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August 9, 2010 • Issue 10:08:01

A political action plan for ISOs



On July 21, 2010, President Obama signed the financial reform bill into law. Nine months hence the Federal Reserve will begin implementing some form of debit card interchange regulation. While this does not come as good news to most constituents in the payments industry, it is at the least a bracing wake-up call, if not a slap in the face, for payment professionals to get more involved in the political process.

Industry insiders agree the Durbin Amendment to The Restoring American Financial Stability Act of 2010, coming on the heels of the Credit Card Accountability Responsibility and Disclosure Act of 2009, is not the end of regulatory action on the payments sector.

To moderate the negative effects of further legislation potentially lurking ahead, as well as to help shape the interchange regulations stemming from the new law – given the nine-month window until its implementation – ISOs and merchant level salespeople (MLs) need to take action today.

The personal touch

Mary Bennett, Director of Government and Industry Relations at the Electronic Transactions Association, said ISOs and MLs can start by establishing personal relationships with their local representatives in Congress. Several times a year senators and representatives return to home districts specifically to listen to constituents' concerns.

Bennett recommends beginning with a friendly, straightforward introduction: "I'm in business in your district. I employ x number of people or I serve x number of companies, and I want to tell you about my business and what I do."

If the visit is prompted by a piece of legislation, explain how it will affect your business, she said. "So that's the kind of thing that everybody can and should do," she added. "It doesn't even need to be a meeting. It can be an email to their particular representative and say, 'Hey, here I am. Here's what I do. You have

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Notable Quote

It isn't farfetched to say the vast secondary market of ticket resellers is a payment network. The people who buy tickets and resell them perform a valuable market function, bringing together buyers and sellers.

See story on page 24



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Forum

A new phishing scam

I wanted to alert readers of *The Green Sheet* to a phishing scam that is attempting to be perpetrated by someone soliciting sales and account representatives using our company identity. I don't know if we are just unfortunate to be the ones that they are using to perpetrate this fraud or whether they are or will be using other legitimate payments industry company identities for this as well.

We've been alerted to emails that are being sent out to solicit for various positions. The company soliciting purports to have affiliates in Finland, Germany and the United States. The latest of these solicitations is to hire part-time account coordinators. They describe the main task of this position as "collecting transfers and payments from our clients in United States."

These emails are being sent by someone named "Mary," with a different last name than mine. There is an "apply here" button that takes the person to an application, the backdrop of which is almost an exact replica of our website, including our company name and product branding; however, not at a web address we own. When one individual followed the link and tried to apply, after they submitted the first page, they were asked to input bank account information. They became suspicious, looked up our brand on the Internet and called us.

The website we were alerted to last week was housed at www.clinic-payments.com. After we notified Yahoo and the domain registrar of this URL, the site was taken down. No sooner was it down than a new site popped up with a different URL. This time it is www.medline-payments.com.

The new emails have the same basic message with an "apply here" button that takes you to a page at this web address. We have not found a common denominator for how they are targeting people other than they appear to be people in sales capacities: insurance agents, marketing reps, people with resumes posted on job sites for sales positions, etc.

We have notified the Cyber Investigations unit of the FBI. I wanted to alert *Green Sheet* readers for a few reasons. The first is to let you know that if you receive an email solicitation for sales positions from a company using our A-Claim brand and purporting to have affiliates in multiple countries, it is not us.

We are a wholly owned subsidiary of a U.S.-based insurance company with all of our operations in the United States. We also don't hire employees or attract independent agents via email blast. I ask that if you do receive one of these solicitations, please contact us and send us a copy of the email so that we can forward the information to the FBI.

Mary Dees
Preferred Health Technology Inc.



From GS Online's MLS Forum

The premier online network for payment pros

GS Online MLS Forum member **JEH1003** shared the following conversation that took place when, on impulse, he decided to buy a Popsicle with cash at a convenience store.

- Merchant:** You are paying for a 50-cent Popsicle with a 20?
- Me:** Yes, it's all I have. I'm sorry. (*Why should I be sorry anyway?*)
- Merchant:** You don't want to buy something; you just need change. You should get something else.
- Me:** I just want the Popsicle. I can give you a check. (*half laughing at this point*)
- Merchant:** No, a check for such a small amount is ridiculous.
- Me:** Tell ya what, I have a credit card. (*really enjoying myself now*)
- Merchant:** No, I won't allow such a little purchase on a card; the fees kill me.
- Me:** You know, I'm in the merchant services business. And it kills me: you guys complain about taking a card, you complain about taking a check and now you won't take my cash? How exactly do you propose I pay you? Should I just not stop by if I don't have exact change? Tell ya what, keep the Popsicle. I'll go across the street from now on.
- Merchant:** No, no sir. I am sorry. Come back. I will break your 20.

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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

A political action plan for ISOs

It won't be long before the Federal Reserve begins implementing some form of debit card interchange regulation, a development that is a bracing wake-up call for payment professionals to get more involved in the political process. For the acquiring sector, however, the very nature of the industry can complicate political activism.

Feature

36

What's next in gifting technology

From geo location-based social apps to charity incentive models, innovation driving traffic into stores is coming fast and furious, but it has no clear leaders or obvious strategic direction. This article examines the problems hindering the gift and loyalty card sector and looks forward to new ideas that will help rejuvenate this industry.

View

24

Three kinds of consolidation to watch

"Online and paperless" seems a safe bet when talking about the future of the payments industry. Economy of scale can be a good thing. But sometimes product development is driven by factors you wouldn't suspect. Here are three examples of consolidation in the payments industry that will affect all ISOs.

News

42

New best practices for data storage

Visa Inc. and the National Retail Federation launched a best practices information campaign to help merchants safeguard stored card data. This was after Visa heard concerns about "continuing misconceptions" held by many merchants about storing card data.

Feature

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Online shopping levels off

After years of steady growth in the United States, e-commerce finally hit a plateau in 2009 as consumers responded to the recession by curtailing online spending. Electronics, recorded entertainment and toys posted the largest e-commerce gains in 2009.

News

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Financial reform bill passes. What now?

A number of questions loom about how, precisely, the Durbin amendment's various provisions will be defined and what the ramifications of its enforcement will be. When will the regulations be determined and implemented? And what will a "reasonable and proportional" debit interchange cap consist of? How will it affect issuers and acquirers?

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News

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Cash-only holiday to protest Durbin Amendment

In protest of the Durbin Amendment, a growing coalition of consumers and merchant services professionals is spearheading a campaign for a National Cash Only Day, where consumers will be asked to forgo the use of credit and debit cards.

Education

60

Agent or employee: Which are you?

Most relationships between individuals and ISOs in our industry are either independent contractor or employee relationships. But many agents who think they are independent contractors may actually be employees and vice versa.

Education

56

Street SmartsSM: Is dial dead?

The dial terminal fueled our industry's growth. Specifically, growth from ISOs was driven by the sale, lease or placement of the dial terminal. The card brands incited merchants to convert from manual imprinter drafts to electronic capture terminals by reducing interchange for dial-terminal transactions. But are the days of this landmark product over?

Education

62

Budgeting: A crucial management skill

The process of creating, monitoring and controlling an annual business budget is a critical management skill for any successful business owner. This article illustrates how developing a budget that fits your company's goals for the coming year can be big help.

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Education

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Best practices for crisis communications

When a crisis occurs, companies can be transformed almost overnight from being flagship brands to fighting for survival. While you may not be Toyota, Goldman Sachs or BP, your payment business faces threats and reputational risks that include interruptions in transaction processing services, processing errors, cyber attacks, bankruptcy and lawsuits. Are you ready just in case?

Education

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Avoid 'always be closing' and other old traps

The sales profession is one of the few where rewards are directly tied to an individual's efforts. These rewards are also why many continue in a profession that can best be described as difficult or frustrating. Of course, if it were easy, great salespeople would not be in such high demand.

Education

68

More than PCI

Too many organizations are short term or simplistic in their approach to security and compliance, and in the long term they are setting themselves up for unnecessary risk, cost and effort. The correct approach will help ISOs and merchant level salespeople make the right moves at the right time and help keep their merchants safe and loyal.

Inspiration

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Focus on success with self-help CDs

One way to mold clear goals and stay motivated is through self-help CDs, which are designed to feed your mind with positive thoughts on things as specific as your approach to marketing or as general as how you feel about yourself. This article discusses the different ways that self-help listening can be a pick-me-up.



Adding Value

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IndustryUpdate

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NEWS

House committee passes Internet gambling regulation, enforcement

The House Committee on Financial Services recently voted to approve the **Internet Gambling Regulation and Consumer Protection and Enforcement Act** (H.R. 2267) legislation introduced by Committee Chairman Barney Frank, D-Mass.

The legislation passed by a vote of 41 to 22 and is designed to regulate Internet gambling activity in the United States and ensure that operators implement safeguards to protect against underage and problem gambling. It contains several amendments, including a requirement for licensed operators to have customers choose their loss limits before being able to play online.

"With Congress bitterly divided and only a handful of bipartisan bills coming out of the Financial Services Committee, we're pleased committee members from both sides of the aisle were able to come together to advance this important legislation," Michael Waxman, spokesman for the Safe and Secure Internet Gambling Initiative, stated in a release about the vote.

Heartland settlement notifications begin

The U.S. District Court for the Southern District of Texas ordered notification to begin to payment cardholders who may be eligible for reimbursement of expenses relating to identity theft in the case known as *In re Heartland Payment Systems Inc. Data Security Breach Litigation*, Civil Action No. 4:09-MD-2046. The case arose from a suit against **Heartland Payment Systems Inc.** as a result of a criminal intrusion into Heartland's system in 2008.

The notices are part of a settlement given preliminary approval by the court. Cardholders who used their credit or debit cards between Dec. 26, 2007 and Dec. 31, 2008, and incurred eligible expenses related to identity theft as a result of the intrusion can submit claims. The deadline to claim benefits is Aug. 1, 2011. Heartland agreed to pay up to \$2.4 million to fund the claims.

Notices will appear in newspapers and consumer magazines leading up to a hearing on Dec. 10, 2010, when the court will consider whether to grant final approval to the settlement. For more information, visit www.hpscardholderssettlement.com or call 1-877-271-1547.

SCA endorses White House strategy

The **Smart Card Alliance** endorsed the White House's National Strategy for Trusted Identities in Cyberspace, which was developed by National Security staff. The framework outlined in the NSTIC policy limits its role to being an enabler and accelerator in the development of an Identity Ecosystem, according to the SCA.

The NSTIC document attributes the need for an Identity Ecosystem to the rising tide of identity theft, online fraud, the proliferation of user names and passwords, and the need to deliver online services more securely. The framework cites smart cards as a technology appropriate as an identity medium.

ANNOUNCEMENTS

Comodo leads in HA SSL certificates

The market share leader in high assurance SSL (secure sockets layer) certificates is **Comodo** with 22 percent, according to the company. Comodo recently completed a survey of 4 million certificates on domains worldwide.

- A new *Retail & Brand Landscape Report* by **NPD Group** revealed that due to the recession, many consumers are now willing to consider 4 percent more retailers and 20 percent more brands when making buying decisions in any category.
- **The International Council of Shopping Centers** forecasted a 5.4 percent increase in back-to-school spending over 2009, while the **National Retail Federation's** annual back-to-school survey indicated the average American family will spend \$606.40 in 2010 compared to \$548.72 in 2009.
- The **MasterCard Advisors SpendingPulse**, a unit of MasterCard Worldwide, reported sales increases in June of 3.3 percent for specialty apparel and 2.2 percent for electronics. Department store sales rose 1.3 percent, the first increase posted since November 2006.

BOTTOM
LINES

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DICTIONARY

in·de·pend·ent

Pronunciation: _in-d_-pen-d_nt\

Function: *adjective*

1 : not dependent: as **a** (1) : not subject to control by others : **SELF-GOVERNING** (2) : not affiliated with a larger controlling unit **b** (1) : not requiring or relying on something else : not contingent (2) : not looking to others for one's opinions or for guidance in conduct

NOTE: *An independent organization or other body is one that controls its own finances and operations, rather than being controlled by someone else.*

Synonyms: absolute, autonomous, nonaligned, nonpartisan, on one's own, self-contained, self-determining, self-governing, self-reliant, self-ruling, self-sufficient, self-supporting, separate, sovereign, unconnected, unconstrained, uncontrolled, unregimented

Antonyms: dependent, subordinate, subservient

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Industry Update

Comodo built a Web crawler that scans the Internet for SSL certificate data, and the company made the SSL market share information publicly available. To download a copy of the results, go to www.whichssl.com/ssl-market-share.html.

Fifth Third wins Visa award

Visa Inc. awarded a Global Service Quality Performance Award to **Fifth Third Processing Solutions** for the 15th consecutive year. Fifth Third was distinguished for its lowest assured transaction rate in the issuer-processor category in 2009. The award recognizes the issuer with the best system availability for authorization requests.

Center offers ATM-management advice

ProfitStars, a division of Jack Henry and Associates Inc., initiated the ATM Online Knowledge Center to provide guidance on cost-effective ATM management. The center is designed to offer a means for any financial institution to better manage its ATM channels and track cash levels, monitor events and report performance from a centralized location.

ProPay launches payments blog

ProPay Inc. made available on its website resources to

educate merchants on data security, regulatory compliance and risk issues. The information includes a blog, newsletter and white papers. Expert contributors to the blog, posted at <http://blog.propay.com>, write on the Payment Card Industry (PCI) Data Security Standard (DSS), payment processing and legal issues. White papers are available at www.propaysecure.com.

PARTNERSHIPS

FIS to process debit cards for Scottish bank

Airdrie Savings Bank signed a five-year contract with **Fidelity National Information Services Inc.** for hosted debit card processing with the FIS Cortex card management system. The deployment will go live in the third quarter of 2010. ASB reported it has 60,000 customers at seven branches in Scotland.

Alpha Card to market ExaDigm terminal

Alpha Card Services Inc. will market **ExaDigm Inc.**'s XD 1000 dual-communications countertop payment terminal to merchants. Wireless connectivity can be added to the terminal.

Rimon Law adopts CheckAlt for ACH

CheckAlt, a division of Skyline's DirectFED Payment Solutions, signed global corporate legal firm **Rimon Law Group** as a client for its e-check transaction processing service. The firm is using CheckAlt to receive check payments electronically via the automated clearing house (ACH).

Nymgo signs on with GlobalCollect

GlobalCollect will begin processing online card payments for U.K.-based **Nymgo**, a division of Splendor Telecom U.K. Ltd. Nymgo also plans to expand the partnership to include alternative payments for multiple currencies.

Graphite Payments becomes channel partner for UBC

ISOs of **Graphite Payments** will begin reselling Harbortouch touchscreen POS equipment from **United Bank Card Inc.** as part of a partnership agreement. The agreement also covers electronic cash registers. In addition, Graphite ISOs will be eligible to participate in UBC's leads program.

Heartland teams with Servant PC

Servant PC Resources Inc. integrated its Servant Keeper Church Management database software with Heartland Check Management, a product of **Heartland**. Servant Keeper is used by 22,000 organizations.

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Industry Update

Jack Henry to resell software from Intuit, Lodo

Jack Henry & Associates agreed to remarket applications from Intuit Inc. and Lodo Software Inc. The data-processing service provider will resell Intuit's FinanceWorks. Intuit is developing a single sign-on version for financial institutions using Jack Henry's NetTeller online banking platform. Lodo's OurCashFlow software, which is integrated with NetTeller, will be available from Jack Henry Oct. 1.

African lottery picks Ingenico wireless terminals

The National Lottery Authority of Ghana is installing 10,000 wireless terminals from Ingenico, which will have responsibility for field service of the terminals. The authority chose model EFT930G, which will be connected via general packet radio service.

Credit union launches P2P transfer system

San Francisco-based Patelco Credit Union integrated CashEdge Inc.'s Popmoney person-to-person (P2P) mobile electronic money transfer service for cell phones. Popmoney payments are made on the MShift Inc. mobile banking platform. The Popmoney name derives

from the phrase "pay other people." It enables credit union members to send payments to any individual from mobile phones.

Swedish cabs get Hypercom terminals

Transaction processing system vendors Samport Payment Services AB and Structab AB are supplying 1,600 Optimum M4100 EMV mobile payment terminals from Hypercom Corp. to Taxi Stockholm AB. With the payment terminal and Structab's taximeter, passengers can complete transactions themselves by choosing a language, adding optional gratuities, swiping cards and entering PINs.

Security BankCard teams with SecurityMetrics

Oklahoma-based Security BankCard Center Inc. said that with the assistance of SecurityMetrics, 94 percent of its clients achieved validation of compliance with the PCI DSS, and 100 percent are enrolled in its compliance program. SecurityMetrics and Security BankCard began the program in September 2008.

USA ePay certifies SoundPOS

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Industry Update

were certified by **USA ePay** for its gateway. PayLink is designed to remove cardholder data from POS applications, while virtual electronic cash register software helps merchants manage retail businesses.

British supermarket chain to pilot contactless program

U.K.-based **The Co-operative Food**, a division of The Cooperative Group Ltd., and **Barclaycard** will roll out contactless payments at the grocery chain in 2011, beginning with a pilot at 100 stores. The program is being done in partnership with **Visa**.

TSYS re-ups with Sage, certifies 4Access

TSYS Acquiring Solutions extended its contract with **Sage Payment Solutions**, the payment division of Sage North America. TSYS provides authorization, settlement and terminal services to Sage and its 155,000 merchants in North America.

In other company news, TSYS gave Class A certification to the Orion payment terminal from **4Access Communications Co.** TSYS will now provide direct support to acquirers and merchants that use the terminals.

Waitrose deploys S1 POS system

U.K.-based supermarket chain **Waitrose** went live with a POS retail payments infrastructure system from **S1 Corp.** The system is in use at Waitrose's 227 U.K. stores and consists of a central transaction switch, back-office software and an in-store payment component installed on 4,000 tills.

PAI partners with WAY Systems

The way5000 mobile payments device from **WAY Systems Inc.** is now available as a fully supported option throughout the ISO network of **Payment Alliance International**. The device will enable the ISO to sell successfully into the growing mobile payments market, according to PAI.

APPOINTMENTS

Crews joins Charge Card Systems

Florida-based Charge Card Systems hired **Wayne Crews** as Sales Relationship Manager. He will focus on recruiting new sales partners and providing support for all agents in the CCS organization.

BilltoMobile taps Klebe

Steve Klebe joined BilltoMobile as Vice President of Business Development and Strategy. Previously, Klebe held senior management positions at Vindicia, VeriFone Inc. and CyberSource Corp.

Machado joins Charge Anywhere

Charge Anywhere LLC hired **Rosie Machado** as Sales Director to lead the company's distribution for ISO, processor and software-vendor channels in the Northeast region. Machado previously worked in business development for MBF Leasing LLC and First Funds LLC.

Munto joins TSYS

TSYS appointed former Bank of America Corp. executive **Tim Munto** as Group Executive, Sales and Client Relations. Munto had been Merchant Services' Sales Executive for BofA. He also had sales experience for National Processing Co., eFunds Corp. and Bank One Corp.

MRC elects new board members

The Merchant Risk Council elected a new slate of board members. New global board directors include:

- **Pam Schneider**, General Counsel for Accertify Inc.
- **Ronda Sifford**, Risk and Fraud Operations Group Manager at Microsoft Corp.
- **Rossini Zumwalt**, Senior Director for e-Commerce Payment and Risk Strategy at Symantec Corp.

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New advisory board members include:

- **Kristin Hoyne Gomes**, Director for Global Fraud Risk Management at American Express Co.
- **David Bledsoe**, Credit and Fraud Risk Manager for Hewlett-Packard Co.
- **Kevin Sprake**, Regional Director, North America, for Retail Decisions Inc.
- **Paul Funari**, Vice President for Corporate Security at UPS Inc.
- **Kate Lepow**, Senior Product Manager, Global Payments, at Yahoo! Inc.

They join re-elected advisory board members **Floris de Kort**, Chief Commercial Officer for GlobalCollect; **James Pierson**, Trust and Safety Program Manager at Linden Lab; and **Michael Petitti**, Chief Marketing Officer for Trustwave.


Tom Sullivan, Senior Director, Global Payments & Risk at Expedia, was re-elected as MRC Board Chair. **Pete Pouridis**, Vice President, Loss Prevention, at Neiman Marcus Group, was re-elected Board Secretary. And **Karl Hebert**, Director at Big Fish Games, was re-elected to the post of Board Treasurer.

Earlier in 2010, the MRC expanded operations into Europe, created the European Advisory Board, hired **Nicolas Vedrenne** as Managing Director for Europe, and amended its bylaws to assure that a European-based merchant holds a seat as a global board director.

The MRC Global Board of Directors and the Americas Advisory Board will next convene at the Merchant Risk Council's semiannual Platinum Meeting and 10th Anniversary Celebration in Austin, Texas, Sept. 29 to Oct. 1, 2010.

Fleet One beefs up sales team

Fleet One LLC made a series of promotions and new hires. **Jeff Stuck** was promoted to Channel Manager of Over the Road Alliances, and **Jennifer Roney** was promoted to Sales Manager. Recently joining the fleet-related payment solutions provider are Account Executives **Montana Stewart**, **Michael Pearson**, **Keith Adkins**, **Jeannie Astorino**, **Candice Lambert**, **Jody Abeita** and **Lori Gleason**.

Also joining Fleet One in sales and marketing are **Tina Kimble**, **Grayson Walker**, **Robert Baumgardner** and **Josh Dawson**. **Trey Bland** joined the channel and partner team. **Vernon Calton**, formerly General Manager of a trucking company, was hired to an unspecified position. 

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Three kinds of consolidation to watch

By Brandes Elitch

CrossCheck Inc.

"Online and paperless" seems a safe bet when talking about the future of the payments industry. Replacing paper checks with cards that enable electronic transactions is another predictable plus. Economy of scale can be a good thing. But sometimes, product development is driven by factors you wouldn't suspect. Here are three examples of consolidation in the payments industry that will affect all ISOs.

Vertical integration

One development involves buying tickets for music or sports events. A few weeks ago I attended a National Association for Stock Car Auto Racing event at Infineon Raceway in Sonoma, Calif.

When I got to the gate, the ticket-taker had a portable electronic scanner that read the bar code on my ticket. Wow, I thought, this is a clever way to spot fraudulent tickets. (I'm not saying NASCAR fans are any more dishonest than the general population, although last year a police raid on the handicapped parking lot revealed that the majority of the cars had fake handicapped parking placards).

But recent developments by Ticketmaster and Veritix go beyond this. Now the ticket-taker will scan not just the ticket, but also the credit card used to buy it plus a photo ID. This reflects the reality that just about the only way to buy something online for immediate delivery is to use a credit card.

But what if you wanted to buy a ticket for someone else? Ticketmaster's paperless tickets cannot be transferred by the buyer to another party.

The company's suggestion is for the gift giver to buy paperless tickets "on the credit card of the person attending the event, and then reimburse them later." (You can't make this stuff up.) For a fee, Ticketmaster will allow you to resell the ticket on its own reselling site, where it will take a cut of about 20 percent.

I wonder how this will affect the huge secondary market in tickets. Nobody really knows how big this market is, but an estimate by the New York Secretary of State ranges from \$2 billion to \$10 billion annually. Aside from the presumably thousands of people (sometimes called "scalpers") who make a living reselling tickets, websites like Razorgator.com and StubHub.com (owned by eBay Inc.) are also in this market.

Ticketmaster says its policy gives consumers peace of mind about lost or stolen tickets (how do you steal

someone's paperless ticket?), prevents speculation and "ensures that the price point carefully chosen by the artist or performer will be maintained."

Remember the phrase "vertical integration" from Marketing 101? Well, things get *curiouser* and *curiouser* because Ticketmaster recently merged with Live Nation Worldwide Inc. It probably wouldn't surprise you to know Live Nation is the biggest concert promoter in the world. It also manages the careers of many artists who will be giving these concerts. Now that's vertical integration.

It isn't farfetched to say the vast secondary market of ticket resellers is a payment network. The people who buy tickets and resell them perform a valuable market function, bringing together buyers and sellers.

Their job is to clear the transactions, just like an ISO would do for a merchant. As an ISO, you may even have some of these merchants as your clients, and you might want to pay attention to further developments in this space.

Banking clout

Another payment development is leading prepaid card company Green Dot Corp.'s initial public offering, which took place July 22, 2010, and raised \$164 million, a significant portion of which came from Wal-Mart Stores Inc.

Green Dot is a phenomenal success story. In a relatively short time, it constructed a payment network for the unbanked. Many people are often surprised to learn that between 20 and 25 percent of the population is unbanked. This demographic has traditionally been served by check cashers and the payday loan industry.

Green Dot hit on the idea of mass prepaid card distribution: its cards are sold just about everywhere, including Wal-Mart, where over half of Green Dot's operating revenue in the first quarter 2010 was generated.

You may remember that back in 2005, Wal-Mart filed an application with the Federal Deposit Insurance Corp. to open its own Industrial Loan Corporation (ILC) so it could reduce costs on the millions of payments it processes (if you are a bank, you can be both an issuer and acquirer – think about that).

Predictably, this ignited a firestorm of protest by banks and retailers, which ultimately caused the application to be withdrawn. A moratorium on new ILCs by nonfinancial companies was also instituted.

At the time, the Chairman of the FDIC, Sheila Blair, made a prescient comment. She said, "Wal-Mart doesn't need an ILC to play an important role in expanding access to financial services; they can do so by partnering with

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View

A study published in July 2010 by Mercator Advisory Group shows that the top five acquirers processed 74 percent of general-purpose payment card charge volume in 2009, and the top 10 acquirers processed 87 percent.

banks and others." Press reports at the time spoke of lease terms that Wal-Mart had with the banks that rent space for branches within the stores. These terms provide that Wal-Mart can offer future services, including mortgages, consum-

er loans, home equity loans, investment and insurance products, and "any other type of service or product that the company might develop."



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Many Wal-Mart customers need cheap banking services and are excluded from mainstream banking. But Wal-Mart, representing 10 percent of the U.S. retail business, can change the rules of the game for retail banking. Wal-Mart chose an alternative route, making an investment in Green Dot. This investment presumably took care of whatever cash needs Green Dot has for the near term, as the sale will only cover secondary shares (those held by existing investors, enabling them to cash out).

Green Dot has a strong balance sheet, no long-term debt and doesn't need new working capital right now. But this investment allows the company to establish a market for its stock and have an independent third-party valuation and liquidity.

Meanwhile, Green Dot is attempting to buy Bonneville Bank in Provo, Utah. This would allow Green Dot to be an issuer, so it could issue prepaid cards directly to consumers without going through other banks (right now Green Dot uses General Electric Co.'s GE Money). If Green Dot owned its own bank, why would Wal-Mart need one of its own?

Payment processing

The acquiring industry is another example of consolidation. A study published in July 2010 by Mercator Advisory Group shows that the top five acquirers processed 74 percent of general-purpose payment card charge volume in 2009, and the top 10 acquirers processed 87 percent.

The top five are First Data Corp., Chase Paymentech Solutions LLC, Elavon Inc., Fifth Third Bancorp and Global

Mercator also noted that this year "the bank alliance acquiring model is back in a big way, with a number of the largest players executing new business with this approach."

Payments Inc. Mercator noted that growth for these companies is coming via mergers and acquisitions and that smaller ISOs are also part of this trend.


For example, North American Bancard LLC bought Vesta Corp.'s Point and Pay (a payment processor for public-sector merchants) and FrontStream Payments Inc. bought Fast Transact Inc. (which specializes in payments for online merchants and nonprofits).

Mercator also noted that this year "the bank alliance acquiring model is back in a big way, with a number of the largest players executing new business with this approach."

The study indicated that new players, such as alternative payment systems or social networks, and new technologies, such as mobile payments and chip cards, could also change the mix, as might regulatory threats, "which could impact the sustainability of acquirers' current business models."

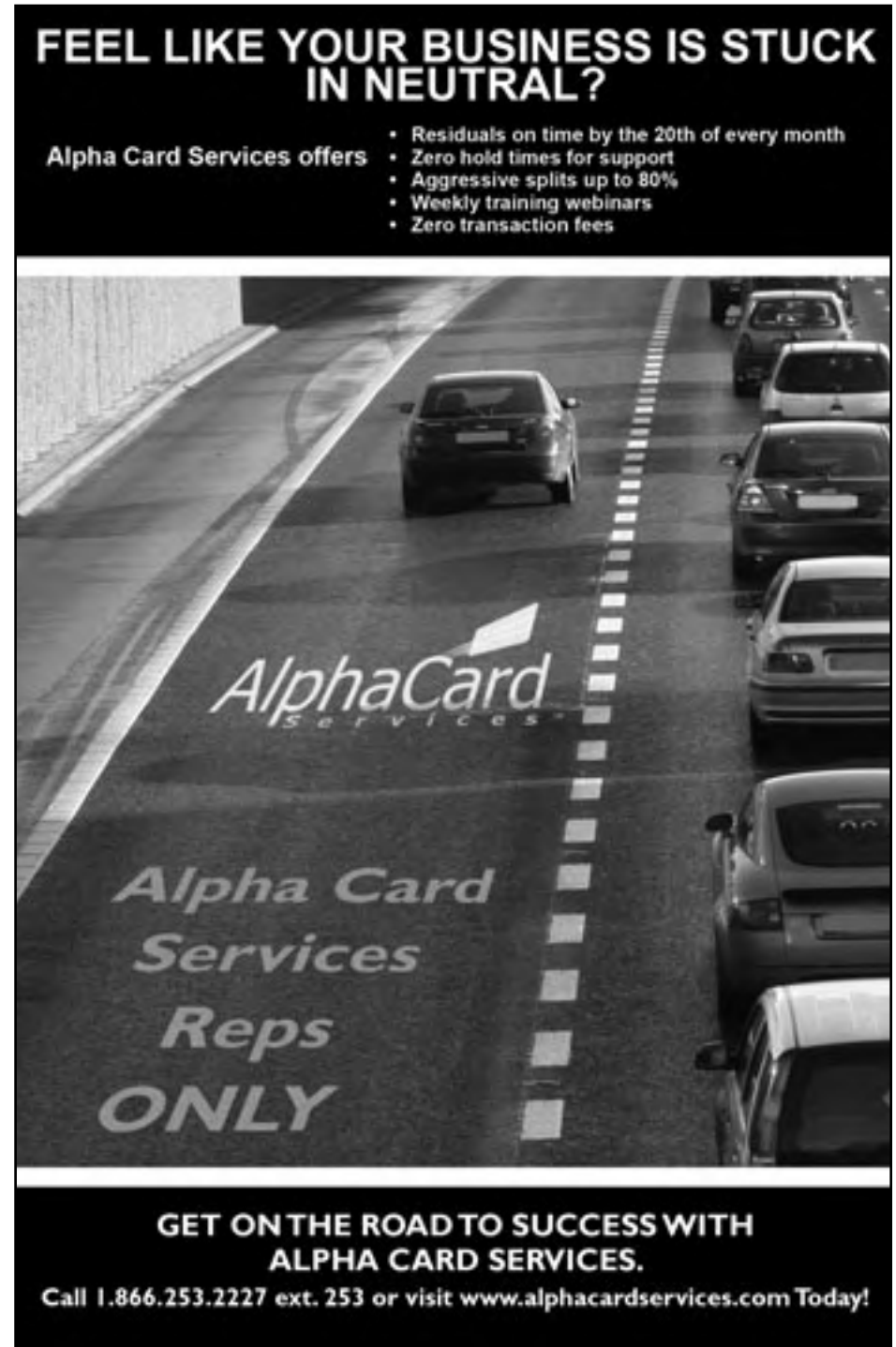
It appears that new products are not just about features and functionality. They are also about a strategic approach to a market, which involves laying out a defensible position that will provide an important sustainable competitive advantage over time. That is what we see in these three instances.

Watch these developments carefully. While consolidation is always a reality, so is the fact that, as Mercator wrote, "Even as the merchant services market continues to mature and consolidate, there will always be an entrepreneurial upstart with an innovative product or business model eager to carve out a piece of the pie."

That upstart could be you. 

Brandes Elitch, Director of Partner Acquisition for CrossCheck Inc., has been a cash management practitioner for several Fortune

500 companies, sold cash management services for major banks and served as a consultant to bankcard acquirers. A Certified Cash Manager and Accredited ACH Professional, Brandes has a Master's in Business Administration from New York University and a Juris Doctor from Santa Clara University. He can be reached at brandese@cross-check.com.



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Research Rundown

Online shopping levels off

According to a report published by Research and Reports entitled *Online Shopping in the United States 2010*, after years of steady growth in the United States, e-commerce finally hit a plateau in 2009 as consumers responded to the recession by curtailing online spending. Electronics, recorded entertainment and toys posted the largest e-commerce gains in 2009. To purchase the report, visit www.researchandmarkets.com/product/6234a7/global_internet_and_ecommerce_trends_2010.

Spotlight on data security

A First Data Corp. white paper entitled *Where Security Fits in the Payments Processing Chain* discusses major vulnerability points within the complex payment processing chain and current methods for preventing data breaches. With 20.2 billion U.S. credit card purchase transactions totaling \$1.76 trillion in 2009, card data theft continues to pose an enormous challenge.

The paper details how payment transactions flow through the processing chain, the types of organizations involved, the various states of data and their risks, why security must be improved from consumer to merchant to acquirer, liabilities, and technology solutions that address the areas of greatest vulnerability. To download the paper, visit www.firstdata.com/downloads/thought-leadership/where_security_fits.pdf.

Skimming sees resurgence

A new report by The Members Group entitled *A Throw-Back Threat* revealed that skimming has made a comeback as an inexpensive fraud method. It involves placing look-alike devices over ATM or gas pump card slots, with optional pinhole cameras for the capture and sale of cardholder data. The TMG report suggests real-time fraud monitoring technologies to help reduce the threat of skimming. To view the report, visit www.themembersgroup.com/fraud.

Consumers react to Durbin Amendment

In a June survey, *The Durbin Debate – Survey Results and Infographic*, credit card search website NerdWallet asked

consumers how they would respond to additional surcharges for credit card purchases as anticipated with the passage of the financial reform bill (which includes the Durbin Amendment).

According to the survey, 81 percent of respondents said they would be less likely to shop at a store that applies a surcharge to credit card purchases; 57 percent said they would leave the store without making a purchase.

As to what's in their wallets, 70 percent of survey respondents indicated they always or often pay with a credit card for small transactions; 58 percent carry three or more debit and credit cards; 82 percent carry less than \$50 in cash at any given time; and 67 percent of respondents with an annual income of at least \$100,000 carry less than \$50 in cash. To learn more about the survey results, visit www.nerdwallet.com/blog.


Future of contactless mobile payments

MarketResearch.com recently added Ovum PLC's new report *Is Contactless the Key that Unlocks the Potential of Mobile Payments? (Analyst Insight)* to its Mobile/Wireless market reports. The report is designed to help readers understand current and future trends in contactless payments, as well as gain insight into potential barriers that may slow adoption of this payment mechanism.

For more information, visit www.marketresearch.com/product/display.asp?ProductID=2686536.

Corporate market for electronic payments

Sage North America released findings from Aberdeen Group's recently published third annual payment report, titled *Global Payments: Maximizing Cash Flow with Electronic Payments and Process Automation*. According to the report, leading companies are employing electronic payments and process automation to streamline and accelerate finance processes, reduce operating costs and provide a foundation for increased profits.

In its survey of 160 global companies, Aberdeen found that businesses adopting electronic payments achieved a 16 percent decrease in accounts receivable and a 14 percent reduction in annual accounts payable costs. Fifty percent of best-in-class companies reportedly integrate electronic payment solutions with accounting, enterprise resource planning or other financial systems. For more information, see www.aberdeen.com/link/sponsor.asp?spid=30411867&cid=6594. 

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ISOMetrics

Top 25 privately held industries for the last 10 years

Thinking of breaking into new markets? Following is a list of hot industries compiled by North Carolina-based Sageworks Inc., a provider of financial analysis of privately held companies.

Ranking	Net Profit Margin	Industry
1	16.11%	Accounting, tax preparation, bookkeeping and payroll services
2	15.23%	Offices of dentists
3	13.26%	Legal services
4	12.32%	Offices of other health practitioners (chiropractors, optometrists, mental health practitioners)
5	11.32%	Lessors of nonfinancial, intangible assets except copyrighted works (patents, trade marks, brand names)
6	11.27%	Offices of physicians
7	11.09%	Rail transportation
8	10.75%	Other financial investment activities (investment advice, portfolio management)
9	10.66%	Other insurance-related activities, including agencies and brokerages (claims adjustments)
10	10.65%	Specialty hospitals (diagnostic treatment for a specific disease)
11	10.29%	Business schools and computer and management training
12	10.15%	Medical and diagnostic laboratories
13	9.97%	Wired telecommunications carriers
14	9.94%	Outpatient care centers
15	9.74%	Oil and gas extraction
16	9.60%	Support activities for mining
17	9.54%	Support activities for water transportation (port and harbor operations, marine cargo handling)
18	9.11%	Other information services (advice columns, blogs, traffic reporting, libraries, archives)
19	9.06%	Software publishers
20	8.19%	Architectural, engineering and related services (landscape architecture, drafting services)
21	8.10%	Gambling industries
22	8.08%	Insurance carriers
23	8.07%	Personal and household goods repair and maintenance
24	8.01%	Management, scientific and technical consulting services
25	7.98%	Coating, engraving, heat treating and allied activities (enameling, powder coating metals)

Source: Sageworks Inc.

Selling Prepaid



Prepaid in brief

NEWS

Prepaid's dueling IPOs

Green Dot Corp. held its Initial Public Offering on July 21, 2010, in which it raised approximately \$164.1 million in its first day of trading, according to *Reuters*. Shares sold for \$36 apiece. On the next day of trading, Green Dot's share-price soared to \$43.99, up 22 percent, said the *Los Angeles Times*.

In addition, **NetSpend Holdings Inc.** filed plans for its own IPO on July 16. The Austin, Texas-based prepaid card provider estimated that it could raise \$200 million with its IPO, according to *The Associated Press*.

NBPCA applauds Congress for extending deadline

The **Network Branded Prepaid Card Association** praised Congress for passing H.R. 5502, the ECO-Gift Card Act, to avert the "needless destruction of over 100 million plastic cards and ensure consumer access to these popular gifts during the busy holiday shopping season."

The Federal Reserve originally mandated an Aug. 22, 2010, deadline for gift card providers to comply with regulations designed to implement the 2009 Credit Card Accountability Responsibility and Disclosure Act. Providers now have until Jan. 31, 2011, to comply.

Remittance transparency addressed in reform bill

Appleseed, a Washington-based nonprofit advocate for immigrants, said remittance transparency standards included in The Restoring American Financial Stability Act of 2010 will help "ensure the safe and affordable transfer of money from immigrant workers to their families abroad."

According to Appleseed, the law will require remittance providers to disclose "vital service information" – such as the amount of money transferred, the amount to be received by the designated recipient, any fees charged by the provider and the exchange rate to be used in the transfer – prior to transactions.

ANNOUNCEMENTS

BillMyParents surpasses 10,000 accounts

BillMyParents, the online teen-payments division of Socialwise Inc., reported it surpassed 10,000 user accounts for its Supervised Shopping program. The service allows teens to purchase items online by clicking on the BillMyParents button next to the items. The items are then placed in a shopping cart that await parents' approval or denial.

MoneyGram on the move

Money transfer specialist **MoneyGram** launched what it called state-of-the-art, anti-fraud that identifies suspicious transactions, employs computer and behavioral authentication and anti-phishing capabilities, and will "dramatically" reduce third-party consumer fraud at agent locations and online.

Additionally, MoneyGram signed two national post offices – the Kazakhstan Post and Moldova Post – to its international agent network.

NetSpend reduces reload fee

NetSpend reportedly lowered to \$3.95 the reload fee on its prepaid cards used at MoneyGram International locations. NetSpend did not divulge the previous reload fee level, but a 2008 Yahoo! Answers post said the fee was \$4.95.

TransCard to expand bill pay

TransCard LLC intends to expand its automated bill payment platform into a suite of payment settlement and reconciliation services. The new services will take advantage of TransCard's bill pay, card, check, funds transfers, and person-to-person payments to provide tools for managing, monitoring and recording payments.

Visa launches campaign for underserved

Visa Inc. began the first phase of a national marketing campaign to raise awareness about the benefits of using reloadable prepaid debit cards over cash. Visa said the campaign is targeted to the approximately 80 million financially underserved consumers in the United States.

Western Union broadens reach

The Western Union Co. reported it expanded the availability of the Western Union cash payment option for Google AdSense to the United Arab Emirates, Lebanon, Croatia, Moldova, Slovenia and Tunisia. AdSense allows

Selling Prepaid

online publishers to make money from ads placed beside online content. Publishers can get paid for ad click-throughs via Western Union accounts.

PARTNERSHIPS

Triple team for prepaid in Mexico

Multicurrency payment processor **First Atlantic Commerce**, gateway provider **Mercadotecnia Ideas y Tecnología** (MITec) and Smart Voucher Ltd.'s e-commerce payment provider **Ukash** integrated their systems to provide Ukash voucher payments to the Mexican market. Using FAC's Internet payment platform, MITec implemented Ukash payments in over 600 retail outlets in Mexico, FAC said.

Radiant, epay integrate for pay-at-the-pump

POS hardware manufacturer **Radiant Systems Inc.** and **epay**, the prepaid division of Euronet Worldwide Inc., teamed to offer epay's prepaid cards through Radiant's Point of Sale for Petroleum and Convenience Retail. The integration will allow retailers to add the epay program to Radiant's existing systems with no additional hardware or expenses, according to epay.

APPOINTMENTS

Wolfe.com molds executive team

The reward, incentive, loyalty and gifting company Wolfe.com LLC welcomed **Kieran Chung** as Chief Technology Officer to oversee Wolfe's development and engineering teams. **Kathleen Henderson** also joined the company as Executive Vice President of Merchant Partnerships for GiftCodes.com. And **Ron Hannah** was appointed Executive Vice President of Business Development focusing on the ATM Channel.

NetSpend appoints Harris

Chuck Harris, formerly General Manager of the Payment Solutions Division at Intuit, joined NetSpend as President. Harris will be responsible for NetSpend's partner, direct and corporate paycard lines, as well as its customer service operations.

FNDS3000 makes changes


FNDS3000 Corp. made a series of management changes and appointments designed to strengthen its position in the South African payments market. **Robert Klein** was appointed President and Country Chief Executive Officer, South Africa.

To support Klein's efforts FNDS3000 named **Kotie Coetzee** Chief Operating Officer, South Africa; **Lenus LeRoux** Head of Operations; and **Alex Braude** Chief Technology Officer.

Montes joins Catalina Card Services

Catalina Card Services Inc. hired **Matt Montes**, the founder and former Chief Operating Officer of AccountNow Inc., as President. Montes will be responsible for Catalina's prepaid card processing business and is expected to play a pivotal role in shaping the company's strategic direction.

MoneyGram taps Shields

MoneyGram named **James E. Shields** Executive Vice President and Chief Financial Officer. Previously, Shields was Senior Vice President Finance and Treasurer for Royal Caribbean Cruise Lines. He is expected to help position MoneyGram for long-term future growth. 



Features

Evolution Benefits ties prepaid to philanthropy

Evolution Benefits Inc. has developed a successful and growing fundraising program based on its prepaid card technology. Through the TeacherDollars program, the health care benefits card processor issues "special-purpose" prepaid debit cards to teachers in the Hartford, Conn., public school system.

Teachers use the MasterCard Worldwide-branded cards to purchase school supplies from merchants, such as bookstores and grocery and office supply stores, that participate in the Hartford school improvement plan. The supplies mainly focus on increasing the literacy and math skills of students.

Benefits abound

According to Lynda Godkin, TeacherDollars Program Director for EB, TeacherDollars has distributed approximately 1,500 cards worth \$320,000 since 2006, with \$200 typically loaded on each card. For the 2010/2011 school year, EB has raised \$139,500 toward its goal of \$200,000. The money will be used to fund 880 cards to be distributed to deserving teachers in 22 schools.

To fund the cards, EB relies on donations from individuals and organizations, such as Newman's Own Foundation and the Robert and Margaret Patricelli Family Foundation Inc. (Robert E. Patricelli is the founder, Chairman and Chief Executive Officer of EB.)

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Selling Prepaid

Godkin said the idea for TeacherDollars came from Patricelli, who grew up in Hartford. He had an "aha moment" when he realized EB's prepaid card technology could improve the education in Hartford's schools by supplying its teachers with a payment tool for purchasing items that are not budgeted by the schools, Godkin said.

For teachers who annually spend an average of \$1,000 of their own money for additional classroom materials, EB's program helps ease that burden, she added.

Children in need

Hartford is the second-poorest city in the United States, according to the U.S. Environmental Protection Agency's Urban Environmental Program in New England. Its population is largely minority (African-American and Hispanic) with a median income of \$11,081, according to 2007 statistics. Godkin said Hartford is considered a "mecca" for recent immigrants, many coming from the Caribbean islands of the West Indies.

With parents often working multiple jobs and any one of 22 different languages spoken by students, Hartford's teachers are confronted with daunting educational challenges, Godkin said.

With the TeacherDollars program, the message to Hartford teachers is "we trust you," she added. "You have probably the most difficult job in the society and raising our young people to be educated and part of a sophisticated workforce. So here's some extra money to help you do your job." To learn more about TeacherDollars, go to www.myteacherdollars.com. 📱

What's next in gifting technology

By Walter Paulsen

Giiv Inc.

With each passing month comes another announcement of a new technology to help retailers drive more traffic into stores, increase spending, and surprise and delight customers. From geo location-based social apps to group discounts to charity incentive models, innovation is coming fast and furious – but without any clear leaders or obvious strategic direction.

The market will sort things out eventually, but progressive retailers want to spot trends early. To help sort the winners from the pretenders, it's useful to ask a few questions to understand the environment in which winning solutions will operate.

- What makes a great gift program?

- How did we get here?
- What comes next?

What makes a great gift program?

For a retailer, a great gift program is one that creates incremental sales, at high margin, and additional foot traffic. If a program requires too much discounting or only replaces purchases that were already going to take place, the total sales volume and net margin don't improve. Some gift card programs work well in this regard, especially if they bring new customers into stores to purchase merchandise at full price.

In the United States, gift cards are the 800-pound gorilla of gifting, since they are ubiquitous and well understood. However, like most innovations, gift cards have a life cycle and are showing their age.

Grocery and drug stores now offer hundreds of gift cards for every imaginable buying niche, and the onslaught of plastic has created consumer overload. Gift cards now pile up unused in sock drawers and purses, more of an obligation than a delight.

Gift cards are so overused that companies have sprung up to help customers dispose of unwanted cards. One such company, Plastic Jungle Inc., has attracted high-profile management and investment from leading venture capital firms.

Plastic Jungle may or may not succeed, but its mere existence validates the belief that gift cards are a mature technology. By any reasonable standard, gift cards no longer qualify as a great gift. But if the tried and true is no longer in fashion, what will come next? To answer that question, let's take a small step sideways and consider how we got here, and then ask where the next generation of great gifts will come from.

How did we get here?

It's been said that the road to hell is paved with good intentions, and that is certainly true of the current gift card overload. For decades retailers offered paper gift certificates. By the mid 1990s, they began to switch to gift cards. With advances in color printing and copying, retailers were hit by a wave of fraudulent certificates, and the reliable plastic card, based on the form factor of the credit card, seemed like an ideal solution.

Success begat success, which begat excess. But, hemmed in by its own success, the entire gift card industry now sags under the weight of several drawbacks. First, the majority of cards are made of plastic, the ultimate environmentally damaging material. Second, gift cards are expensive to produce and distribute, especially for gift card malls, where retailers have to print millions of identical cards months in advance, many of which linger unsold on grocery and drugstore shelves for many months, and even years.

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Third, and most damaging, gift cards have been so successful that customers are tired of them. They neither surprise nor delight. Consumers now say a polite "thanks" and then toss the latest card into the pile with the others. Instead of a pleasure, cards are at best a duty and more often a chore, requiring extra work in redeeming them, draining the joy out of gifting and shopping.

Gift cards are so well established that they will continue into the twilight for another decade or longer. But they are by now clearly destined for the scrap heap of old technologies, joining VHS tapes, vinyl records and DVDs in the twilight realm of being no longer loved but too useful to die a graceful death.

Where are we going?

As gift cards wane in popularity, what's to replace them? Thankfully for retailers, the relentless drumbeat of innovation is bringing waves of new products and services to market. A confluence of mobile and network technology is breaking down barriers that have kept consumers and retailers locked in a plastic gifting paradigm. It's too early to predict specific winners, but three key trends are emerging:

- **Group buying power:** Independent retailers have suffered at a competitive disadvantage to chain stores because of the ability of large retailers to achieve economies of scale in logistics and drive traffic cost effectively.

With the ability to reach customers with special offers using websites like Groupon Inc., Socialwise and others, independents can encourage customers to prepurchase special offers and generate new visits. Expect group purchasing concepts to proliferate and push changes throughout retail, eroding the advantage chain retailers have enjoyed.

- **Retail IT system stagnation:** A decade ago major retailers would use logistics and POS system sophistication to extract knowledge about consumer purchasing behavior and drive down costs in ways that made it hard for smaller firms to compete. But as POS hardware has become cheaper, faster and more sophisticated, a counterintuitive trend has emerged.

The large, integrated systems of major retailers have become a lead weight instead of a competitive advantage. Like a muscle-bound athlete pumped up on steroids, the major systems are unable to flex and respond to innovations. Their muscle now is a constraint and a significant threat to adopting nimble innovation.

Retail IT will need to reinvent itself to be more open and flexible to adapt to the changing environment. Look to companies, like Best Buy Co. Inc. with its

Remix open API (application program interface) and Target with mobile gift cards and optical scanners, to surge ahead.

On the other hand, companies that are locked into old platforms will languish, unable to tap into innovations that are reshaping consumer shopping and buying behavior.

- **Mobile ubiquity is here to stay:** Consumers are voting with their wallets, spending on such technology as Apple Inc., Android-based and HTC Corp. smart phones. Mobile carriers and consumer electronics companies are pushing back the technological boundaries with stunning improvements.

Smart phones have become the essential consumer electronic, and people expect that retailers will embrace the trend and offer the ability to shop, buy and give gifts anywhere, anytime.

The next wave of innovation is going to build on the "constant contact" aspect of mobile and help people connect in a more personal way with their friends and family. Since giving and receiving gifts has been an important thread in the social fabric of human history, expect that trend to continue.

Some empires will be reduced to rubble and then to dust, hoping somehow that this time it will be different, while established players with strong products based on single technology paradigms will be able to shift seamlessly to the new new thing.

But the real interesting companies are percolating in garages and nameless office parks across the country, lacking name recognition but overflowing with smart, hungry and foolishly optimistic people who are betting their professional lives on a new way to embody the essential human activity of gifting.

Next stop?

This is an exciting time for retailers and the companies that serve them. They are helping consumers redefine expectations and embrace innovation from small and unlikely sources. Plastic has served the gift market admirably and deserves to be treated with dignity as it fades away.

Technology is rapidly replacing plastic with a host of innovations that are better from every angle. Retailers should milk the cash cows and invest in the bright future represented by new gifting innovations in social, Internet and mobile technologies. 📱

Walter Paulsen is Senior Vice President of Business Development and Retail for Giv Inc., a mobile and social gifting company. He was previously President of CardFact, and prior to that a founding Vice President at Blackhawk Network. Walter can be reached at walter@giv.com or <http://www.linkedin.com/in/walterpaulsen>.

CompanyProfile



Voltage Security Inc.

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4005 Miranda Ave., Suite 210
Palo Alto, CA 94304
Phone: 650-543-1280
Fax: 650-543-1279
Email: partners@voltage.com
Website: www.voltage.com

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Providing voltage to data security

Voltage Security Inc., an enterprise security company, calls itself a global leader in next-generation information encryption derived from breakthrough research in mathematics and cryptographic systems. Voltage's end-to-end encryption (E2EE), tokenization, data masking and stateless key management solutions deliver data-centric security that travels with the data itself.

Voltage said over 850 enterprise-class customers in retail, banking, insurance, energy, health care and government use its services. The company boasts that it became the first E2EE vendor to forge alliances with three of the five largest U.S. payment processors, which include Heartland Payment Systems Inc., Fifth Third Processing Solutions LLC, and Elavon Inc. Its email encryption technology is currently being deployed by Microsoft Corp., Proofpoint Inc. and Sendmail Inc., among others.

From Stanford to startup

The original concept for Voltage evolved from a collaboration among cryptography faculty from Stanford University, as well as U.C. Davis and Stanford students. The team proposed a new method for streamlining the process of securing data transmitted via email. Voltage said the students' plan placed first in the annual Stanford BASES business plan competition and went on to win an international competition for collegiate entrepreneurs.

Spurred by interest in the email encryption technology, members of the academic team sought funding for the project, and in 2002 Voltage was born. Voltage shipped its first product in 2003. Today, prominent experts in the cryptographic community continue to play an important role as advisers to the company.

"The first application of Voltage was around email – so data and movement," stated Doug Dwyre, Vice President of Business Development at Voltage. "Then we quickly migrated into solutions for databases and applications – so data-at-rest and static data. Putting those two together made it logical to secure payments and provide a solution for acquirers, processors and merchants where they could secure data in movement, such as end-to-end encryption, as well as stored data."

Wasim Ahmad, Vice President of Marketing at Voltage, added, "We were able to combine the technology into a solution that protects information from the point the card is swiped through to card brand hand-off and anywhere information is stored in a merchant's IT system. Part of that is protecting the credit card, and part of that is how to make sure the right people who need to process it can access it without a constant cycle of encryption and decryption."

According to Ahmad, when sensitive data is repeatedly encrypted and decrypted during payment processing or for other purposes, it creates potential exposure points in network systems that can be exploited by cyber criminals. Voltage has several patented security features built into its encryption technologies that eliminate such exposure.

Company Profile

One-stop PCI compliance

Working with a single-source data security provider, such as Voltage, Payment Card Industry (PCI) Data Security Standard (DSS) compliance for most merchants can be simplified. According to Dwyre, one of Voltage's big attractions is that merchants don't need to implement separate "point solutions" for implementing E2EE and securing databases and applications. Voltage technology secures data at all points, whether the data is at rest, in transit or in use, he said.

Voltage SecureData enterprise solution for data encryption, de-identification and masking ensures E2EE protection as data is collected, used, stored and distributed, even to less controlled environments, including testing and development platforms, regardless of infrastructure or application format requirements. Integrating an enterprise solution reduces PCI audit scope, as well as the costs associated with deployment and maintenance of privacy compliance, Voltage reported.

A primary objective for Voltage cryptographers was to develop an encryption method that would minimize systemwide impacts of encryption on data structures, schemes and applications. Dwyre said, "If you're familiar with other forms of encryption, many times you may be

getting 16 numeric digits, and what may be coming out could be well over a hundred alphanumeric digits. So you can understand how difficult that is to implement into a very large database."

The company said its Voltage Format-Preserving Encryption, a mode of the Advanced Encryption Standard, encrypts data while preserving its original format and without sacrificing encryption strength. Typically, only the trusted applications that need to see clear data require one or two lines of code, minimizing impacts to network systems, Voltage said.

Another proprietary feature in the Voltage arsenal is Identity-Based Encryption, which allows unstructured data to be secured and distributed without having to issue encryption keys for every endpoint. Voltage's stateless key management system automates the process, "allowing the key to be derived and generated within the device, so there is no communication to a host in order to get that key rotated," Dwyre said. Key rotation can be set to occur at scheduled intervals.

Voltage also protects data in underlying systems, databases and applications. For merchants with recurring payments or billing, or even loyalty applications, Voltage technology encrypts at the lowest possible level: the data itself. According to Dwyre, other encryption systems put a wrapper around the database or application, which exposes the underlying data. For Voltage users, once the technology is implemented, it doesn't interfere with normal day-to-day operations, Dwyre said. The ease of implementation and system maintenance are key advantages, he added.

Processors partnering up

With the May 2010 launch of Heartland's E3-enabled terminal for small and mid-sized merchants, Dwyre predicts widespread merchant adoption ahead for Voltage's integrated POS technology solutions. By June, Heartland had deployed E3-enabled terminals in 118 merchant categories. Voltage has open license agreements with gateways, value-added resellers, hardware manufacturers and software developers, and it charges a fee for its connector licenses.

Steve Elefant, Chief Information Officer for Heartland, stated, "We have 250,000 merchants, and we want to get as many of those as possible using our E3 solution. There's a whole series of devices that we're releasing, including an E3 magnetic stripe reader, the first of this type of product that has a tamper-resistant security module built into the magnetic stripe reader wedge.

"We also chose Voltage as a long-term enterprise solution, so we've not only deployed it in our POS terminals, but we've deployed it in our email, as well as our systems for SecureData, SecureFile and for securing our BlackBerry servers. It's an enterprise encryption solution that we're using throughout the company."

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Elavon was also interested in Voltage's back-end capabilities to secure data when it's moving from application to application or database to database. "It's stateless," Dwyre said. "They can move it around, and it stays encrypted and protected no matter what application they're looking at, whether it's a chargeback employee with Elavon who's viewing it, a customer service representative or someone who's boarding an account. Across the board, the information is secure."

For Hypercom, true E2EE – versus point-to-point encryption – was critical. The company now deploys Voltage across its entire product line. Stuart Taylor, Vice President of Marketing at Hypercom, said, "The key management and format-preserving components from Voltage were important to us. E2E encryption is about protecting the whole cardholder data for the lifecycle of that data. Voltage delivers truly enhanced encryption as opposed to just pure point to point."

Taylor added that in selecting Voltage, Hypercom looked at the company and "decided that their technology was excellent for a number of different scenarios. We have a lot of security drivers built into our ISO terminals that the Voltage technology very neatly integrates with, and we believe it gives us a collective edge."

The sales perspective

Voltage offerings also include Voltage SecureData protection for sensitive customer and partner information within databases and applications; SecureFile document and file protection; SecureMail for email, files and documents transmitted internally and externally; SecureMail Network, an on-demand service; Voltage Key Management Server for automated key management; and Voltage Security Network's on-demand managed services for larger networks.

"When we engage an ISO, especially a larger ISO, we work with their organization to develop a marketing and core distribution strategy," said Drew Soinski, Vice President, Payments at Voltage. "We provide marketing collateral that can be branded with their logo. Our support mechanisms are second to none."

ISOs and merchant level salespeople interested in selling Voltage-enabled POS systems may contact any of the Voltage payment partners listed on the company's website or contact Voltage to implement a program with an unlisted payment processor. For merchants requiring a system to protect data across the entire business environment, Voltage believes its solutions will provide the desired jolt. ■

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New best practices for data storage

Visa Inc. and the National Retail Federation launched a "best practices" information campaign to help merchants safeguard stored card data, mainly by reducing its storage.

The campaign is aimed at merchants who are unclear about the rules governing payment data storage and the acquiring players who work with them, according to Eduardo Perez, Global Head of Data Security for Visa.

Perez said Visa initiated the effort after hearing concerns from the NRF and other retail groups about "continuing misconceptions" held by many merchants, particularly the mistaken idea that storing entire payment card numbers was necessary to conduct chargebacks.

"We've focused in the past around the need for merchants not to store prohibited card data, like the CVV, CVV2 and PIN," Perez said. "Here we're focusing on expanding that to encourage merchants not to store PAN [primary account number] unless there's a legitimate business reason for doing so.

And then, if they do have to store it, to protect it in line with PCI Data Security Standards."

Visa and the NRF will spread word of their best practices through communications to financial partners and other businesses as well as through Internet postings, according to Visa.

Directives to merchants, acquirers

The best practices for protecting card data include the directive that merchants employ receipt truncation to disguise or suppress all but the last four digits of a card number on both the customer and merchant copies of a receipt, and that acquirers provide transaction data storage and substitute transaction identifiers (tokens, etc.) for merchants who wish not to store full card numbers.

Visa and the NRF also call for measures to protect card numbers contained in all communications sent between two payment parties, such as emails, reports and statements.

Perez said merchants can best achieve these security aims by partnering with acquiring firms that employ good security practices – like tokenization and encryption for the storage and transmission of data – and by using validated payment applications at the POS that operate in accordance with the Payment Card Industry (PCI) Data Security Standard (DSS).

Perez said the new best practices are aimed at small and

With its new campaign, Visa and the NRF are taking a new tack in appealing to merchants that remain unswayed by the PCI DSS.

Theodore Svoronos,
Vice President, Business Development
and Strategic Partnerships
for Group ISO Inc.

large merchants alike and that the ongoing use of information campaigns like this one has helped curb noncompliance.

"Ninety-five percent of our level 1 and 2 merchants have and continue to validate on an annual basis their PCI DSS compliance, and we believe [information campaigns] have had a positive impact on their ability to eliminate cardholder data and better protect data that remains in their system.

"It's a combination of [large and small] merchants that this is reaching out to," he added. "We still find, surprisingly, that some large merchants have the opportunity to reduce their card data.

What we're saying is the first line of defense for data security is not to store data at all, and that for anything you do store, you focus on protecting that, at a minimum, by adhering to the PCI Data Security Standard."

A new strategy

Perez added that the new best practices could be incorporated into the PCI DSS. "If you look at the history of the rules we have in place, in many cases they started off as best practices," he said.

"Our approach has been that we want to introduce best practices to the marketplace first, allow the marketplace sufficient time to adopt them, and then if it makes sense to at some point consider making some or all of those best practices into rules to deal with potential stragglers. That's been a better approach than coming out and establishing rules right away."

With its new campaign, Visa and the NRF are taking a new tack in appealing to merchants that remain unswayed by the PCI DSS, according to Theodore Svoronos, Vice President, Business Development and Strategic Partnerships for Group ISO Inc.

Rather than have the PCI DSS "spoon fed" to merchants, this new approach is an attempt to persuade them that implementing best practices is in their best interests, Svoronos said. "It's looking at it less from a compliancy

standpoint and more from a business standpoint," he added. "With the compliancy angle, we scared the pants off half the people out there, while the other half are saying, 'It's not gonna happen to me.'

"Now, to get everyone to truly understand the vision, you give the message that this is your business, and this is how important it is to your business not to store data incorrectly. You personalize it by bringing it to their livelihood."

A fitting acquisition

Visa's security promotion campaign fittingly coincides with its takeover of online gateway provider CyberSource Corp., an eminent player in the e-commerce fraud fight. On July 20, 2010, CyberSource revealed that its stockholders approved the acquisition by Visa, with 99.7 percent of shareholders reportedly voting in favor.

The vote effectively finalizes a \$2 billion takeover that was first disclosed by the two companies in April. CyberSource, which acquired the online gateway Authorize.Net in 2007, processes about 25 percent of all e-commerce dollars in the United States and operates a global fraud prevention platform that uses software analytics and vast repositories of e-merchant data to combat online payment fraud. ■

Financial reform bill passes. What now?

On July 21, 2010, President Obama signed the vigorously debated and much scrutinized Restoring American Financial Stability Act of 2010 into law. For the payments industry, the law's key component is the Durbin Amendment, which, among other provisions, gives the Federal Reserve the power to cap interchange rates on debit card purchases at a level commensurate with the costs of processing those transactions.

Yet a number of questions loom about how, precisely, the amendment's different provisions will be defined and what the ramifications of its enforcement will be.

In her opening address at the Midwest Acquirers Association meeting held in Schaumburg, Ill., from July 21 to 23, Electronic Transactions Association President Holli Targan said the Fed isn't happy that this regulatory task has been foisted upon it because it doesn't know how the industry works.

Among the amendment's components is the stipulation that the Fed cap debit interchange at a level that's "reasonable and proportional" to the processing costs incurred by issuing banks, including costs that go toward fraud management. The cap will apply only to debit cards issued by banks with more than \$10 billion in assets.

In her opening address at the Midwest Acquirers Association meeting held in Schaumburg, Ill., from July 21 to 23, Electronic Transactions Association President Holli Targan said the Fed isn't happy that this regulatory task has been foisted upon it because it doesn't know how the industry works.

The law also requires that merchants be connected to at least two networks for debit processing, allowing them to route each debit purchase to the one with the lower interchange rate.

Additionally, the law allows merchants to set minimum purchase amounts of up to \$10 for the use of payment

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cards and to offer discounts to customers who use certain payment types over others, for example, cash instead of credit or debit, and debit instead of credit.

The new rules are scheduled to take effect 12 months after the bill's passage, which puts them on track for implementation in July 2011.

Nine months to decide cap

The Fed, meanwhile, has nine months following the bill's passage to determine what a "reasonable and proportional" cap on debit interchange will consist of.

That process will reportedly involve the formation of a federal committee in addition to input from various players affected by the Durbin Amendment, including merchant advocates and representatives of issuing banks and the card brands.

The interchange cap "is supposed to reflect the actual cost of doing the transaction, but what does that include?" said payment attorney Paul Rianda.

"A lot of it is open to speculation. There's another provision that says to the extent there's fraud screening going on you can account for that, but what they're actually going to do is anybody's guess. I guess the makeup of the

[deliberating committee] would be the first critical step to figuring out whether they are pro-merchant or pro-card processor."

Some analysts have estimated that the law could cap debit interchange at a figure as low as half of what is typically charged today, resulting in billions of dollars in losses for issuing banks. But others say industry lobbyists still have the opportunity to steer lawmakers toward imposing less severe restrictions.

"Similar to regulating something like the oil industry, these regulators have to rely on the expertise of the very people they regulate to understand the issues," said Paul Martaus, President of payment consultancy Martaus & Associates. "So you've got regulators sitting there, and we know that Wal-Mart is going to write them a letter.

But at the end of the day, the bankers are going to know these guys really well because they've been audited by them for the last thousand years. I think that gives them the inside track."

Another concern is that the law could open the way for the broader regulation of interchange, including credit card interchange. Rianda said that outcome was possible but also noted that, under a legislative process that can be fickle and opportunistic, it is far from certain interchange will even remain on the federal government's radar.

"It seems to me this whole legislative process is fairly random," Rianda said. "Something gets the eye of a specific senator or congressman, and they focus on that issue and move forward on it regardless of whether or not it seems an important thing for them to be focused on. That's kind of what happened with this, because these hearings [on regulating the card industry] have been going on for years."

Long-term fallout

If interchange levels are reduced, there is considerable uncertainty over how, and to what extent, both issuers and acquirers will be affected.

The Durbin Amendment only explicitly addresses issuers, describing the debit cap as applying to "any interchange transaction fee that an issuer may receive or charge with respect to an electronic debit transaction." Martaus asserted that, because ISOs collect their own fees from merchants, they're not likely to be directly impacted by the new law.

But Ken Musante, founder and President of Eureka Payments LLC, said ISOs could benefit by enlisting merchants for whom debit processing, once prohibitive, will now become affordable.

"With this new amendment all debit transactions will be

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radically cheaper to process," Musante said. "There could be the positive that markets which don't currently lend themselves to charge cards because it's too expensive now may start doing so because it's so much less expensive. So that could open certain markets to ISOs. Think of doughnut shops or certain restaurants."

On the other hand, some analysts have speculated that issuers will raise fees on consumers and curtail consumer rewards programs to offset interchange shortfalls, which would result in a shift away from the use of debit cards that would harm the entire payment chain.

"The new artificial marketplace favors cash, check and credit card payments over debit payments ... payment companies will drive resources and sales initiatives toward merchants receiving credit card payments over debit," reads a July 9, 2010, report by Mike Strawhecker of the Strawhecker Group.

"Inherently, over time, debit payments will stagnate or drop in number of transactions and dollar volume."

Of course, enactment of the law is still a little ways off, and what its true impact will be remains to be seen. The ETA has opened the door to communication with the Fed about the substance and implementation of the coming regulations.

"Sessions will be held with the Federal Reserve to, hopefully, minimize the impact," Targan said. "But there's only so much the ETA can do. It would be most effective for constituents to send letters to their representatives in Congress to tell them how their business will be affected."

Suffice to say that significant changes of some kind or another appear forthcoming.

"The government works in slow and mysterious ways," Rianda said. "But they didn't go through all this trouble and get all this stuff together to tell the banks they can charge more. That would be the conclusion you'd essentially have to come to." ■

Cash-only holiday to protest Durbin Amendment

A growing coalition of consumers and merchant services professionals is spearheading a campaign for a National Cash Only Day, in protest of the Durbin Amendment to the financial reform bill recently approved by Congress.

The amendment allows the Federal Reserve to place limits on debit card interchange fees and has prompted worries

"I think the idea is for mainstream America to realize how important the convenience of accepting a credit card is."

Scott Wagner, President of GO Direct Merchant Services Inc.

that it will open the way for the broader regulation of interchange.

The impromptu holiday will span the entirety of Labor Day Weekend, from Sept 4 to 6, 2010. Its organizers are calling on consumers to forgo credit and debit cards for the holiday weekend and pay only with cash, in the hope that it will call attention to the sometimes taken-for-granted benefits of card payment and acceptance.

"I think the idea is for mainstream America to realize how important the convenience of accepting a credit card is," said Scott Wagner, President of GO Direct Merchant Services Inc. Wagner, who joined the campaign via its Facebook page and is promoting the effort through emails, said the long-term goal of the movement is to



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combat the trend toward interchange regulation.

Boycotting card payments to make a point

National Cash Only Day will help underscore the convenience of multiple payment choices, the safety of minimizing in-store cash deposits and the increased sales volumes brought by card payments, according to Wagner.


He believes merchants who decry the costs of card acceptance overlook the ways that taking cards contribute to their bottom line.

"For the Circle K's and 7-Eleven's of the world who were out in front of this stupid legislation saying how much [interchange] has hurt their pocket, the idea is really to go into a Circle K, go pump some gas but don't pay at the pump," Wagner said. "Go inside and use cash, because that's not what they want, they're all about speed.

"Someone goes in and pays with cash, then another person and another person – as many as we can get in and through the better – and all of a sudden they might lose 20 percent of their business."

Wagner said National Cash Only Day organizers are spreading word of the event through emails, online forums and other social media channels. But there remains the considerable challenge of notifying the mainstream public, he added.

"Therein lies the challenge," he said. "This thing, in my opinion, needs to go viral, and it hasn't yet. So I'm looking for someone to pick this up and run with it, because it's important."

According to the National Cash Only Day Facebook page, the movement's goal is to attract at least 5 million consumers to oppose the Durbin Amendment. To view the page, go to www.causes.com/causes/495235/about?m=cfc9554f. 

ETA/Strawhecker report: Reason for optimism

A joint report from the Strawhecker Group and the Electronic Transactions Association indicates the payments industry has reason to be optimistic despite the ongoing recession and new legislation that will regulate card interchange.

"Though the payments industry is not immune to the economy and outside factors such as retail sales and consumer spending, two major drivers of payments related revenue, the industry as a whole continues to be more resilient than the overall market," the report states.

Alternative payments seem to be doing particularly well, perhaps a mixed blessing that bodes well for e-commerce overall but may pose a threat to conventional payment card players in the space.

"This resiliency comes from the still increasing use of debit cards and consumers' affinity for e-commerce transactions."

According to the report, e-commerce sales totaled \$38.7 billion in the first economic quarter of 2010, up from \$38.1 billion during the fourth quarter of last year. In the first quarter of 2009, e-commerce sales totaled \$33.9 billion.


Alternative payments seem to be doing particularly well, perhaps a mixed blessing that bodes well for e-commerce overall but may pose a threat to conventional payment card players in the space.

In the first quarter of 2010, PayPal Inc. and Bill Me Later Inc. – which are both owned by eBay Inc. – totaled \$21.3 billion, roughly the same level as in the fourth quarter of 2009. But they totaled only \$15.9 billion in the first quarter of 2009.

Meanwhile, total dollar volumes for Visa Inc. and MasterCard Worldwide have both dropped slightly in 2010. Visa's totals fell from \$201 billion in the fourth quarter of 2009 to \$182 billion in the first quarter of 2010, while MasterCard totals slid from \$123 billion to \$110 billion, respectively.

In the first quarter 2010, Visa's sales volumes were 45.1 percent credit card-based and 54.9 percent debit card-based, while MasterCard's were 54.3 percent credit based and 45.7 percent debit.

"Credit card losses at major U.S. card issuers remain at above average levels while delinquencies began to slow, signaling future decreases in uncollectable accounts," the report says. "Chargeoff rates declined among four of the five largest issuers."

The report also ranked the top 10 U.S. acquiring firms in 2009 based on dollar volume. Number one was Bank of America Merchant Services, with a 19.3 percent share of the acquiring market, with First Data Corp. and Chase Paymentech Solutions LLC rounding out the top three. 

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Political action plan from page 1

"That's the yin-yang balance between the member companies and the ETA. The ETA is very high level and they are communicating with Congress. At the same time they are communicating with the members working in conjunction with [the feet on the street] to have consistent messaging to the retailers."

Mike Strawhecker
Director of Marketing & Strategic Research at TSG

questions about the issue, call me. I'm happy to help you out on any kind of information you need."

Like any good ISO or MLS, that introduction should be nurtured over time. "And then when something bad comes down the pike, or conversely good, you would then have a preexisting relationship where you can go in, and they know you as a credible person," Bennett said, indicating this is a more productive strategy than being "somebody who walks in for the first time and says, 'I hate this bill, vote against it.'"

The group thing

However, the very nature of the ISO community complicates political activism ISO by ISO, or MLS by MLS. Conrad Sheehan, founder and Chief Executive Officer at alternative payment firm mPay Inc., said ISOs are a fragmented lot, with many different viewpoints. On the one hand, fragmentation leads to competitiveness, which leads to innovation, he said.

When it comes to political activism, however, Sheehan believes ISOs should deliver their message collectively, but he realizes organizing ISOs to send a unified message would be impossible. "Message matters," he said. "And who's delivering that message?"

That's kind of Lobbying 101." He pointed to the Washington, D.C.-based ETA as the obvious choice. He favors a well-worded letter drafted by the ETA that explains to Congress the industry's argument concerning government regulation.

Henry Helgeson, President and co-CEO of Merchant Warehouse, favors an ETA white paper in which the industry argument is elucidated. The document could also disseminate talking points ISOs and MLSs could use when contacting their representatives individually.

As an ETA member, Merchant Warehouse has received ETA notices that have provided industry opinions on subjects like interchange regulation, Helgeson said. "I think that needs to be circulated a bit more," he added. "And we have to get in front of the ISOs out there and really make it a grass roots effort with one common goal and one unified voice."

Kurt Strawhecker, President of payment consultancy The Strawhecker Group, believes talking points should

be distributed to ISOs and MLSs on index cards with an accompanying message like, "Here's an index card of things to bring up when you're talking to retailers about the potential effect of this legislation."

Mike Strawhecker, Director of Marketing & Strategic Research at TSG, said, "That's the yin-yang balance between the member companies and the ETA. The ETA is very high level and they are communicating with Congress. At the same time they are communicating with the members working in conjunction with [the feet on the street] to have consistent messaging to the retailers."

Face time

While some may consider ISOs and MLSs to be low on the payment food chain, ISOs and MLSs are uniquely qualified to influence merchants because they are the face of the industry for retailers. The feet on the street can therefore play an important role in educating merchants about the potential fallout of debit card interchange regulation on their bottom lines.

Kurt Strawhecker offered a scenario of a sales rep approaching a merchant and saying, "What's going to happen to your business? There's 20 percent less debit card usage in your business. At what point does a consumer turn to cash or not come in because, 'I don't have that money in my pocket to spend in your store right now.'"

If agents were able to deliver a consistent message to merchants, the political effect could be substantial. As an example, Mike Strawhecker mentioned the September 2009 7-Eleven Inc. petition drive, in which the convenience store chain delivered to Congress 1.66 million signatures from 7-Eleven customers who agreed with 7-Eleven's position that payment card transaction fees were unfairly high.

"It's a very simple message to an everyday consumer," Strawhecker said. "Well, of course, they [agree]. And so when 15,000 7-Eleven franchise owners show up in D.C. with 1.66 million signatures, it's a very simple message to get to Congress."

Kurt Strawhecker said ISOs and MLSs can impart a powerful counter message to merchants by helping them recognize why they wanted to accept electronic payments in the first place: increased sales. Today, the 7-Eleven franchise owner only sees electronic payments "as an expense,

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not as a revenue generator," he said. But to persuade merchants of that original benefit, the feet on the street must overcome a significant hurdle: perception. Being the face of the payments industry, ISOs and MLSs are agents of banks in the eyes of many merchants. "The dirtiest four-letter word in today's society is 'bank'," Kurt Strawhecker said.

Credibility gap

Adil Moussa, Analyst at Aite Group LLC, believes some ISOs and MLSs have another challenge to overcome: lack of credibility. "There are ISOs out there who are gouging merchants left and right," he said. "And when merchants find out that they are being taken advantage of, they get very angry."

"And, of course, it is very easy to get the merchant to side with anybody who is saying, 'You know what, we're fighting to reduce your fees that you're paying at the end of the month.' Any merchant is going to say, 'Yes, I want to reduce my fees.'"

That viewpoint is shortsighted, given that electronic payments often account for at least 60 percent of merchants' revenues, Moussa said. But it's hard to convince merchants of that when some ISOs are charging them 4 percent per transaction when the going rate is 2 percent, he added.

In Moussa's discussions with small merchants, the pain point of too much interchange never surfaces. "The only thing that a small merchant is going to be angry about is when they find out that they have been taken advantage of," he said. "And they pay an exorbitant amount of money that, if they went with somebody else, they wouldn't have paid that much."

"That is really what makes a merchant angry. It's not the fact that he's paying a fair market price for taking credit cards." Thus, it is difficult to get merchants to adopt the payments industry's viewpoint when some of its most visible representatives are deceitful. According to Moussa, a solution is for the feet on the street to self regulate.

"You can agree to a code of conduct," he said. "That's not very difficult to do. A lot of professions have that already. ... There are a lot of ISOs that are doing an incredibly good job out there, but their names get thrown in just because they have the word ISO attached to them."

Moussa raised the idea of an organization that would license or accredit ISOs that adhere to a code of ethics, and even another level for ISOs that achieve a higher ethical standard. Then ISOs and MLSs could incorporate information about that licensed status into the sales process.



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The ISO tutorial

Education occurring during the sales process is the main way the feet on the street can impact merchants' perceptions of the industry. Helgeson said merchants should be enlightened on the basics of the industry, especially how interchange works.

"I do think ISOs take a lot of the brunt for the issuers having higher interchange rates," he said. "I don't think the merchants understand the relationship between the ISOs and the issuing banks and how we pay interchange. I think the typical attitude out there is that the ISO is collecting the full amount of the interchange ... and that's not accurate."

Also, for ISOs and MLSs to truly inform merchants about how legislation will affect both merchants and the overall payments industry, the feet on the street must educate themselves so they understand the implications of laws already passed, as well as legislation on the horizon. Thus, the ETA launched a tool in April 2010 that all payment professionals can access.

It is a free advocacy website called The Voice of Payments (www.voiceofpayments.org) designed to help individuals in the industry communicate with elected officials. Users

can also receive alerts on key legislative issues and read background material on such topics as interchange, data security, breach notification and the future consumer protection agency.

Out of many, one

There is no dispute that the ETA is the leading advocacy group for the industry. But its membership, somewhere north of 500 companies, pales in comparison to that of the National Retail Federation, which supports a membership base of over 1.6 million businesses.

As the ETA's main opponent in the interchange debate, the NRF wields political clout the ETA doesn't possess, according to Mike Strawhecker. To shrink that margin, he urges ISOs to join the ETA to increase the organization's "firepower" on Capitol Hill. ISOs should also volunteer with the ETA, as well as take part in letter campaigns and sponsorship activities, he said.

Kurt Strawhecker, who serves on the ETA's board of directors, said the association has taken charge as the industry's voice in Washington over the last three years. In that time, it has been gaining political influence and was instrumental in defeating several legislative attempts at regulating the industry, he said.

"The committees that are actually writing this legislation know who the ETA is now," he said. "They actually are asking for our assistance, you know, help us understand what interchange is, what is an ISO. ... At least we have a seat inside, and we've been able to avoid some real disasters."

Bennett said the ETA is in touch with the Federal Reserve regarding the creation of regulations for implementing the new debit card interchange law. She stressed that the ISO's viewpoint must be included as part of educating regulators about "the totality of the electronic payments system."

Helgeson believes the industry can influence the direction of the regulations. He said a "gray area" exists in the Durbin Amendment concerning the calculation of debit card interchange relative to the back-end costs of processing the transactions. With less than a year to hammer out the regulations, Helgeson agreed that the industry must move forward with urgency and a unified voice.

Mike Strawhecker said it's equally important to see the bigger picture. Protests like the National Cash Only Day planned for Labor Day weekend should be combined with sustained, long-term campaigns like messaging delivered to merchants via ISOs. (For information on the National Cash Only Day movement, visit www.causes.com/causes/495235/about?m=cfc9554f.)

"I think it's all those things over a long period of time where, five years from now, when Congress wants to regulate credit card interchange, that's when I think you will see the results," he said. ■

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Education

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Is dial dead?

By Ken Musante

Eureka Payments LLC

I want to thank Steve Norell for the following post, which was the catalyst for this article: "Is the traditional dial terminal on life support? Dial terminals are inexpensive and being given away to obtain the sale but lack many of the features requested by merchants. Integrated POS systems, on the other hand, are much more robust and pricey.

Many gateways are both inexpensive and able to accept retail transactions.

"ECRs [electronic cash registers], POS systems, virtual terminals are all replacing dial terminals. Some integrated point of sale vendors are becoming ISOs and integrating their products within our industry. Given the above, is the traditional dial terminal headed for extinction?"

Dial in perspective

Of course, the dial terminal fueled our industry's growth. Specifically, growth from ISOs was driven by the sale, lease or placement of the dial terminal. The card brands incented merchants to convert from manual imprinter drafts to electronic capture terminals. The card brands' incentive was reduced interchange.

While banks were indifferent to the method of processing, sales driven ISOs seized the opportunity to provide merchants with Zon Jr's and later Tranz 330's and P-250's.

The placement of dial terminals provided revenue streams for ISOs and merchant level salespeople (MLSs) through equipment leases. As competition increased, terminals became less expensive, and some ISOs began giving the terminal away in exchange for processing contracts.

The percentage of terminals leased dwindled, and many

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ISOs today do not even offer leasing as an option. But with the furious rate of industry change, despite the dial terminal's resiliency and durability, it will inevitably be replaced. Here are comments from some of our contemporaries.

Alive and kicking

CLEARNT started us off with the oft repeated point on the relative security of the dial terminal: "The terminal is definitely not on life support. ... As more and more merchants add Internet to their locations, the ability to eliminate the extra phone line – or to convert phones to VoIP [voice over Internet Protocol] – is becoming more and more advantageous.

"Terminals will survive, if for no other reason than they are still more secure (think PCI) than the best POS system. The costs for an IP terminal are dropping, and the savings in an analog line (plus improved speed of transaction) will make it the choice sometime in the future."

Both **AMSPROCESSING** and **CREDITCARDMN** also believe the Payment Card Industry (PCI) Data Security Standard (DSS) will extend the terminal's life span.

CREDITCARDMN stated, "Many merchants want more and



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more integration, but not [integrated] POS because of the PCI mess. I think mobile solutions will continue to gain more and more popularity and, if the terminal manufacturers were smart, they would start producing terminals that can integrate with other software solutions and gateways to provide integrated reporting and sales.

I don't think merchants are pushing for less 'boxes' on the countertop; rather integration."

JDECKARD was more specific, saying, "I think the next evolution will be toward integration as well. Think USB connection between the POS and a stand-alone. Sale information is transferred from the POS to the terminal. Approval or decline is transferred from the terminal to the POS. Other than that the transaction stays in the terminal. Much easier to be PCI compliant. Best of both worlds."

Long live dial

When thinking about this, I wonder if greater integration can coexist with greater security. The reason some folks gave for the terminal having a long life span is the relative security.

That security exists, in part, because the terminal is stand-alone – not integrated into the merchant's software or servers. If the greater functionality leads to greater integration, then we have effectively produced the same issues as that of the POS system.

MARINESTEBAN provided another reason for the terminal's longevity – ease of use. "I think that dial-up and IP terminals are more alive than ever," **MARINESTEBAN** wrote. "They are easy to use, easy to train personnel, easy to install and cheap. And best of all, the PCI guidelines are easier to meet and they are easier to reprogram than a POS. Long live the Tranz!"

EMPIRE pointed out the extra costs from the integrated POS systems keep merchants on terminals. "With XXXX charging an upgrade fee for a POS system in the neighborhood of \$15,000 for one of our restaurants, they've asked that we give them dial-up terminals," **EMPIRE** wrote. "They will use their POS only for orders and the kitchen, not for credit cards."

MTY MSI supported **EMPIRE**'s comments, writing, "Logical conclusion is if POS resellers continue to maintain indifference to compliant installations and/or want large software upgrade fees, voila, the return of the terminal."

CCGUY, echoing the same perspective, wrote, "I can tell you that after the last month I will tell you terminals are making a comeback. Restaurant called: choice: upgrade POS system for \$10K or put in a few terminals. Owner chooses terminals.

Another restaurant: become PCI compliant on POS system – cost \$50K. Owner chooses terminals. After a large

retailer looked at the cost of doing PCI compliance and the liability, merchant chooses terminals. If anyone thinks terminals are going away, you are wrong."

CCGUY went on to say that at a PCI DSS breakout session held during the 2009 Midwest Acquirers Association Conference, when attendees were asked where most of the breaches come from, the top three answers were POS systems, restaurants and retail; participants were in agreement that those three categories represented where 80 percent of all breaches occur.

A slow decline

STEVE NORELL had a slightly different take. "I doubt that the terminal will ever go away, but I do feel that they will continue to diminish as time goes by," he wrote. "Yes, the PCI thing is clearly making merchants make decisions to use a terminal versus paying the piper for PCI issues.

"However, consider this: VeriFone is concentrating on gateways and some sort of repeating payment product. The little merchants could care less about spending money on a POS. However, the ECR costs peanuts as a matter of fact; it is a hair over the cost of a terminal."

WWW.PAYMENTLOGISTICS.COM provided one of the few counterpoints, writing, "I believe dial terminals won't become totally obsolete overnight like the VCR did, but they will be significantly marginalized over time, and ... they will be obsolete at some point within my lifetime.

"As the cost of Internet access comes down and both wired and wireless technology continues to improve, more and more merchants will move to an IP-based processing solution, whether it's an IP terminal, virtual terminal, wireless solution, software-based solution or fully integrated POS.

A dedicated analog phone line costs \$20 per month or more, and many businesses are already establishing Internet connections to help them address other needs.

"I'm certain the data security issue will be resolved in ways that leverage technology rather than deleveraging it. And that's just the beginning of the reasoning behind what appears to be my dissenting opinion on this topic.

"The cost of acquiring the technology to process transactions over the Internet is comparable to the cost of dial-up solutions and, in many cases, it is less.

For instance, while the cost of an IP terminal versus a dial-up terminal is only marginally higher, the cost of a virtual terminal which supports card present along with a card reader and receipt printer, can actually be less than a traditional terminal solution.

"Then there's the overall speed of the transactions. IP is materially faster than dial-up, and that efficiency gain is

In order to expand the viewpoints, I spoke with Terry Zeigler, President and Chief Executive Officer at Datacap Systems Inc. Datacap develops middleware for ECRs and PCs to enable them to accept electronic payments. Terry stated, "Having MLSs sell dial terminals actually has the perverse consequence of reducing their value proposition and potentially making them irrelevant in today's market."

something that can positively impact the merchant's bottom line in many different ways.

WWW.PAYMENTLOGISTICS.COM went on to point out the greater functionality available through IP and the lesser cost to the processor.

Furthermore, he believes that PCI security issues will begin to be addressed by developers because of the negative consequences of not doing so and that the same sort of tokenization that is being embedded in terminals will be integrated into POS systems.

Analog shmanalog

GEORGE C took the forum post to an entirely new level by suggesting we were asking the wrong question. He suggested the question be revised to read, Are traditional analog phone lines going to become obsolete?

"Let's face it, every day more and more small to mid-level merchants are converting their existing analog phone lines to bundled packages, including VoIP/digital phone service and high-speed Internet broadband service," he wrote. "I imagine that everyone on this forum has had merchants experience difficulty in using their existing dial-up terminals on VoIP/digital phone service.

"As the subscribers of analog phone service vanish in the coming years and analog phone service itself becomes obsolete, ISOs and agents will need to deploy more and more IP/broadband-based terminals. The easiest fix is for the credit card terminal manufacturers to just make all their existing terminal models IP/dial-up capable."

In order to expand the viewpoints, I spoke with Terry Zeigler, President and Chief Executive Officer at Datacap Systems Inc. Datacap develops middleware for ECRs and PCs to enable them to accept electronic payments. Terry stated, "Having MLSs sell dial terminals actually has the perverse consequence of reducing their value proposition and potentially making them irrelevant in today's market.

"It's really no different than the transition from knuckle busters to electronic terminals 20 years ago. Guys that

refused to sell the terminals died out. As such, MLSs who refuse to embrace integrated payments will die out. It's just a timing issue.

"All they have done by pushing dial terminals is cede the payment platform delivery to the retail systems reseller, who by default winds up with control of the merchant account.

Not only have they created a competitor, but that competitor now wants a piece of the recurring revenue in addition to the software or hardware. I find it to be a very interesting shift in dynamics that the MLSs are actually bringing on themselves."

Fast, but

For my part, I know many merchants are upgrading their phone lines to a package that includes fax, phone, cable and Internet, but then they add the filter device that their terminal plugs into so it emulates an analog signal. Business consultant Peter Drucker said that for a new technology to supplant an older technology, it must be 10 times better (faster, cheaper, more features) and we are not at that point yet.

Yeah, the IP terminal is faster and has more features, but not 10 times, and it is more expensive. I would like to be able to integrate the terminal into an ECR or IPOS, but then all the PCI issues that come with POS exist as well.

So until end-to-end encryption is more widely available, I do not see that as a positive occurrence. Over time, the benefits of retail gateways, ECRs and POS systems will vastly outpace those of dial terminals.

IP terminals, too, will develop functionalities that are far superior to those of dial terminals, and both of these newer generation systems will have security built in. Until that occurs, and they become easy to use and install, the dial terminal will remain at the POS.

When in doubt, sell something. 📺

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Education (continued)

Legal ease

Agent or employee: Which are you?

By Adam Atlas

Attorney at Law

Many agents who think they are independent contractors are actually employees and vice versa. Most relationships between individuals and ISOs in our industry are either independent contractor or employment relationships.

Between the paperwork underlying these relationships and the facts surrounding the actual working conditions, it is sometimes difficult to know the differences between a contractor (sometimes referred to as an agency) and employment relationship. The purpose of this article is to sensitize readers to indicators that may help characterize a relationship as one or the other, as well as highlight some reasons why this difference is important.

Independent contractor versus employee status

In the simplest possible terms, an employee is someone

who is more under the control of the employer, while an independent contractor is less under control of the employer and is more independent. The facts of each individual scenario will determine, in most cases, which you really are. Those facts can be divided into three categories:

1. **Behavioral:** Does the company control or have the right to control what the worker does and how the worker does his or her job?
2. **Financial:** Are the business aspects of the worker's job controlled by the payer? (These include things such as how the worker is paid, whether expenses are reimbursed and who provides the tools and supplies.)
3. **Type of relationship:** Are there written contracts or employee-type benefits such as a pension plan, insurance or vacation pay? These are only general headings of the criteria by which someone could be characterized as an employee or agent, but they should give you a sense of the general differences.

Implications for employers

The main implication for an employer of someone being characterized as an employee rather than as an independent contractor is that the employer will be liable for employment taxes on the wages paid to the employee.

Other considerations include minimum wage requirements, insurance implications, obligation to pay expenses related to the work performed, state laws concerning working hours and breaks, and many other issues. In short, an ISO that wants to have agents characterized as independent contractors and not as employees will likely be invested in that characterization and will not want it to be overturned.

Implications for employees

The employee who thought he or she was an independent contractor will have his own tax ramifications, such as the inability to deduct expenses that an independent contractor would be able to deduct.

On the other hand, employees may have rights under labor laws that do not apply to independent contractors. It should be noted, however, that a number of states have labor codes that also afford certain protections to independent contractors, including some that deal specifically with the role of salespeople.

Making the determination

Until someone is audited, the nature of the relationship is defined by the parties to any given agreement. The parties

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may carry on under the assumption of one relationship. However, they might be forced into another category by a tax audit by a governmental entity such as the IRS.

State departments of labor also frequently audit businesses to determine whether, among other things, they are treating employees as employees. You never want a third party to categorize relationships you have already established in a different way than you have.

Having a relationship's status changed in such a way could disrupt your business, place the credibility of your organization in jeopardy and pose unexpected expenses for your company.

Relevance of contractual language

In this particular area of law, the title of your agreement and even the wording of your agreement will not necessarily help to flip your relationship into the category you desire. The auditor will likely rely more on the facts of the relationship than the paperwork the parties signed to create the relationship.

This is not to say that written agreements are without value. Instead, I am saying the facts can easily trump the contract. For example, if you have an independent contractor agreement, but you spend all day following

instructions from one individual at the ISO, you use the ISO premises and material, you rarely leave the ISO's office to carry out your work and you make few independent decisions, then you will very likely be characterized as an employee.

Norm for the industry

Our industry has no specific model that is necessarily the norm. Based on my work with several hundred ISOs, I believe most of them retain sales agents as independent contractors, but there are many ISOs that use only employees.

The relationship that is right for you is a matter for discussion and negotiation with your counterparty.

The best way to avoid a surprise in this regard is to have your agreement and the facts surrounding your relationships reviewed by local counsel capable of advising you on the nature of the relationship. ☑

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close cooperation, association, collaboration, alliance, relationship, connection, working together.

excellence | ekselens| *noun*
distinction, outstanding, extremely good, superior quality, greatness, accomplishment.

integrity | in tegritē| *noun*
honesty, principle(s), ethics, virtue, fairness, trustworthiness

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Education (continued)

Budgeting: A crucial management skill

By Vicki M. Daughdrill

Small Business Resources LLC

The process of creating, monitoring and controlling an annual business budget is a critical management skill for any successful business owner. Once you set your company's goals for the coming year, developing a budget helps you to:

- Determine what products and services are profitable or need to be eliminated or repriced
- Assess how much money is available for advertising and other discretionary items
- Provide a roadmap for monitoring business income and expenses

A budget is the basis of every financial plan, the foundation that companies and individuals build on to reach their financial goals. Some people consider a budget an exercise in futility – something to mark off the "to do" list and stick in a drawer until next year.

Other people carve it in stone and never adjust it throughout the year. Finally, there are the people who understand the purpose of the budget; carefully craft a realistic, thoughtful budget; and adjust it throughout the year as necessary.

Some people feel only large businesses need a budget. However, businesses of all sizes should have a budget. It will help your enterprise become financially sound by focusing on the fundamentals of everyday business. The larger your business, the more detailed your budget should be.

Most businesses with a fiscal year of January to December begin the budgeting process in the third quarter of each year so their budgets will be ready at the beginning of the new fiscal year. Rarely is a budget completed on the first effort. It frequently requires edits and revisions. Be patient. Set aside the time needed to carefully consider the budget. When completed, your budget will help you achieve success and reach your financial goals.

Elements of a budget

The website www.answers.com defines a budget as "a spending plan used to allocate resources to accomplish an organization's objectives. This management tool coordinates anticipated expenditures to maximize resources. A budget is time-specific, and it must be flexible to respond to financial and programmatic changes."

The website www.wikipedia.org defines it a bit more simply

as "a list of all planned expenses and revenues. It is a plan for saving and spending."

Large companies generally have a master budget with a projected balance sheet and income statement. Each master budget contains operating budgets for individual departments, divisions, business lines or units.

Detailed by month or quarter, a good budget allows for adjustment or realignment based on actual income and expenses. The budget is never a rigid or fixed document; it always allows for modifications based on real-time circumstances.

Smaller companies may have a very simple budget that allocates expected revenue and expense distribution throughout the year. It, too, is flexible enough to allow for adjustments when revenue falls short of projections or unexpected expenses arise.

Benefits of a budget

There are several reasons why budgeting and business success go hand in hand. Budgets allow companies to:

- **Evaluate:** Budgeting encourages definition of goals and expenditures. It helps control costs by not allowing some expenditures, assigning responsibility for various expenses, and setting benchmarks for evaluating business lines, departments or individuals.

Estimating and matching income to expenses helps owners and managers determine whether they have enough money to fund operations, expand the business and generate income for themselves.

- **Organize:** Budgeting helps business owners organize finances and identify the company's overall financial health. By reviewing the company's past financial data and creating a budget for the coming year, owners and managers can identify exactly where the revenue was derived and where the money was spent. Without this data, a company cannot know exactly what is going on.
- **Plan:** Budgeting allows a company to review its past performance and determine what goals might be attainable during the coming year. Creating a realistic budget also helps a company determine if it needs to add or remove products or services and whether to adjust pricing to meet the market.

Without a budget, there is a risk of spending more money than is taken in or not spending enough money to grow the business and be competitive. Budgeting also allows business owners or managers to evaluate the entire business and amend plans as needed.

- **Control:** Companies without a budget aren't aware of their spending habits. Frequently, they only know that their money is gone before the end of the month or year, and they have no idea where it went.

A realistic, carefully crafted budget will help you determine if your business is generating sufficient income to remain viable, as well as help you plan for unexpected emergencies. A budget will also help highlight trends and prevent crises. Unexpected situations can always arise; however, a thoughtful budget can allow flexibility for unforeseen circumstances.

- **Communicate:** A budget is an invaluable tool for communicating organizational goals and promoting friendly competition among employees, departments or divisions to meet and exceed the goals through financial or other types of incentives.

Most businesses involve all stakeholders in creating the annual budget, and the process takes time and effort. Once your company goals are set, communicating with your employees and allowing them to participate in the process encourages them to embrace both the goals and budget.

- **Measure:** Obviously, the main goal of every business is to make a profit. But how do you know if you make a profit? Simply having money left over each month doesn't sufficiently measure your success.

Good budgeting and financial control allow you to track all revenue and expenses and to calculate your success, or failure, at making a profit. Periodic evaluation of your budget and comparison to actual figures enables you to track exactly how you are doing, recognize what you need to adjust, and identify steps to take in the coming months or quarters.

A vital skill to master

As with most management skills, budgeting is not easy to master. Fortunately, numerous tools exist in the marketplace to help you learn new skills or strengthen abilities you already have. Entering "business budgeting" at www.amazon.com elicits almost 8,000 hits – from books to software.

In my next article, I will discuss the process of creating a budget for fiscal 2011. 📄

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Education (continued)

Best practices for crisis communications

By Peggy Bekavac Olson

Strategic Marketing

When a crisis occurs, companies can be transformed from being flagship brands to fighting for survival almost overnight. Just think about how recent events involving Toyota, Goldman Sachs and BP have sullied their sterling reputations. These companies have lost sales and significant shareholder value, had their credit ratings downgraded, been subject to government investigation, fined, named in multiple lawsuits, suffered public ridicule – and they continue to pay the price.

A crisis is any situation that threatens or could threaten to harm people or property, seriously interrupt business, damage a company's reputation or negatively impact shareholder value. While you may not be Toyota, Goldman Sachs or BP, your payment business faces unprecedented threats and reputational risks, including interruptions in transaction processing services, processing errors, cyber attacks, loss of clients, bankruptcy, being sued by competitors, natural disasters and so on.

Are you ready?

While many companies now have plans for dealing with pandemics and natural disasters, fewer are prepared to combat cyber attacks, data breaches and data center disruptions. Varolii Corp.'s *2009-2010 Preparedness, Security and Crisis Communications Study* notes that only 60 percent of companies have a plan for dealing with data center disruptions; 53 percent say they are prepared for data breaches; just 46 percent report being prepared for cyber attacks.

Every business is vulnerable to crises. The days of sticking your head in the sand and believing it can't possibly happen to you are long gone. Not only do you need to deal with a crisis operationally, it's imperative during a crisis to effectively communicate what's happening and what you are doing to resolve the situation. To accomplish this, you need to have a business continuity plan in place that includes a strong crisis communication strategy and tactical plan.

If you don't prepare for potential crises in advance, your business can incur significant damage because during a crisis organizational responses created on the spot typically break down. Stakeholders quickly become confused, angry and reactive if they don't know what's going on. You also run the risk of your company being perceived as inept, dishonest and perhaps even negligent.

Effective crisis communication is not difficult, but it

requires advance preparation to minimize damage. The slower your business responds during a crisis, the more significant will be the damages incurred.

Following these best practices can put you and your company on the path to effective crisis communications planning, response and management.

Lay out a preemptive plan

- **Form a crisis communications team:** The team should be led by your president or chief executive officer, with your firm's top marketing communications or public relations executive and legal counsel as chief advisers. If you do not have in-house marketing communications, public relations or legal resources, retain outsourced professionals for this purpose. Other team members may include heads of major business divisions such as sales, operations, finance and human resources.
- **Identify spokespersons:** Spokesmen and spokeswomanes are needed for all forms of internal and external communications, including dealing with the media by telephone, in person and on-camera, or at public or employee meetings, etc. These individuals will be the only ones authorized to speak on behalf of your business during a crisis. The president or CEO doesn't necessarily have to be the primary spokesperson; your legal counsel or communications executive make good candidates.
- **Conduct spokesperson training:** Training prepares designated spokesmen and spokeswomanes to be ready to respond in ways that optimize positive feedback from all stakeholders during a crisis. All stakeholders, both internal and external, are capable of misunderstanding or misinterpreting information about your organization and it's the spokesperson's responsibility to minimize the possibility of miscommunication.
- **Identify and know your stakeholders:** Who are the internal and external stakeholders that matter most to your organization? Make a detailed list of who they are and their contact information. Consider employees to be your primary audience. During a crisis situation every employee represents your company and as such will be talking to others outside your contact list. It's important to communicate your message clearly, because it will be heard and repeated.
- **Establish an emergency communications system:** It is essential to identify the most efficient methods for reaching stakeholders via telephone, email, text messaging and the Internet to ensure timely delivery of crisis communications information. Forget the old-fashioned phone tree. Instead, let technol-

ogy automate the process of contacting stakeholders from a pre-established database that confirms your message has been issued and delivered to all major stakeholders.

- **Anticipate crises:** Brainstorm to identify all the possible crises that could occur in your business and assess all vulnerability scenarios.
- **Develop placeholder messaging:** Placeholder messaging is used when a crisis first develops. You can prepare these messages in advance for a wide variety of vulnerability scenarios. Examples of placeholder messaging for payment companies hit by a data breach before all the details are available might be:
 - We have implemented our crisis response plan, which places the highest priority on limiting the exposure of payment information to unauthorized persons.
 - We consider the security and privacy of the information we process to be of the highest importance and share the concerns of cardholders whose information may have been exposed.
 - We have stringent security policies and are

in compliance with government and industry security rules, standards and audits.

- We will provide additional information when it becomes available, which will be posted on our website.

Placeholder statements should be regularly reviewed to determine if they require revision and/or whether statements for additional scenarios might be needed as the payments industry continues to evolve.

- **Practice:** The more you prepare ahead, the faster and more effective will be your response to a crisis situation. Be sure to conduct crisis drills to familiarize your team with mobilizing efforts and work through the process, identifying any gaps or issues that may arise. This way you can resolve flaws in your system before a crisis flares up.

Establish a post-crisis action plan

- **Assess the crisis situation:** Factually assessing the situation as it unfolds is the first crisis communications step that can't be conducted in advance. Review initial information, discuss impacts with the crisis communications team, and implement

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Education


the appropriate strategies you have already prepared and rehearsed to assure a rapid, coordinated, effective response. If you don't do this during a crisis, your reaction will be delayed and likely inept. Hastily prepared and executed crisis communications responses are never as efficient as those planned in advance.

- **Develop key messages:** Beyond placeholder statements, develop a series of crisis-specific messages to fit the situation. Keep it simple. Try to have no more than three main messages for all stakeholders and audience-specific messages for individual groups of stakeholders as needed. The most important thing to convey is empathy toward all those who are or might be affected by the crisis: acknowledge the issue, offer an apology and share your plans to amend the situation.
- **Assign a spokesperson:** Decide who should speak to both internal and external stakeholders from your pool of trained spokesmen and spokeswomanes. Choose the individual or individuals best suited to address the particular crisis and the various audiences you need to communicate with.
- **Activate your emergency communications system:** Get the word out to all stakeholders in an efficient, timely and effective manner by activating your emergency communications system.
- **Ride out the storm:** Regardless of the type of crisis or how carefully you've prepared and executed your plan, not all stakeholders will react in the same way. View reactions objectively to determine if negative feedback stems from the way you communicated or an individual's unique

interpretation. Decide whether follow-up communication is necessary to remedy the situation or if it will actually make matters worse. If you think more communication is worthwhile, give it your best shot.

- **Repair your reputation:** Your key messages are generally sufficient to protect your company's reputation. However, when significant image repair efforts are justified, initiate them post-crisis as business operations return to normal. Repair strategies include attacking the accuser, denial, making excuses, stating your good intentions, apologizing, among others. Your crisis team should evaluate and implement one or more strategies when warranted.

The goal of crisis communications is to receive fair and accurate media coverage throughout a crisis, while maintaining or restoring confidence in your business and protecting your company's image among all stakeholders. Although advance preparation has increased dramatically in recent years, many payment organizations remain unprepared or underprepared for crises, creating the potential for irreparable damages should such an event strike.

For the sake of your business and its stakeholders, take steps now to protect your company image in the event of a crisis. Remember, the way in which a business responds during a crisis can determine whether the event builds or seriously damages the company. Ultimately, it can mean the difference between staying in business and being forced to declare bankruptcy. 

Peggy Bekavac Olson is the founder of Strategic Marketing, a full-service marketing and communications firm specializing in financial services and electronic payments companies, after serving as Vice President of Marketing and Communications for TSYS Acquiring Solutions for more than five years. She can be reached at 480-706-0816 or peggyolson@smktg.com. Information about Strategic Marketing can be found at www.smktg.com.



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Education (continued)

Putting the cold call in its proper place

By Jeffrey Shavitz

Charge Card Systems Inc.

By entering the payments space as a merchant level salesperson (MLS), you have just committed to making the dreaded cold call. And any MLS that tells you he or she enjoys making cold calls is lying.

However, as a bright-eyed person getting into a space with unlimited earnings potential – which is still true despite being a bit harder to accomplish than it used to be – you can become incredibly successful once you have merchants processing with you.

This task doesn't seem hard until you realize you must first prospect and meet some new customers.

Many sales managers will sit with their new crop of sales recruits and discuss the power of the cold call. As many best-selling books on cold-calling will tell you, the conversation may begin something like this:

Have you heard about the 15-3-1 rule? Simply stated, the rule means that you likely will need to make 15 cold calls to get three appointments; of these three appointments, you will close one sale.

If these figures held true, you would be making one sale a day, five times per week, or 20 sales a month. Sales managers constantly reinforce that a no answer just gets you closer to the yes.

Theory versus reality

If cold-calling were this easy, most MLSs would be averaging 20 deals per month, and we would all be enjoying great careers in our industry. At a recent financial services conference, I was surprised to learn that only 1.4 percent of new salespeople entering the insurance industry actually enjoy this level of success after two years.

It would be interesting to learn how many full-time MLSs feel they are enjoying a productive and successful career in our industry after two years.

Selling is hard, and the simplistic algorithm mentioned above does not have merit in 2010. It's just too competitive. Fifteen phone calls should take only a few minutes per day because we so often reach a prospect's voice mail. And those we do reach may quickly end the call.

Let's be generous and say the cold calls take one hour in total. Assuming you work eight hours a day, you need to make a lot more cold calls than 15 per day to gener-

▶ **Have you heard about the 15-3-1 rule? Simply stated, the rule means that you likely will need to make 15 cold calls to get three appointments; of these three appointments, you will close one sale.**

ate significant sales. And you will have the time to make those extra calls.

The nightmare scenario

An old *Seinfeld* episode dramatizes the newbie's nightmare of making the disastrous cold call. In this episode, Jerry receives a call from a salesman who annoyingly pitches his product or service during dinner time. Jerry, in turn, says to the salesman, "What is your home telephone number, and I'll call you back later." The solicitor, of course, refuses to give his personal number because he doesn't want to be disturbed at home, giving Jerry an easy excuse to hang up on him with the comment, "Now you know how I feel."

Working the trust network

Yet the cold call doesn't have to be like that. Cold-calling can work, although it's very difficult in today's market. We have better ways to get solid leads and increase sales.

People buy from people or organizations they trust. So why not spend your time networking with your friends, college alumni and the business people within your community? Get referrals and introductions, and I promise that you will enjoy your sales profession more and have the results that we are all trying to achieve.

Haze your new recruits

As a sales manager, one way to make your new salespeople love you is to have them cold-call for the first few days. Let them suffer; then come in and share better alternatives with them. Cold-calling is like rushing a fraternity or sorority in college: It's good for everyone to try. It will make you a tougher salesperson and help you better appreciate the easier and more productive ways to sell. ■

Jeffrey Shavitz is one of the founders of Charge Card Systems Inc. He is also an active member of The Green Sheet Advisory Board and the First Data ISO Advisory Board. He can be reached at jshavitz@chargecardsystems.com or 800-878-4100. For additional information on CCS, please visit www.chargecardsystems.com/gsadvisoryboard or the company's corporate website at www.chargecardsystems.com.

Education (continued)

More than PCI

By Tim Cranny

Panoptic Security Inc.

SOs, acquirers, processors and merchants are right to focus on the Payment Card Industry (PCI) Data Security Standard (DSS) as their most critical compliance issue in regard to information security. But those who plan on doing long-term business should also be aware of other issues and changes on the horizon (or even closer).

Too many organizations are short term or simplistic in their approach to security and compliance, and in the long term they are setting themselves up for unnecessary risk, cost and effort.

The correct approach, along with the appropriate insight into what is happening, will help ISOs and merchant level salespeople make the right moves at the right time and help keep their merchants safe and loyal.

Focusing on risk management

Risk management isn't just a security standard; it's the issue all the various standards are trying to address and

measure. One of the main dangers with PCI is that people get too focused on the standards themselves, while forgetting their purpose is risk management.

Thinking only in terms of passing PCI is responding to a serious fever by saying a particular thermometer has failed the "thermometer test" and trying other thermometers until one indicates a "better temperature."

The only logical approach is to pursue PCI compliance with strong risk management in mind, confident in the knowledge that focusing on the underlying goal will also mean your business will ultimately meet PCI standards.

Don't become fixated on the fine points of the PCI DSS. If you do the right thing by taking measures to assure your system's security, PCI compliance should follow almost automatically.

It's almost always possible to cheat or short-change formal measuring and reporting systems like the PCI DSS, but a short-term tactic usually leads to long-term problems.

As a side note, remember that merchants found to be non-compliant in the inevitable after-breach audit are guaranteed to miss out on any possible safe-harbor provisions available to those who are actually affirmed to have been PCI compliant at the time of a breach.

Breach notification laws

A majority of states have introduced legislation requiring merchants to formally notify customers if their personal information is stolen from a merchant.

These are laws, not just industry standards, so they carry extra weight. Merchants (and their partners) need to remember that they must conform to the laws of each state in which they do business.

In addition to the embarrassment and damage these breach notifications can cause a company's brand, the laws impose expensive, effort-intensive processes on breached companies, and these often prove far more expensive than the explicit fines or penalties.

Federal and state regulation of the financial sector

As part of, and in response to, the recent financial crisis, it is inevitable that a range of further regulations and compliance regimes will be imposed on the financial sector in the near future. It is likely that some of those will directly affect the payments industry.

Federal and state cyber-security laws are only now being thought up or drafted for a range of political, social and technical reasons; it seems inevitable that they are coming.

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Compliance laws throughout the supply chain

In addition, health industry laws (such as the Health Insurance Portability and Accountability Act of 1996) impose a range of security requirements not just on companies that work directly in the health industry, but also on companies that provide services to such companies – effectively making these compliance problems more than a little "contagious."

The phenomenon of compliance issues spreading throughout the supply chain is an increasing trend (for good reason, since companies and their data are becoming increasingly mingled and interdependent) and makes it increasingly likely that companies will get hit with compliance and reporting issues they weren't anticipating.

Putting together a long-term program

Payment professionals need to realize the world will get more complicated and that the compliance burden on them and their merchants will increase.

PCI is the right place to focus today, but the issues I've just mentioned should influence their decisions in important ways. For example, these issues mean that a short-term, quick-and-dirty approach to PCI compliance will

fail sooner and harder than expected. Putting together a low-effort, "just-say-you-passed" approach is a bad idea for a number of legal and financial reasons even today, but it guarantees even more problems and inefficiencies in the near future. Instead, it makes sense to put together a program that can grow as the compliance burden grows.

ISOs and the merchants they serve have a choice: deal with security and compliance issues in a short-term "do the minimum I can get away with" way, or they can step back and take a "do it once, do it properly" approach that will protect them from both attacks and compliance surprises in the future.

Following the do-it-right path doesn't mean spending more money; it just means spending money in smarter ways. It leads to better security, better and cheaper compliance, and helps the ISO build a foundation for a healthy, long-term relationship with the merchant. ■

Dr. Tim Cranny is an internationally recognized security and compliance expert and is Chief Executive Officer of Panoptic Security Inc. (www.panopticsecurity.com). He speaks and writes frequently for the national and international press on compliance and technology issues. Contact him at tim.cranny@panopticsecurity.com or 801-599 3454.

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Education (continued)

Avoid 'always be closing' and other old traps

By Jeff Fortney

Clearent LLC

The sales profession is one of the few where rewards are directly tied to an individual's efforts. Good salespeople quickly find that by executing solid sales plans they can increase their earnings. Employees who are paid salaries don't have that potential upside.

The earning potential drives many people to go into sales. It is also one of the key reasons people sell payment services. Like insurance sales, payments is one of the few industries that can reward successful salespeople with ongoing, long-term income without their having to sell ancillary products.

These rewards are also why many continue in a profession that can best be described as difficult or frustrating and as one that generates more negative responses than

most other professions. If it were easy, great salespeople would not be in such high demand.

With the challenges inherent in our industry, why do salespeople add to it by being negative? And what can we do to reduce this negativity?

Salespeople of all kinds fall into common traps that add to their stress and frustration and negatively impact their sales. These are all under the salesperson's control. By addressing these pitfalls, salespeople will increase sales.

Don't chase rainbows

We have all been confronted with the merchant request, "Can you leave me something so I can read it over and think about it?" In many cases you comply by leaving literature and schedule a return call.

When you return, you find merchants are either busy or out. You go back again, and this time they are in but haven't looked at what you left, or are still busy. You repeat these same calls. Even though you are talking with no one, you are chasing someone who wants your services – or so you hope.

As poets will attest, you can chase the end of a rainbow but will never find it. The same can be said for chasing "maybes." They both give false hope in finding gold at the end.

Simply put, these situations often destroy a sales effort. And worse, they provide false hope to the salesperson of closing the deal. The majority of these merchants are not likely to sign with you no matter how many calls you make. In fact, the lost time spent chasing them could have been spent chasing merchants who were true prospects.

Take a new approach

To avoid the trap, you must be able to recognize these situations immediately. When you are asked to leave something behind or merchants say they will think it over, don't answer immediately. Follow with a question confirming their interest and solidify a time when you will talk again.

If they don't seem to want to be firm about either, tell them it is okay to say no, explaining how you view their time as equally valuable as your own. Emphasize that you don't want to be that pest who makes them want to hide when they see you come to the door.

You can smile as you explain. But if they refuse to give you a fixed time for further discussion, don't leave anything behind. It is better to make another cold call.

Never rush to judgment

"Always be closing" is a mantra all reps hear. But all too

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Merchants tell you about situations that happened to them; you immediately answer with what you would have done differently and then think you have reason to close. You zero in on this issue – how you would have handled it – and think you've made the sale.

often we are closing before there is a reason to close. As a result, we lose the deal.

Merchants tell you about situations that happened to them; you immediately answer with what you would have done differently and then think you have reason to close. You zero in on this issue – how you would have handled it – and think you've made the sale.

Yet when it comes time to sign the contract, the merchant hesitates, becomes a maybe, or worse, says no immediately. You leave asking yourself: What just happened? Doesn't he know I could have solved his problem?

We tend to jump at the first opportunity to close, even when it isn't a true opportunity. Remember, your perception may be different from the merchant's. Without a full understanding, your move to get the merchant to sign puts up a roadblock that ultimately prevents you from closing the deal.

If you had paused and responded with a question when the merchant first mentioned the situation, you could have discovered the real reasons behind the problem. Those reasons may be different than what you first thought. So what's the question you should ask? It's simple: Please tell me more about that.

Dispense with negative assumptions

You research a merchant and determine who he or she processes with today. You also know the merchant sells a certain type of product and is probably a member of an industry association.

All this information should give you a solid foundation on which to begin your sales efforts.


But instead, you think about the last merchant you talked to with similar information. You remember he didn't sign because you couldn't overcome his relationship ties. So instead of going into a call with confidence, you assume this new merchant has no reason to sign with you and choose not to make the call.

You justify this decision by saying you don't want to waste your time. Even if you make the call, this attitude permeates your discussion and the answer is what you expect it to be: no.

In so doing, you will never know if you talked yourself out of a sale. In fact, until the merchant tells you no, you have no idea what the merchant would have said. You have become a roadblock to your own sales plan.

Adopt a new mantra

No two merchants are exactly alike. Consider using that as your mantra. Treat all merchants as individuals and use the information you have to your benefit in how you structure your sales efforts. You need to get out of your own way.

Be aware of these traps and avoid them at all costs. Don't be your biggest hurdle to a sale. 

Jeff Fortney is Director of Business Development with Clearent LLC. He has more than 12 years of experience in the payments industry. Contact him at jeff@clearent.com or 972-618-7340.

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NewProducts

Determine the best interchange for each transaction

Product: BINSmart

Company: Merchant Warehouse

In addition to signing up with a low-cost provider, merchants trying to save money on interchange have a bag of tricks they can reach into at the POS. But using it the right way can be tricky.

A service from Merchant Warehouse called BINSmart is designed to help merchants lower interchange costs by calculating – using a host of factors – the competing interchange rates on PIN debit- and credit-based purchases. For any given purchase where the consumer uses a debit card, the program determines whether interchange would be lower as a PIN debit or credit purchase, and then prompts the customer to pay with the cheaper option.

"It's a technology that is able to determine or best estimate the best way to take a transaction," said Marianne Rocco, Marketing Director for Merchant Warehouse. "If the customer were to swipe their card, BINSmart would actually go through an algorithm and estimate the best cost and whether it should be credit or debit and also prompt the merchant for any additional information. A lot of merchants aren't savvy enough to be sure whether they should get PIN debit or not."

The service also produces savings by helping merchants avoid "downgrades" on card acceptance that can raise interchange. One way it does this is by prompting merchants who take corporate cards to enter "level 2 data," including customer code and tax information. By gathering this data, merchants can qualify for better rates with corporate card acceptance.

The service also has a feature that automatically batches out a merchant's transactions at the end of each day, helping avoid downgrades applied to late batching, according to Rocco.

Merchants who don't batch out within 24 hours are commonly downgraded to a higher, qualified rate for interchange, while those who wait more than 48 hours can drop to an even higher nonqualified rate. BINSmart subscribers avoid these scenarios by using the program's "autobatch" feature.

PIN not always cheaper

Regarding the choice of PIN debit or credit, it is common to think that PIN transactions are invariably cheaper,

Features of **BINSmart** include:

- Determines whether transaction would be cheaper as credit or PIN debit
- Avoids downgrades by prompting for level 2 information with corporate cards
- Avoids downgrades with automatic batching feature
- Transmits only the card's first six numbers, leaving it outside PCI scope
- Takes one to two seconds for processing



and many merchants automatically push customers to use that option, according to Rocco. In fact, whether one is cheaper than the other depends on a range of factors, she said.

For example, PIN debit tends to be cheaper than credit for high-cost transactions, but credit is often cheaper for low-cost ones. Determining which rate is better can also depend on such things as the merchant's Standard Industry Code, ZIP code (because the various regional debit networks charge different rates), and the card brand or type. All of these things are factored in by BINSmart.

BINSmart is a web-based service hosted by Merchant Warehouse, but merchants without web-based terminals can still integrate the service using the Merchant Warehouse API. Some merchants can integrate the service into an existing POS system, and it is also available with certain Hypercom Corp., Ingenico and DejaVu Software Inc. terminals, Rocco said.

A second or two

For merchants who take card transactions using BINSmart, the first six digits of a swiped card are automatically routed to the Merchant Warehouse server, which returns a message that prompts the customer to enter PIN information or to accept the transaction as a credit card purchase.

"You swipe the card, the POS system grabs the first six digits of the card, sends it to us over the web, and it takes one to two seconds," said Markiyan Malko, Program Manager for Merchant Warehouse. "It's pretty seamless."

Rocco said customers who want to pay a different way than how they're prompted have the option of cancel-

ling the transaction and starting over. Malko added that, because only the card's first six digits are transmitted over the network (which is enough information to determine the type of card being used), the program exists outside the scope of the Payment Card Industry Data Security Standard. ■

Merchant Warehouse

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Layered protection for ACH

Product: ProtectPay ACH

Company: ProPay Inc.

While the Payment Card Industry Data Security Standard has grown increasingly visible and well-known in recent years, some say the security of electronic funds transfer (EFT) payments has received comparatively little notice.

To be sure, automated clearing house (ACH)-based EFT transactions are on the rise, and rising with them are instances of security breaches. According to the FBI, fraud related to EFT – meaning the transfer of money from one bank account to another, without the use of a paper check or payment card – rose over \$120 million in 2009.

Oops

"Part of the challenge of protecting ACH transactions is there has been so much focus on PCI, that companies go, 'Oh, I didn't realize I had sensitive data in my ACH files,'" said Chris Mark, Executive Vice President, Data Security and Compliance for the processor and ISO ProPay Inc.

For merchants that conduct ACH transactions, ProPay recently expanded its ProtectPay data security suite to include ACH transactions, an offering it calls ProtectPay ACH.

PANs in a blanket

According to Mark, ProtectPay ACH operates essentially the same way that the existing ProtectPay services operate for payment card transactions, wrapping ACH transactions in a layered security blanket that combines multifactor authentication with tokenization and encryption.

Merchants using ProtectPay ACH can send ACH transactions to ProPay for processing through either the company's application programming interface (API) or its secure web portal. Clients access either conduit by entering a username and password along with some other identifier, usually either an X509 certificate (for large

Features of ProtectPay ACH include:

- Multifactor authentication for merchants
- API/web portal for entering and sending payment data securely
- SSL encryption for data in transmission
- Decryption key possessed only by ProPay (not present within merchant POS)
- Tokenization option for recurring billing

companies) or a "challenge question" about some bit of information that only the merchant theoretically knows.

"Historically, merchants would send account and routing numbers, which is a big risk," Mark said. "Now they don't have to send it to us to be tokenized. We can go in and do a mass import and mass tokenization if they have this database. We tokenize and replace the data in a matter of minutes or hours, and now all they have is a token for when they want to initiate the next ACH transaction."

Clients who log in to ProPay's API or web portal using those credentials may then send a batch of ACH transactions, which are protected by Secure Sockets Layer (SSL) encryption as they travel from the originating business to ProPay's storage vault.

"We make sure data sent from the merchant is encrypted using encryption technology where only we possess the decryption key, so even if someone intercepted it they couldn't decrypt the data," Mark said.

Protection with tokens

Merchants who use ACH to conduct recurring billing transactions are provided with tokens, allowing them to conduct chargebacks or call up disputed transactions while rendering all data in their environment useless to potential hackers. Meanwhile, the full card numbers are stored in ProPay's data vault.

"People use the terms 'tokenization' and 'encryption' suggesting they're mutually exclusive, but in reality they're complementary," Mark said.

Mark added that ProtectPay ACH has a wallet component that provides the flexibility to tokenize either individual card numbers or customer accounts that contain multiple card numbers. ■

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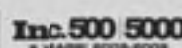
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The Prepaid Press

Prepaid Press Expo 2010

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

The conference will include a welcome brunch, exhibit hall, seminars and the Mythology and Martinis Party at the Garden of the Gods pool at Caesars Palace. Seminar topics include 21st century marketing, the future of prepaid calling cards, the evolution of prepaid wireless and the opportunities that may spring from the Credit Card Act of 2009.

When: Aug. 24 – 26, 2010

Where: Caesars Palace, Las Vegas

Registration: www.prepaidpresseexpo.com



SourceMedia

CardEvolution Summit

Highlights: The CardEvolution Summit is a forum for networking and information-sharing among innovators, system integrators, industry reps and consultants from around the world. CardEvolution Summit, formerly CTST, enters the 2010 marketplace with a refreshed look and a streamlined focus on education and agenda, while continuing to bring best-of-breed vendors, seasoned veteran consultants and thought-provoking speakers.

There will be an exhibit hall, pre-conference workshops, key-note addresses, cocktail receptions and networking sessions. The agenda will include topics dealing with cards and payment technology, security and identity, and mobile and contactless payments.

When: Sept. 20 – 22, 2010

Where: Hyatt Regency, San Francisco

Registration: www.paymentsource.com/conferences/ces



Western Payments Alliance (WesPay)

Payments Symposium 2010: Tools of the Trade

Highlights: WesPay's annual symposium promises quality education seminars, networking opportunities with hundreds of payment professionals, strategy guidance workshops and a technology showcase.

The two-day conference's areas of focus include automated clearing house (ACH) operations, card products, fraud and risk management, and regulations and compliance.

Among the discussion topics are emerging person-to-person payments, ACH revenue opportunities, the impact of regulatory changes to the future payments landscape, cyber attacks against financial institutions, check fraud in an image-based milieu and fighting Internet fraud.

The event also includes optional post-conference hands-on sessions dealing with the ACH world.

When: Sept. 20 – 21, 2010

Where: Long Beach, Calif.

Registration: www.wespay.org/content/navigationmenu/symposium



Western States Acquirers Association

WSAA 2010 Annual Fall Conference

Highlights: The Western States Acquirers Association's 2010 Annual Fall Conference will be held at the San Diego Marriott La Jolla.

The first day of the conference will include the Field Guide for ISOs seminar and an opening reception. The general session will begin the morning of the second day, and a closing session will be held that night.

For general questions or more information regarding the agenda, sponsorship and exhibiting, please visit www.westernstatesacquirers.com.

When: Oct. 13 – 14, 2010

Where: Marriott La Jolla, San Diego

Registration: cwp.marriott.com/sanlj/westernstatesacquires

Inspiration

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Happiness is not by chance, but by choice.
- Jim Rohn

Focus on success with self-help CDs

Whether you own a business, want to start a business or work for an employer, it's important to keep your mind focused on success. If you run a business, you'll want to think empowering thoughts to keep your customers happy, motivate your employees and move swiftly toward your business goals without stagnating or getting sidetracked.

If you work for someone else, you'll want to be success-oriented for any number of reasons: to help the company achieve its goals, secure your job, climb the ladder, boost your salary or simply make your mark with a top-notch work performance and sales.

On one hand, zeroing in on long-term goals and keeping your nose to the grindstone is easier said than done. On the other, hearing someone say the right things can stir you to do what needs doing.

Mental stimulation

One way to stay on track is to listen to self-help CDs, which are designed to feed your mind with positive thoughts on things as specific as your approach to business and marketing, or as general as how you feel about yourself and the way you come across to others.

These wonders are called self-esteem-enhancing or motivational CDs for a reason: they do help lift your feelings of self-worth and motivate you to take action in various areas of your life.

You can listen to self-help CDs during your daily commute to work or en route to sales calls. Just pop one in your car's CD player, and soak in the good lessons as you drive. By the time you reach your destination, you should have a better outlook on life and a clear picture of your goals for that day.

Two types of self-help

There are basically two types of self-help CDs: motivational and instructional. Motivational CDs help you set clear goals and figure out how to begin attaining them.

They can also provide inspiration to confront immediate problems life throws your way or overcome long-standing bad habits. The options might include learning how to embrace the aging process, quit smoking or even do things you would normally dread, for example bungee jumping or speaking in public.

The other type of self-help CD offers practical instructions for a specific task such as presenting your product to a customer or cold calling for telemarketing sales. Others offer guides to good health through pursuits like healthy eating or fitness.

Plenty of listening options

Indeed, there are both instructional and motivational self-help CDs for just about any subject you can imagine, and sometimes the best results come from using the two types together.

Look for self-help CDs that relate to your area of business, such as sales, marketing, customer relations, referrals, networking, product development and the like.

Some excellent ones to begin with are *Secrets of Closing the Sale* by Zig Ziglar and *How to Master Your Time* by Brian Tracy. You can easily buy these and other self-help resources online or at local bookstores.

Easy listening

Keep in mind that while you'll never learn everything there is to know in the business world, self-help CDs can help you to grow personally and learn specific skills as you go along.

And by doing some much needed research while traveling to and from work, you'll give yourself more quality time at home to spend with your family.

Continue moving in the direction of success with these easy-to-use tools. More than likely, you'll end up liking these great "listens" so much that, among other things, you'll be motivated to hear more.

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**Sometimes
things
appear**



**to be the
same
at first
glance...**

- 1. Line graphs are missing from paper
- 2. Mouse is missing the wire
- 3. Man is much smaller
- 4. Buildings are much taller
- 5. Man is missing his tie
- 6. Monitor is white instead of black
- 7. No window molding
- 8. Man is holding money in both his hands

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Total Merchant Services

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- Video?
- Unique marketing materials?

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(set up customized
alerts?)

Wednesday 10
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Lunch w/ Al
(Al's Dry Cleaning)

Thursday 11
Sally's Soccer Game ^{Oil change}
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Dinner w/ Gen. Manager
Kim's Birthday!

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Sunday 14

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Tuesday 16

Wednesday 17

Thursday 18

Friday 19

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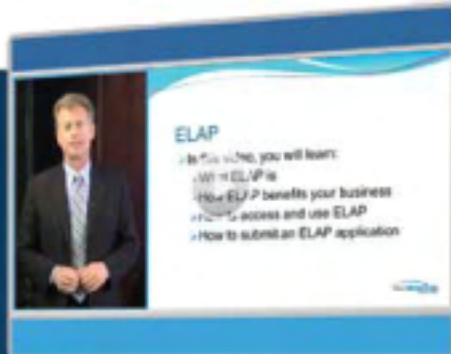


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