, CertifyPCI leads a merchant through the required process of self-assessment – finding and filling out the proper self-assessment questionnaire (SAQ) – whereby it is determined whether all the right measures are in place to ensure compliance and forestall a breach.

"A lot of these merchants are very intimidated by selecting the right [SAQ] document and filling it out and feeling confident filling it out," said Nick Starai, Director of Product Development for NMI.

"What we're trying to attack is really making this process streamlined – making sure we auto-select by a couple choice questions what will make sense to the merchant to pick the right document and walk them through filling it out." CertifyPCI is a hosted software on the NMI gateway, and merchants sign up online to create accounts. No download is required; opening and closing an account simply entails returning to the same Web portal.

Find the right document, fill it out

Essentially, the service does two things. One, it helps merchants determine what SAQ to fill out (the questionnaires differ depending on merchant size and type) through a series of questions; two, it guides them through the document's questions by providing notes and pictures designed to clarify each one.

"[The questions] may be basic, like are you a retail merchant?" Starai said. "A lot of merchants still don't even know what retail means [in payments jargon]. Basically, retail might show pictures of card readers or a credit card showing you have some sort of card in your environment, whereas card-not-present or e-commerce will be a different picture. We find clients will relate a lot easier to something they're used to seeing."


Starai said the program begins by asking merchants a series of questions in "layman's language" to deduce what category they fall in and thus what questionnaire to select.

Once the program selects a questionnaire, it sends one last message for the merchant to confirm (or disconfirm) that the selected questionnaire is indeed the right one. Only then does the merchant start on the form.

The service is for merchants who fall into the PCI categories of level 2, 3 or 4 (level 1 merchants – those processing more than 6 million transactions a year – are required to enlist an outside auditor for their PCI compliance checks; they don't typically use SAQs).

"Our system will ask a various amount of questions to determine what of a handful of questionnaires [to use] depending on what type of merchant you are; whether you're a retailer, MO/TO or e-commerce, our system will automatically figure out which questionnaire you should be filling out and then, in line with our Web site's [feedback], you check off the appropriate questions and answers," Starai said.

Proof of completion

When a merchant is done filling out the questionnaire, the program provides a print-out containing all of the information that's been entered, verifying a successful self-assessment and noting the deadline for the next compliance check. The program, according to its proprietors, is updated to stay in line with any changes made to the PCI regulations. "We'll keep tabs and update as needed," said Ted Cucci, Chief Operating Officer of NMI. "We're also members of the PCI Council, so we get every update. We're pretty up on PCI." 

Network Merchants Inc.

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CertifyPCI home page

NewProducts

Pocket-sized terminal

Product: way5000

Company: Way Systems Inc.

As mobile merchants proliferate, so do the portable card terminals they use in bouncing from one customer to the next. The way5000, a new terminal from POS solutions provider Way Systems Inc., has taken the portable trend up (or down) a notch by creating a device that fits in your pocket.

The terminal looks much like a cell phone, only with a small swipe piece attached.

It's smaller than standard portable terminals, noted Tim McWeeney, Vice President, North American Sales for Way Systems. "We've created a pocket-sized terminal – it literally fits in the merchant's pocket – and when they want to use it they just take it out, swipe the card, enter the data, run the transaction," he said.

Small, but capable

Despite its size, the device lacks nothing in capability.

It loads credit, debit, gift card and check transactions, and includes a PIN pad for debit transactions, in keeping with the Payment Card Industry (PCI) Data Security Standard (DSS). The device is fully PCI certified, McWeeney said.

The PIN pad is embedded in the front of the terminal – like the buttons on a cell phone – rather than "on a back pack on the back," as some terminals are configured, McWeeney said. He also said it's the "largest key pad we've ever manufactured," making the buttons relatively easy to push.

"Ergonomically, it's better in front of the device; it's easier for the merchant and the cardholder to use," he noted.

The device also includes an over-the-air feature that provides updates for such things as software and compliance upgrades. McWeeney said the over-the-air mechanism is triggered every time the terminal is switched on, asking "the user if it wants to check for updates or [alerting] the user that updates may be available.

"Then if the user then selects the download update, those come over the air." The updates are pulled from the Way Systems server.



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"If there's a PCI security update, if there's a certification update from one of our customers they want pushed out to the terminal, if a merchant signs up for a check service and that check service was not originally embedded in the terminal, that would be pushed out on an over-the-air update," McWeeney said.

"Literally, any kind of update up to and including even merchant parameters – name, business name, address – those are things that, once completed in our Way Systems gateway that's pushed to the terminal, the merchant downloads the update and he's finished," he added.

Surge in mobile merchants

The Way5000 comes with a mobile, infrared printer. McWeeney said the product is targeted toward retailers, particularly the "4 million plus mobile merchants that are entering the market and are looking for an economical and pocket-sized solution." He added that retailers of all sizes are using the product.

"We have run into merchants that have fleets of drivers and service people – 25, 30, 50 trucks out there – that want a cost-effective way to accept credit cards," he said. "The reality is mobile merchants are growing at such a fast rate now that we're opening ourselves up to literally millions of new merchants coming into the market across all

categories. But we are a perfect fit for anyone in a direct seller environment." 

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Inspiration

WaterCoolerWisdom:

Action and reaction, ebb and flow, trial and error, change - this is the rhythm of living.

- Bruce Barton



Time for a change?

Change is all around us. In fact, we are always surrounded by change – the seasons, the traffic, the economy. We, ourselves, are also always changing. We age, grow fat or thin, get sick, get well and learn new things.

Because we are constantly dealing with – or trying to manage – change, some people believe we should all embrace change as a good thing. Change is good, a politician might say. If you don't change, you die, a businessman might say. But change is never that simple.

Case in point: the relocation of the Brooklyn Dodgers to Los Angeles. When Walter O'Malley moved the Dodgers to the West Coast in the late 1950s, it turned out to be a financial windfall for the baseball team and the city.

But it wasn't so good for many Spanish-speaking residents of Chávez Ravine, where Dodgers Stadium was built. They had to move out of their homes – sometimes by force – to make way for the stadium's construction. It wasn't a happy occurrence for those who wanted to stay. Perhaps if you were one of those individuals displaced from Chávez Ravine or you knew someone that was, you might not be a Dodger fan today.

And that is the nature of change itself – an unceasing teeter-totter of winners and losers, successes and failures, fortunes won and lost, lives uplifted and lives destroyed.

That's why the decision to make a change in your professional or personal life should be undertaken with seriousness and introspection.

Ch-ch-changes

Maybe you are a top performing merchant level salesperson working for an ISO that has been hit hard by the recession. Since you are a talented sales rep, you might be tempted to take your services elsewhere. But any change that you make will affect others.

Will it be the final straw that sinks the ISO? Will a co-worker or two have to be laid off to compensate for the lost revenue you once brought in? Or will they have to work harder, longer hours? And how will the merchants in your portfolio be affected? Obviously, you have to take care of yourself and your family first, but you might consider how your move will involve the ISO and its employees before you abandon ship.

When it comes to the health and well-being of your organization, change should be made with great care as well. The consequences of changing processors or product offerings can be far reaching. If you jump from a stable processor to one that offers cheaper services, you may be reducing costs at the expense of reliability.

Similarly, the enticing bells and whistles of new data security software should be tempered with how merchants might respond if that new software fails to protect the company from a breach. One wrong move and your merchants might bail on you.

Inspiration

Presto, change-o

One way people sabotage themselves is by making life-altering decisions when they're angry or just plain tired. Having a blow-up with your boss and quitting on the spot is not a prudent *modus operandi*. Even if you do quit due to disagreements with higher ups, it may be wise to make that decision after rationally weighing all your options first. Being in this economy without a paycheck can be perilous.

Decisions made when you're mentally fatigued can lead to unsatisfactory or even disastrous results. A clouded mind leads to faulty judgment. Consummating a deal on five hours' sleep might lead to lawyers telling you to read the fine print more carefully next time.

Change undertaken with a clear head and calm demeanor is more likely to be the correct course of action.

A change will come

In the payments industry change progresses at a speed like no other. Where the insurance and medical industries evolve and adapt at a glacial pace, our industry races along in comparison, remaking itself at light speed.

That speed is out of necessity. It is vital that payment

professionals and organizations evolve to meet security challenges and provide merchants with the latest and best value-added services. But change for change's sake, or change that is quickly enacted without proper forethought, is rarely if ever the answer.

When you recognize that a change is necessary, identify the underlying problem and determine how best to approach it and ultimately solve it. Take into consideration how this change will affect your life and the lives of others. Consult with friends and trusted advisors to glean their opinions on how to proceed.

When you have examined and addressed all these aspects to the best of your ability, you may conclude that making a change is not in your best interests. Standing pat might be the smartest move you make.

But if you realize that change is necessary for survival and prosperity, then as Americans are fond of saying, "Go for it!"

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Visit www.greensheet.com/gs_tradeshow_events.php for more events and a year-at-a-glance event chart.



Direct Response Forum

2009 Annual Direct Response Forum

Highlights: This three-day conference brings together payment operations and risk management professionals specializing in card-not-present (MO/TO and Internet) transactions. Forum participants are merchant payment operations staff and managers from a variety of industries who are responsible for payment processing, credit operations, exception management, customer service, payment systems, loss prevention and fraud.

The agenda includes a golf tournament on the conference's first day, a gala and buffet dinner celebrating the Direct Response Forum's 20th anniversary, continental breakfasts, industry forums and more. Slated lecture topics include payment processing, Payment Card Industry Data Security Standard compliance, global expansion, Internet strategies, payment diversification and fraud prevention.

When: Aug. 10 – 12, 2009

Where: Tampa Marriott Waterside Hotel, Tampa, Fla.

Registration: www.directresponse.org



The Prepaid Press

The Prepaid Press Expo

Highlights: The prepaid industry has grown in three distinct branches – calling cards, wireless, and alternative payments, including gift cards. These three sectors converge at the retail level but are still approached as different industries. The Prepaid Press Expo focuses on this convergence.

The conference will address the latest technology developments in all three sectors, the effect of today's economy, prepaid virtual operators, industry regulation and the emerging market of near field communication payments.

The event will also include an exhibit hall for companies marketing prepaid services and a networking "toga" party at the Garden of the Gods pool at Caesar's Palace.

When: Aug. 18 – 20, 2009

Where: Caesar's Palace, Las Vegas

Registration: www.prepaidpressexpo.com/index.php



Western Payments Alliance

Operations Conference

Highlights: This event is designed specifically for individuals with automated clearing house (ACH) responsibilities who are looking to take their ACH payments expertise to the next level.

Through a combination of keynote addresses, general session panels and numerous concurrent sessions led by payments industry leaders, attendees will learn about the latest oper-

ational issues facing the ACH in light of changing ACH Operating Rules, compliance requirements and evolving risk issues.

The conference will include lectures, product showcases, a ceremonial luncheon and workshops – including an ACH basics workshop and an Accredited ACH Professional (AAP) preparation workshop for individuals interested in taking the AAP exam in 2010.

When: Sept. 9 – 10, 2009

Where: Harrah's Hotel and Casino, Las Vegas

Registration: www.wespay.org/Content/docs/pdf/education/ops_con_reg_form.pdf



Electronic Transactions Association

2009 Strategic Leadership Forum

Highlights: This annual event will unfold in Times Square, at the financial center of the world, and will include high-profile speakers looking at what the payments industry will face in the years ahead.

Slated seminar topics include the shift in payment types, new technologies, and the three things that can put you out of business and other aspects of risk management. An opening reception will convene the night of Oct. 14. The conference's second day will include an evening reception and an afterglow party. The forum also promises a few "new twists ... you won't want to miss."

When: Oct. 12 – 14, 2009

Where: The New York Marriott Marquis, New York

Registration: www.electran.org/content/category/6/75/123



EPCOR

Payments Summit 2009

Highlights: This annual event includes one full day and one half day of informative general and breakout sessions. There will be a networking reception at the Ohio Theater, plus continental breakfast, lunch and coffee breaks each day.

Topics addressed will include check acceptance technology covering Check 21, ACH, remote deposit capture and image exchange, current crises and changes ahead in the payments industry, managing end-user risks (fraudsters and hackers), alternative payments, mobile payments and the industry's use of Web services like Facebook, Twitter and PayPal. There will be a networking reception and roundtables.

When: Oct. 22 – 23, 2009

Where: Hyatt on Capitol Square, Columbus, Ohio

Registration: www.associationdatabase.com/aws/pc/pt/sp/home_page

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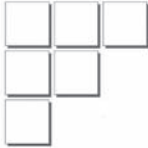
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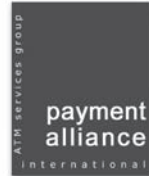
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(2) The New RETAIL PAYDAY "EXPRESS"

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(3) The New One of a Kind ... RETAIL PAYDAY "EXPRESS PLUS"

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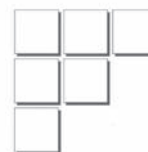
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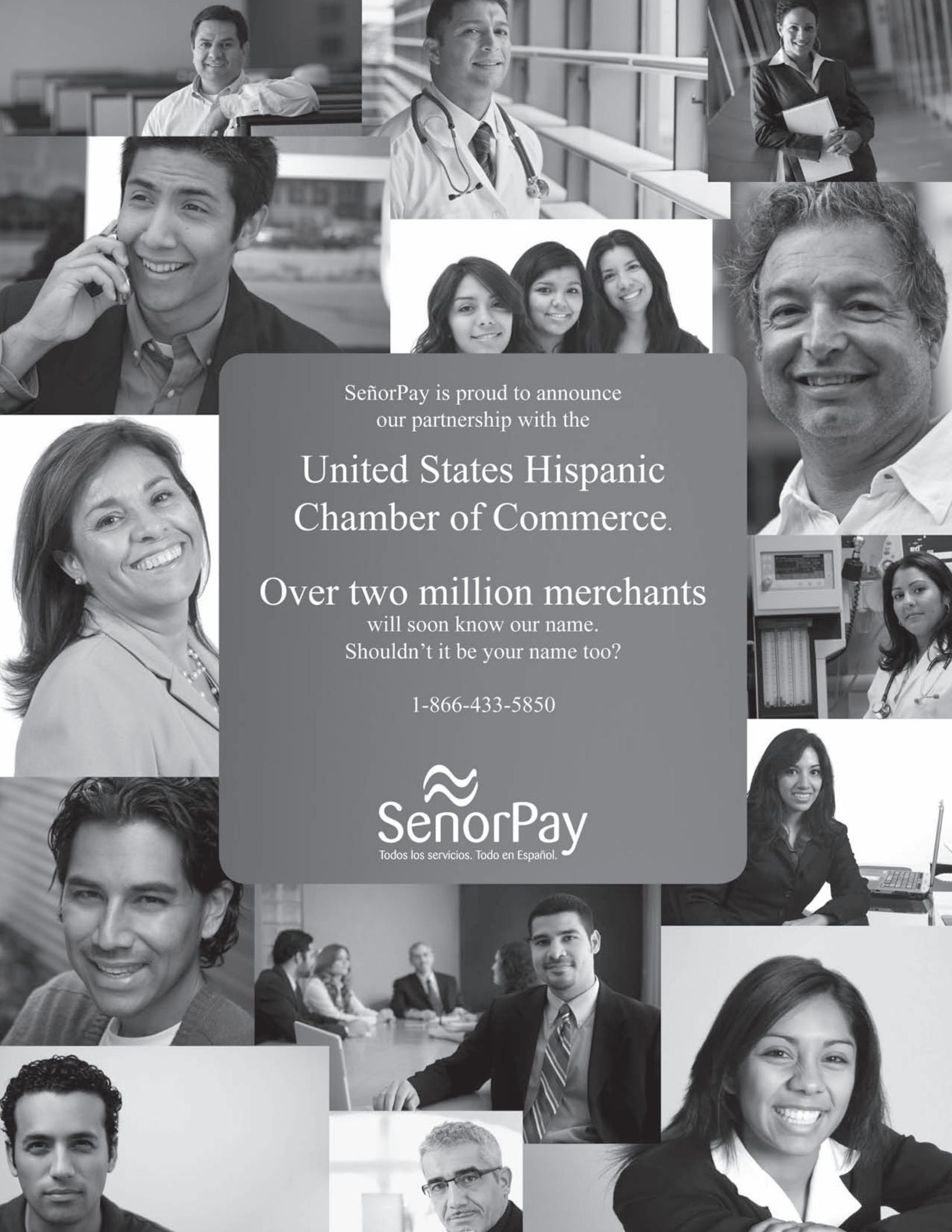
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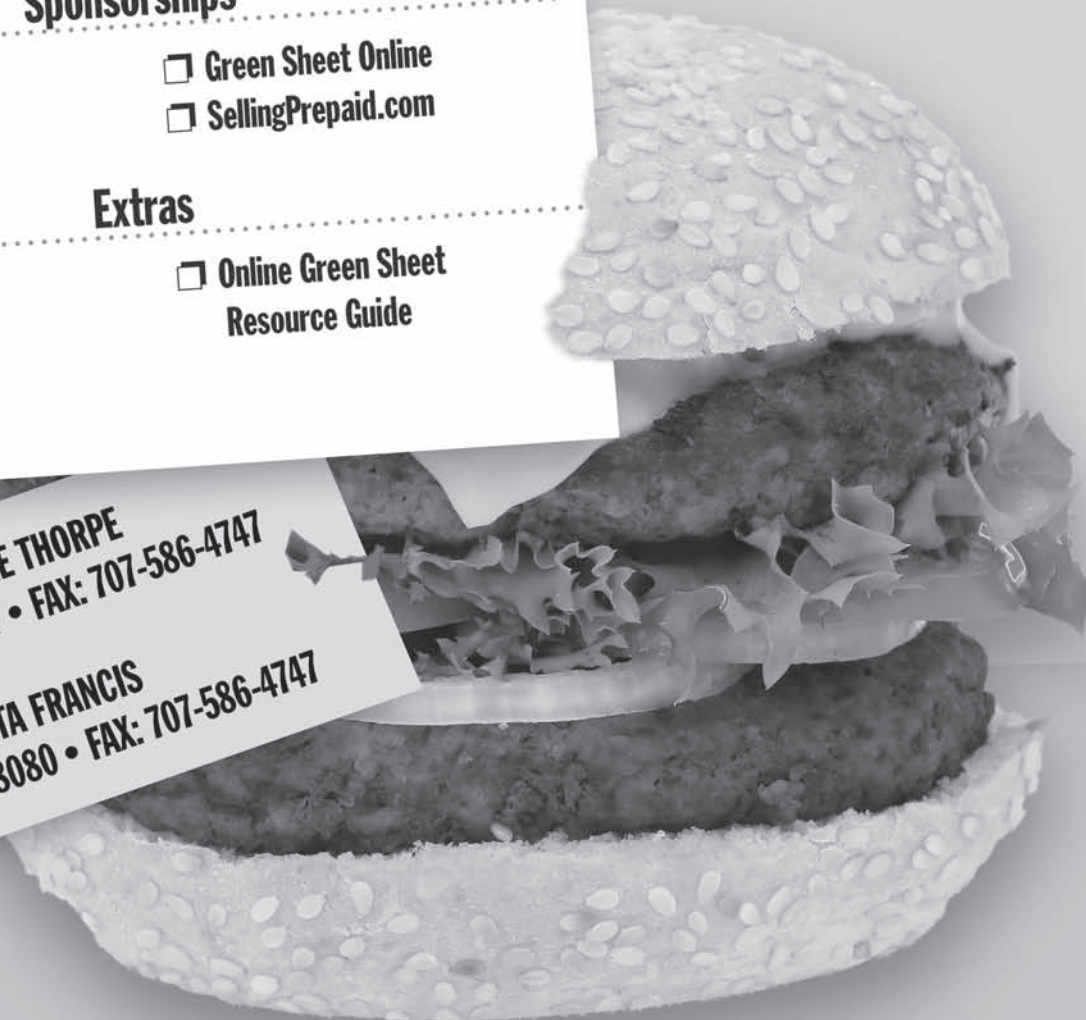
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