The Green Sheet

DEDICATED TO THE EDUCATION AND SUCCESS OF THE ISO AND MLS

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All aboard the processing train

Most consumers never think about the complex world of payment processing when they swipe bankcards at the POS. As long as transactions are approved, that's good enough for them. Most merchants are probably the same way. They don't want to be bothered with all that jazz about network routing and clearing functions; they just want to see that money end up in their bank accounts.

But ignorance of processing is not a luxury ISOs and merchant level salespeople (MLSs) can afford. As subject matter experts in the eyes of their merchants, not to mention prospective merchants, knowledge of how electronic transactions are processed is worth a little investment of time, especially for industry newbies.

A seven stage journey

The typical electronic transaction undergoes seven stages from the time a payment is initiated at the POS to the time the merchant's account gets credited for the purchase. The seven stages are: authorization, merchant balancing, capture, clearing, interchange, settlement and merchant payment/automated clearing house (ACH).

To understand the process, it is helpful to picture a transaction as a train traveling over various sets of tracks. In fact, you will often hear how a credit card transaction goes over the Visa Inc., MasterCard Worldwide, Discover Financial Services or American Express Co. "rails," alluding to that old-fashioned, proprietary transportation network known as the railroad.

1. Authorization

When a payment card is swiped or otherwise presented at the POS, the terminal or e-commerce website collects cardholder data (such as the cardholder's name, card number, card brand, and transaction type, whether that be a PIN or signature debit transaction, for example.) When the train leaves the POS station, it is carrying that little packet of cardholder information.

The train travels down "rails" to a processor (which is often the acquirer) that reads that packet and reroutes the train down another set of tracks to the corresponding card brand. In the case of MasterCard and Visa, the card brand then forwards the train by yet another set of tracks to the bank that issued the card. (Discover and AmEx have typically issued their own cards.)

At the issuer, the contents of that packet are analyzed to verify the legitimacy of the transaction – that the cardholder name matches up with,

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AdvisoryBoard

NotableQuote

Merchants who process through gateways have a high degree of flexibility and choice. Credit card transactions from a diverse population of devices can be viewed in real-time from a secure access point.

Inside this issue:
CONTINUED

Forum

Can celebs add pizzazz to prepaid cards?

I'm helping a retailer who's really interested in celebrity-branded prepaid cards. Her business caters to teens and young adults, so it seems like a potential fit. But it seems such cards never last very long.

Melanie Tyler
Tyler Merchant Advisors

Melanie,

You are right. Celebrity prepaid cards haven't enjoyed longevity in the marketplace, not yet anyway. The latest example is the Kardashian sisters' card, which was introduced in November 2010 and cancelled less than a month later. This card apparently had a hefty annual fee in addition to a monthly fee, and this generated negative press at a time when the bankcard industry is under more scrutiny than ever on the part of legislators.

However, the prepaid industry is highly innovative, and a celebrity (affinity) card with staying power could come along. To keep tabs on developments in the prepaid market, visit SellingPrepaid.com, our website devoted to that sphere. In the left-hand column of our home page, we post press releases describing the latest developments in prepaid. We also publish Selling Prepaid E-Magazine *twice monthly, which covers emerging industry trends. If a celebrity card does take hold, we'll be writing about it.*

Editor

Should I go social?

With the prevalence of social networking, how are payment pros using those avenues to attract new customers and strengthen relationships with merchants that are already in their portfolios? It seems this would be useful, maybe even necessary, for attracting younger business owners. I haven't tried it yet, though.

Carl Folger
Your POS Merchant Services

Carl,

We have noticed an increasing number of readers are adding social networking initiatives to their marketing plans. We have no data on this broken down by merchant age, but it seems logical that younger merchants would mirror their age demographic in terms of comfort with and preference for various social networking and mobile forms of communication.

We have published several articles on social networking written by industry experts as well as in-house staff. If you're interested in marketing in this arena, the following articles from our archives may help you get started:

- *"Experts weigh in on social media marketing" – parts 1 and 2, by Bill Pirtle,* The Green Sheet, *Dec. 27, 2010, issue 10:12:02, and Jan. 24, 2011, issue 11:01:02, respectively*
- *"Social media and the MWAA,"* The Green Sheet, *by Peggy Bekavac Olson, Sept. 13, 2010, issue 10:09:01*
- *"Social networking meets the POS,"* The Green Sheet, *a news story, Feb. 8, 2010, issue 10:02:01*
- *"Marketing in the next decade," by Nancy Drexler,* The Green Sheet, *Jan. 25, 2010, issue 10:01:02*
- *"A new era in digital marketing,"* The Green Sheet, *Jan. 11, 2010, issue 10:01:01*

Best of luck with your expanded marketing endeavors.

Editor

A suggestion

As a long-time fan of *The Green Sheet*, I know your readers are on the hunt for new marketing vehicles. I'd like to suggest they ask merchants who are satisfied with their services to give them positive reviews on websites like Yelp and CitySearch. And, if payment pros have had positive experiences with their merchants' products and services, they could reciprocate by writing reviews on the same sites themselves.

Sam T. Ramirez
Two Brothers Payments Consulting

Sam,

We haven't run across this idea before. It seems, as long as the parties stick with the truth, it could be mutually beneficial. Thanks for the suggestion.

Editor

Call us, write us

Would you like us to cover a particular topic? Is there someone you consider an industry leader? Did you like or dislike a recent article in *The Green Sheet*? What do you think of our latest *GSQ*? Email your comments and feedback to *greensheet@greensheet.com* or call us at 800-757-4441.

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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.

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News

Reading the tea leaves on Apple and NFC

Rumors that Apple Inc. may enable its upcoming versions of the iPhone and iPad to become contactless payment devices might be more than mere conjecture. Many players are developing strategies to take advantage of near field communication (NFC) technology. And Apple seems to have the customer base and know-how to make NFC payments happen.

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News

Weighing in on alternative payments

In *Alternative Payments: What's Your Opportunity or Risk?*, a webinar hosted by Inetco Systems Ltd., the marketplace for mobile and micropayments is expanding, which opens up opportunities for sellers. While potential profits from offering alternative payments are undeniable, significant hurdles must be overcome.

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Education

Street Smarts℠: POS systems, yea or nay?

On GS Online's MLS Forum, the question of the merits of virtual cash registers was posed. The conversation among forum participants swung from hardware issues to customer service. The bottom line? What slice of the pie will ISOs and merchant level salespeople (MLSs) receive?

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Education

Selling in the digital age

The "cottage industry" of selling bankcard products has become big business. At the forefront of that change have been advancements in technology. But in upgrading merchants to the latest terminals and value-added services, sellers must keep in mind four basic tenets: the technology must be secure, flexible, scalable and future-proof.

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Education

The decreasing primacy of price

Selling on price has been central to closing merchants. But that strategy may be changing as merchants become more savvy about pricing. Now, more than ever, merchants know not only what questions to ask, but also what answers to expect.

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Education

Marketing basics

Marketing a product is often confused with selling and promoting it. Great marketing helps the product sell itself. By satisfying customers' needs, wants or demands through clear, straightforward, timely and well-placed messaging, a product is effectively "sold" before a customer makes the physical purchase.

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Education

Referrals: Do you play the numbers game?

If MLSs believe they can get referrals simply by providing great customer service, they may be mistaken. A referral expert says it's the least effective way of gaining referrals because merchants already expect great service. If that's the case, then what works best? The answer might be found in VCP: visibility, credibility and profitability.

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Inspiration

The fine art – and science – of selling

Selling is both science and art. The science side reflects the seller's knowledge of and ability to explain cutting-edge payment technology. The art side involves understanding what the merchant wants through careful listening and asking the right questions. With both sides working in tandem, MLSs can create "masterpieces" of the selling craft.

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NEWS

Improving economy lifts First Data

For the fourth quarter of 2010, privately held **First Data Corp.** reported adjusted revenue of $1.7 billion, a 1 percent improvement over the same quarter of 2009. Including reimbursables such as debit network fees, consolidated revenue rose 6 percent year over year, to $2.73 billion. The company attributed the growth to increases in debit network fees and merchant services related to modest domestic economic growth.

A net loss for the period of $179 million attributable to First Data was a 51 percent improvement over the same quarter 2009, when the company showed a loss of $369 million. Chief Executive Officer Jonathan J. Judge said, "We are encouraged by the solid growth in our U.S. merchant acquiring business, driven by an improving economy and related consumer spending."

Nasdaq a 'juicy target' for fraudsters

Cyber attackers targeting computers used by **Nasdaq OMX Group Inc.** – the company that runs the Nasdaq Stock Market – apparently didn't gain access to the company's trading systems but did manage to infiltrate its Director's Desk portal, a web-based tool used by directors of companies to share governance information.

Nicholas Percoco, Senior Vice President and head of Trustwave's advanced security team, SpiderLabs, said the level of the users and type of information shared across the application makes the portal "a pretty juicy target for attackers." Although noting that Trustwave is not involved in the Nasdaq investigation, Percoco remarked that "web application flaws are common in custom-developed applications. A motivated attacker has infinite time to find these flaws because these applications are maintained on the Internet and can be accessed from anywhere in the world."

Visa, MasterCard end year on a high note

The two leading card brands posted strong results for the quarter that ended in December 2010. Revenue at **Visa Inc.** jumped 14 percent year over year to $2.2 billion for its first fiscal quarter, which ended Dec. 31. The results were driven by double-digit growth in service, data processing and international transaction revenue.

Profit attributable to Visa was $884 million, up 16 percent from $763 million for the same period of 2009.

At **MasterCard Worldwide**, revenue rose 10.7 percent year over year to $1.4 billion for its fourth quarter. Profit attributable to MasterCard skyrocketed 41.2 percent, to $415 million, from $294 million a year earlier. That lifted earnings to $3.16 a share, from $2.24 a share in the prior year's quarter. Income was higher due in part to a lower tax rate for the quarter.

USDT service gets tough on friendly fraud

US Digital Transactions Corp. launched a chargeback recovery service for merchants wishing to collect revenue from consumers who perpetrate friendly fraud.

The company will pursue consumers who, without valid reasons, refuse acceptance of charges for transactions they performed but for which they then submitted false requests to their issuers for refunds, or chargebacks.

"Chargebacks can be the most frustrating aspect of a business," said Greg Wooten, CEO of USDT. The company's service is a browser-based application that provides merchants two options for recovering revenue. The first is an automated, flat-fee collection service of merchant-

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

THANK YOU. PLEASE READ AGAIN!
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- In *Inside the Buy*, a national survey of consumers aged 25 to 49 by AMP Agency, 94 percent of respondents said online research positively influenced their purchasing decisions; nearly four in ten (36 percent) said they'd bought products because of their research.

- According to a survey conducted by **BIGresearch** for the Retail Advertising and Marketing Association, consumers were expected to spend an average of $59.33 on Super Bowl XLV-related merchandise, apparel and snacks, up from $52.63 last year. Total Super Bowl spending was expected to reach $10.1 billion.

- National chain store sales rose 1.7 percent in the first week of February 2011 compared with January, according to **Redbook Research Inc.** The Johnson Redbook Index also showed seasonally adjusted sales for the period were up 2.7 percent from 2010.

initiated debt-collection letters and reporting of the debt to the major credit bureaus. The second option is a performance-based full service with no upfront fees.

ANNOUNCEMENTS

ACH Direct offers free webinars

ACH Direct Inc. and **Upper Midwest ACH Association** are offering a series of free webinars to help merchants and their service providers navigate the regulations governing the automated clearing house network. Participants must register in advance at *www.achdirect.com.* All 90-minute sessions begin at 1 p.m. central time. Webinar dates and topics include:

- March 8   Introduction to ACH
- April 12   Authorization requirements
- May 17   Exception processing
- June 21   Unauthorized entries and
    stopped payments
- July 19   E-check conversion products
- Aug. 16   WEB and TEL entries
- Sept. 13   Check basics / Check 21
- Oct. 18   Remote deposit capture
    basics / corporate capture

Rover POS now PED 2.1 certified

AnywhereCommerce, a division of HomeATM, said its handheld Rover POS is now certified to the Payment Card Industry (PCI) PIN Entry Device standard 2.1. The device provides end-to-end encryption and begins shipping in March 2011.

Bling Nation rolls out social rewards in Chicago

Bling Nation launched its FanConnect social rewards program in Chicago as part of a broader national rollout. FanConnect enables businesses to connect with customers when customers visit, which can generate awareness, encourage in-store traffic and build customer loyalty through special rewards, the company reported.

Cynergy introduces LaunchPad for training

Cynergy Data LLC recently implemented LaunchPad, a program that, according to the company, welcomes ISOs to Cynergy with 90 days of personal attention, assistance and hands-on training.

"This is the best way to really get to know a new ISO: in their offices, with all their people, learning about their unique needs and goals," said Kevin Smith, Cynergy's Executive Vice President of Sales.

Foregenix, Visa Europe hold webinar series

Foregenix Ltd. is working with **Visa Europe** to deliver a series of training webinars to help acquiring banks and merchants understand how using cardholder data discovery solutions can help them become compliant with the PCI Data Security Standard.

The webinars give guidance on how businesses can identify, then encrypt or remove hidden or unprotected cardholder data. Upcoming webinar dates are March 9, March 25, April 6, and April 15, 2011. All sessions begin at 6 a.m. eastern time. For information, visit *www.foregenix.com.*

IPay named a top place to work

The **iPay Technologies** division of Jack Henry & Associates Inc. was named among the best places to work by the Louisville, Ky.-based *Courier-Journal*'s list of Top Workplaces 2011. IPay was one of only 15 midsize employers chosen for the list in the region.

IronKey's Jevans talks defense against cyber crime

IronKey Inc. posted a 20-minute webcast on its site regarding the explosion of malware aimed at the banking sector. In the webcast *Protecting Online Banking Customers from Evolving Cyber Crime Threats*, Dave

IndustryUpdate

Jevans, founder and CEO of IronKey, addresses the latest bank phishing attacks, Trojans and other topics related to cyber crime. Jevans is the Chairman of the **Anti-Phishing Working Group**, a consortium of 1,500 organizations that fight online fraud.

The webcast covers:

- Emerging tactics used to take over online bank accounts
- Why antivirus software and strong authentication cannot stop online account takeover
- The increasing sophistication of bank phishing, Trojans and other attacks
- How cyber gangs use the Internet, botnets and "mules" to evade law enforcement
- Why the financial malware threat level will continue to grow in 2011
- What the banking industry can do to fight back against online banking fraud

To view the webcast, visit *www.ironkey.com*; click the link titled "The Evolution of Cybercrime."

Louisville arena signs with TrustCommerce

The **Louisville Arena Authority** chose **TrustCommerce** for payment processing. The authority operates the KFC

Yum! Center, which hosts University of Louisville basketball games and other large events.

Powerhouse unveils CRM portal

Powerhouse Payments LLC launched its web-based CRM software suite for ISOs and merchant level salespeople (MLSs). Powerhouse stated the suite "will play an integral part in every sales office's marketing strategy. Our CRM improves your ability to deliver information and services timely and effectively."

Private Quarters signs with EPX

Private Quarters Inc., a direct-sales retailer, entered an exclusive payment processing agreement with **Electronic Payment Exchange**.

A factor in the choice is EPX's ability to integrate with direct-selling software from PartyPlan Solutions.

Mobile payments debut at Sundance

ProPay Inc. debuted its social mobile payment platform Zumogo during the 2011 Sundance Film Festival. The application facilitates payments and bi-directional communications between merchants and consumers.

TopGrading rebrands, names director

Payments industry recruiting firm **TopGrading Solutions** changed its name to **LifeWork Search**. The new identity reflects an evolution in the industry and indicates the firm's core philosophy promoting a balance between life and work.

In conjunction with the rebranding, Equity Partner Larry Lebofsky was named Managing Director, leading the overall vision and operations of the company's Payments and Retail Technology Practices.

Consumer protection bureau launches website

The **U.S. Department of the Treasury** launched the beta version of ConsumerFinance.gov, the website of the Consumer Financial Protection Bureau.

Elizabeth Warren, Assistant to the President, said, "This agency will put a cop on the beat to enforce the laws on credit cards, mortgages, student loans, prepaid cards and other kinds of consumer financial products and services." The agency is asking the public for input on development of the site.

PARTNERSHIPS

CardNET implements VeriShield

Dominican Republic processor **Consorcio de Tarjetas Dominicanas S.A.** (CardNET) deployed VeriShield Total

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Protect from **VeriFone Inc.** CardNET uses the system for end-to-end encryption of card data.

First Data, World's Foremost renew agreement

First Data and **World's Foremost Bank**, a wholly owned subsidiary of Cabela's Inc., recently renewed their credit card processing agreement. First Data will continue to provide processing services for approximately 2 million credit card accounts. First Data also provides statement production, plastic card production and associated mailing services for the bank.

Discover expands in Puerto Rico

Discover Financial Services partnered with **Banco Popular de Puerto Rico** to expand card acceptance in the territory. The arrangement could add Discover and Diners Club acceptance at 20,000 merchant locations there.

Elavon certifies Hypercom mobile products

Elavon Inc. Class-B certified **Hypercom Corp.**'s Standard POS 32 (SPOS32 EMV) payment software on the Optimum T4200 and M4200 mobile product family. Elavon can process card transactions originating from these devices in Canada.

EMG supports software from pcAmerica

Card and check processor **Eliot Management Group** added retail and restaurant POS software from **pcAmerica** to its product line. The collaboration reportedly simplifies card acceptance for merchants using pcAmerica POS systems.

Flat Fee picks Cynergy

Flat Fee Merchant Services chose **Cynergy** as its payment processor. The company cited Cynergy's upcoming applications for smart phones as a factor.

Shazam invests in Adaptive Payments

Electronic funds transfer network **Shazam Inc.** made a strategic investment in payment authentication company **Adaptive Payments Inc.** The two companies were already partners in Internet PIN debit processing and gateway services.

Ask The Expert set to serve

Take Charge Business Consulting LLC partnered with **Payments Market** to create Ask The Expert, a free service designed for ISOs, MLSs, banks, merchant cash advance companies and other payment professionals, as well as merchants. According to TCBC, questions can be anything from "how to handle an unusual exception item on your risk report for the day to what are the steps needed to be taken to go direct with a processor." For further information, visit *www.paymentsmarket.com*.

TMS selects ROAM Data for smart phone program

Total Merchant Services Inc. released a new credit card processing program for BlackBerry users and users of other smart phones. Provided in partnership with **Roam Data Inc.**'s ROAMpay, the service includes a small swiping device that plugs into the headphone jack on a phone, which enables merchants to process transactions as "qualified" since the device reads card information from the mag stripe, TMS reported.

TrustCommerce engine integrates with iPay POS app

IPhone mobile processing application **iPay POS** now integrates with the payment engine of **TrustCommerce**. IPay POS accepts credit card payments on vendors' iPhones. Merchants with TrustCommerce accounts can process transactions through the iPhone app.

TSYS and Cassis join forces for mobile

Total System Services Inc. (TSYS) partnered with **Cassis International** on mobile payments utilizing near field communication. Cassis is a mobile trusted service manager for banks and retailers.

IndustryUpdate

ACQUISITIONS

NewNet buys Traxcom

NewNet Communication Technologies LLC, which provides mobile messaging to networks, completed the acquisition of **Traxcom Technologies LLC**, whose products enable mobile payments and e-commerce. Traxcom provides a portfolio of merchant payment products and advanced encryption technology.

APPOINTMENTS

Ezic hires two, moves headquarters

In conjunction with relocation of its business headquarters, payment processor Ezic Inc. added two executives to its team. **Erica Arena** was named Director of Reseller Development. She has five years' experience in client relationship management. **Amy Nolan** was hired as Consumer Support Supervisor for the company's electronic check product. She has 10 years of experience. Ezic relocated to a larger office space in Vernon Hills, Ill.

FS-ISAC elects new officers

The nonprofit Financial Services Information Sharing and Analysis Center installed new officers and board members for 2011. The organization named JPMorgan Chase & Co. Managing Director and Chief Information Risk Officer **Anish Bhimani** Chairperson. Other officers include Vice Chair, **Gary Owen** of Goldman Sachs; Treasurer, **Eric Guerrino** of The Bank of New York Mellon Corp.; and Secretary, **Dan DeWaal** of The Options Clearing Corp. Joining the board of directors is Bank of America Corp.'s **Craig Froelich**.

In collaboration with the U.S. Department of the Treasury and the Financial Services Sector Coordinating Council, FS-ISAC's mission is to assist the financial services sector in preparing for cyber and physical threats.

The Clearing House elects new leadership

The Clearing House Payments Co. elected new board leadership. **John Stumpf**, Chairman, President and CEO of Wells Fargo & Co., was appointed to a two-year term as Chairman of the organization's Supervisory Board.

Michael Gallagher, HSBC Executive Vice President for Global Transaction Banking, was appointed The Clearing House Board Chairman. Citigroup Inc.'s **Michael Helfer** was named Chairman of the Association Board. The Clearing House settles 66 million transactions a day.

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View

Bold steps needed on fraud front

By Patti Murphy
The Takoma Group

In the payments space, everyone has an interest in card data security – merchants, banks, ISOs, even consumers. Yet criminals always manage to find the path of least resistance for stealing credit and debit card information. So why are credit and debit card numbers so readily available for the taking? In other words, why are credit card numbers still moving through the ether?

I've asked this repeatedly over the years. It came up again recently when First Data Corp. and the National Retail Federation released results of research regarding data security and fraud prevention practices of small to midsize merchants – those with less than $100,000 in annual sales. Among the findings: most merchants (85 percent) care about keeping customer card and payment data secure, yet 60 percent don't understand what a data breach would cost them.

Although two-thirds of surveyed merchants said they were aware of the Payment Card Industry (PCI) Data Security Standard (DSS), fewer than half had completed the self-assessment process the standard requires. Perhaps even more troubling, 42 percent of respondents were unaware of the annual self-assessment requirement.

Many merchants are clueless

The First Data-NRF survey also suggests confusion over who pays what when card numbers are compromised at the merchant level. For example, 60 percent of merchants surveyed didn't know they can be fined for every card that has to be canceled and reissued if they are found to be the source of a breach.

I need not tell anyone reading this that fraud can be costly. The Ponemon Institute, renowned for its work analyzing fraud trends, estimated the average cost to U.S. merchants coping with data breaches is $204 for each customer record breached, or about $6.7 million per breach in 2009. Then there's the problem of diminishing customer trust.

Trust is crucial to the payment process, so when payment card data is compromised, cardholders, understandably,

Fraud represents a huge exposure to merchants and banks alike. Yet efforts to contain card fraud seem to be more successful with online than with brick-and-mortar establishments.

grow uneasy. Ponemon found firms that had experienced data breaches lost an average of 3.9 percent of customers whose records had been compromised. Data breach-related customer churn rates were put at 5 percent for financial services firms.

Meanwhile, the First Data-NRF survey revealed that more than 4 percent of retailers with less than $100,000 in annual sales have been victimized by some type of fraud: physical thefts, tampering with terminals, computer viruses or malware, and misappropriation of card data were the top frauds named. Employee misuse or theft of credit and debit card information accounted for 17 percent of incidents reported by the survey group.

Four percent may not seem like a big deal until you consider there are at least 24.6 million businesses in the United States with less than $100,000 in sales, according to the federal government. That suggests 1 million small merchant businesses were victims of fraud last year, and roughly 170,000 of those cases involved misuse or outright theft of credit or debit card data.

So why do merchants have card data? As a consumer, I don't like the notion that every merchant who accepts my credit or debit card has that information stowed away in a database and that these merchants may not be aware of this. That's why I try when shopping online to use only sites that indicate they don't hold onto customer card data or sites that provide anonymity through payment aggregators like PayPal Inc. and Google Checkout.

Online merchants are fighting back

Fraud represents a huge exposure to merchants and banks alike. Yet efforts to contain card fraud seem to be more successful with online than with brick-and-mortar establishments. Consider, for example, that in 2008, online merchants lost a total of $4 billion to payment fraud, or about 1.4 percent of online revenues, according to CyberSource Corp. And by last year, fraud losses had fallen to just 0.9 percent of revenues at online merchants, or about $2.7 billion.

Containing online fraud hasn't been easy or cheap. "Typically, one-third or more of merchants report spend-
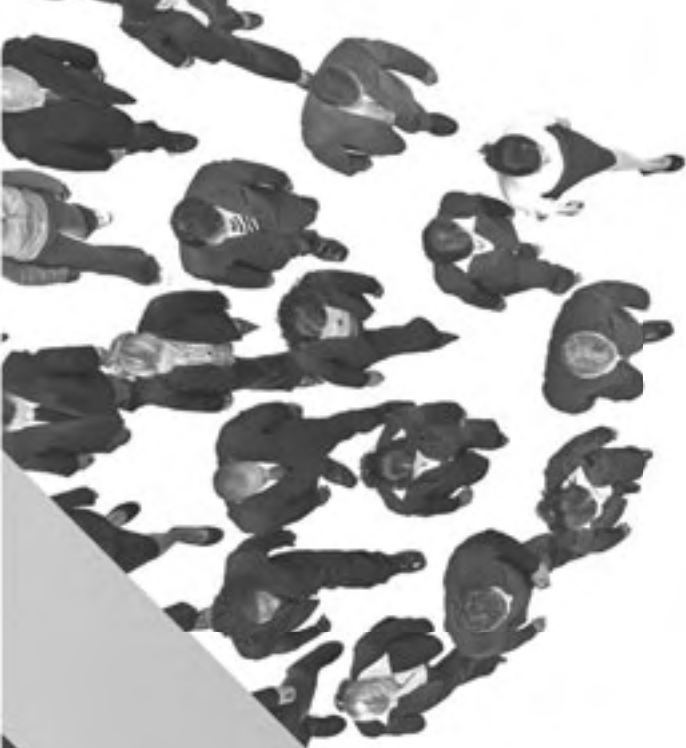
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ing 0.5 percent or more of their online revenues to manage fraud," stated the *CyberSource 12th Annual Online Fraud Report*. And the money seems well spent. "Much progress has been made in the last few years in reducing fraud losses while increasing valid order acceptance," CyberSource reported.

The same can't be said for brick-and-mortar establishments. From my vantage on the sidelines, it seems the best way to secure card data is to make sure merchants can never touch it. This can be done through end-to-end encryption or Europay/MasterCard/Visa- (EMV) compliant chip cards and readers. But that requires money for new POS devices, or modifications, and folks on the front lines say that isn't happening.

I don't get it. A few hundred dollars for an encrypted terminal or a $50 upgrade to EMV is chump change compared with the cost to a merchant of being compromised. Wal-Mart Stores Inc. has invested in EMV-compliant terminals, but it hasn't yet implemented the necessary software. Many experts have suggested that once Wal-Mart makes the switch, every other retailer will do the same. I'm not convinced. Even if Wal-Mart is able to sway millions of smaller retailers the switch to EMV isn't going to happen overnight.

The Fed could step in

Perhaps what's needed is a mandate. I'm serious; maybe it's time for the federal government to step in and force some changes. The Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the legislation that gave the Federal Reserve Board regulatory authority over debit card interchange, also allows the Fed to pressure card issuers to improve security. Perhaps the Fed should mandate that all card issuers convert to chip cards.

It's not a stretch. In 2003 Congress passed the Check 21 Act instructing the Fed to get paper out of the check system as soon as possible, and the Fed responded by requiring all financial institutions to accept electronic check presentments. It worked like a charm. When was the last time you saw a cancelled paper check?

If the Fed forces issuers to move to chip cards, retailers will have to make the necessary terminal changes. And then there will be one less card system vulnerability for fraudsters to pursue.

Patti Murphy is Senior Editor of The Green Sheet and President of The Takoma Group. She is also the founder of InsideMicrofinance. com. Email her at patti@greensheet.com.

Retaining merchants during a portfolio acquisition

By Daniel Federgreen
Analyst

A primary issue that must be addressed when acquiring a portfolio of merchant service accounts is merchant retention. Valuation of an acquisition target clearly is driven by the "quality" of the accounts contained in the portfolio. And by quality, many experts mean the likelihood of retention. On average, approximately 50 percent of merchants obtained during an acquisition remain with the new acquirer after one year.

In addition to standard issues, such as the type of accounts within a given portfolio, purchasers must consider what factors will influence a merchant's willingness to remain in a portfolio during and after it is acquired. These include resolution of consumer complaints, pricing, reaction to merchant needs, product offerings, transparency of statements, complexity of conversion and "local" touch.

The role of business integration

An area that has not been specifically addressed in the electronic transaction literature – and that the author believes can add significantly to the long-term success and valuation of an acquisition – is the successful integration of the various business operating units of the acquired and acquiring entities.

Hidden value can be won or lost, depending on the success or failure of integration. And if you realize that ease of integration is the key factor in retaining merchant accounts, you can exercise control to avoid disruption and make the transition smooth.

The principal mission of every merger and acquisition integration is orderly control of the process to guide it toward success. Neglecting to control the process may lead to failure or worse – an ongoing, expensive failure. Parameters and milestones must be understood and agreed to before the acquisition is completed.

Indeed, the cost of the target must include the cost of its integration. Therefore, from a modeling view, the cost of integration management and guidance must be added to the overall cost of the project. It should be calculated as the monthly imposed management burn rate multiplied by the time, in months, to full integration.

An additional factor of cost acceleration should be added to the equation in recognition of the fact that the total value of the target will be reduced through the inevitable consequence of merchant attrition.

Successfully managing the integration

Bain & Co.'s merger and acquisition group, led by Ted Rouse, conducted research on more than 24,000 integration transactions during a 10-year period from 1996 to 2006. They developed a list of 10 key actions required to create the highest rate of success. These are:

- Follow the money.
- Tailor your actions to the nature of the deal.
- Resolve the power and people issues quickly.
- Start integration when you announce the deal.
- Manage the integration through a decision drumbeat (making decisions efficiently).
- Handpick the leaders of the integration team.
- Commit to one culture.
- Win the hearts and minds of those on both sides of the transaction.
- Maintain the base momentum in both companies.
- Invest to build a repeatable integration model.

Of equal interest is an article written by Gerri Knilans for the winter 2009 issue of Employment Relations Today, in which she identified seven key levers associated with a positive merger outcome. These levers are:

- Integration teams, which can build the necessary relationships between the two companies
- Speed, which refers to the sense of urgency (not haste) that must accompany the integration
- Leadership, or buy-in to the process from key members of the management team
- Communication, which must be consistent both internally (associates, board) and externally (shareholders, customers)
- Retention of valuable employees, which can help smooth the transition
- Culture, which is second in importance only to results
- Results, which are the ultimate goals of the merger and should guide the process

Going hand-in-hand with the key integration levers are the three components of a successful integration: processes, tools and measurement.

How does all of this affect a deal between an acquirer and seller of a small or midsize portfolio? In far too many cases, deals are struck without adequate forethought about the post-purchase integration process. Many deals in the small ISO marketplace are based upon the judgment of individuals who have little or no prior experience with mergers and acquisitions. This means no expert hand is brought to the table.

terms of a traditional evaluation may turn out to be a performance star if a managed approach to integration is employed. I believe strongly that proper team integration, and the positive role it can play in merchant retention, cannot be underestimated when considering an acquisition's value. As Ralph Waldo Emerson said, "Commerce is a game of skill which everyone cannot play and few can play well."

(I wish to thank Ross Federgreen of CSRSI for his guidance and critical review of this article.)

Daniel Federgreen can be reached at exvala@gmail.com. He currently is employed in the corporate financial group of a Fortune 500 company.

It is highly unusual to find within the merchant services literature a discussion about how to successfully integrate a target acquisition into a purchasing entity.

The importance of integration expertise

Existing third-party firms within the electronic payments space can represent the multiple sides of an ISO portfolio acquisition, but they tend to act more as brokers than as integrators.

Once the deal has been consummated, the real work of bringing the portfolios into alignment is left to individuals with, in many cases, minimal experience and inadequate skill sets. Valuation of portfolios is therefore market-driven as a multiple of some x net value. This is a far cry from a reasoned approach to the true cost of integration.

For example, in the current environment, the multiplier value is driven almost solely by the feeding frenzy of purchasers, rather than the true cost of integration. Success or failure is defined by the retention percentage, which is almost entirely based upon antecedent predictors, rather than the subtle endpoint of integration cost and success. The missing variable in the analysis may be the previous success rate of the portfolio's acquirer in similar activities, as stated by Rouse and Knilans.

It is highly unusual to find within the merchant services literature a discussion about how to successfully integrate a target acquisition into a purchasing entity.

The retention percentage of acquired merchants can be positively affected by the correct plan of action; therefore, what might appear to be a "dog" in

Selling**Prepaid**

Prepaid in brief

NEWS

Prepaid growing in India

A report from New Delhi, India-based research firm **RNCOS** said the rise in the number of middle-class households in India, as well as a shift in consumer spending patterns, will continue to spur the rise of prepaid card usage in the South Asian country.

According to *Indian Payment Card Market Forecast to 2012*, out of India's 1.2 billion population, only 20 percent of adults possess payment cards; therefore, the other 80 percent, many of them experiencing a rise in income, represent an attractive opportunity for prepaid card companies.

Bancorp Bank division becomes NetSpend's new issuer

On Jan. 31, 2011, **NetSpend Holdings Inc.** signed a multiyear agreement with **The Bancorp Bank Payment Solutions Group**, whereby The Bancorp Bank division will serve as NetSpend's new issuing bank for both new and existing card programs.

NetsSpend said it had been in discussions with The Bancorp Bank since October 2010, with the two companies performing mutual due diligence, program assessment and technical integration planning. The deal is part of NetSpend's strategy to diversify over 15 percent of the volume generated by its noncorporate, employer-issued prepaid debit cards to one or more banks by the second half of 2011.

Washington State bill to tackle prepaid card fraud

In January 2011, Washington State Sen. **Mike Carrell**, R-Lakewood, introduced a package of legislation designed to combat fraud, abuse and waste within state-run public-assistance programs. One of the bills, Senate Bill 5327, would reportedly limit the use of electronic benefit transfer (EBT) prepaid cards to locations deemed beneficial to the child of the parent receiving financial assistance. "There is evidence of EBT cards being used

at firearm dealers, liquor stores, tattoo parlors, tobacco outlets and strip clubs," Carrell said in a statement. "These cards are supposed to be used for the benefit of children – not adults – and children are not using these cards at strip clubs or to buy alcohol. We need to make certain the funds are being used in a manner intended by taxpayers."

ANNOUNCEMENTS

Prepaid companies give to charity

ACE Cash Express Inc. and **NetSpend** donated $522,643 to the National Breast Cancer Foundation in support of its mission to save lives through early cancer detection via mammograms.

Meanwhile, **The Western Union Co.** reported it donated over $8.5 million to 38 countries in 2010.

BillMyParents in the news

Socialwise Inc., the parent company of teen payment solutions brand **BillMyParents**, reported the BillMyParents Facebook Fan Page surpassed 100,000 fans. In other news, BillMyParents landed pro skateboarder and MTV celebrity Ryan Sheckler and champion motocross racer and rally car driver Travis Pastrana as spokesmen for the reloadable BillMyParents Prepaid MasterCard card.

CardSmith launches card program at Oregon college

Campus card provider and program manager **CardSmith** rolled out the Laker One Card, a student ID and prepaid card, at Southwestern Oregon Community College. A college spokesman said the institution expects to expand the card's use beyond on-campus food services.

FNDS3000 raises capital for South Africa expansion

International prepaid card processor **FNDS3000 Corp.** closed on $500,000 in working capital to support continued growth of the processor's prepaid card business in South Africa. FNDS3000 said prepaid cards are the fastest growing card segment worldwide.

InComm added 1,500 grocery locations in 2010

Prepaid card distributor and processor **InComm** disclosed that it added over 1,500 grocery store locations to its distribution network in 2010. InComm attributed

this momentum to the addition of top tier product partners, increased consumer demand for prepaid cards and innovative solutions that drive foot traffic.

Remittances extended to Mexico-U.S. corridor

MoneyGram International launched its first cash-to-Visa account program for remittances from the United States to Mexico. The program, arising out of MoneyGram's success in the cash-to-Visa service in Guatemala, allows consumers in the United States to utilize MoneyGram's network of 35,000 money transfer locations to send funds directly to Visa Inc. account holders in Mexico, the company said.

Starbucks introduces Card eGifts

Starbucks Corp. launched Card eGifts in the United States on the heels of its October 2010 launch of the Starbucks Card Facebook app that allows users to reload the Starbucks cards of their friends.

PARTNERSHIPS

New tandem set to unveil m-payments in the U.K.

Everything Everywhere Ltd., a joint venture between telecommunication companies Orange UK and T-Mobile UK, made a pact with Barclays Bank PLC's prepaid card division **Barclaycard** to offer a contactless mobile phone payment solution for U.K. consumers. The new service will launch by early summer 2011, the companies said.

Mobile capabilities enhanced through new team

Ready Financial Group Inc., in partnership with **Fidelity National Information Services Inc.**, launched the READYdebit Visa Prepaid Card nationwide.

Western Union makes new partners

Western Union and **InComm** inked a deal to offer general purpose reloadable prepaid cards in the United States through InComm's retail locations. Also, the money transfer specialist and **Banca Intesa Sanpaolo**, reportedly one of the biggest banking groups in the euro area, entered an agreement to begin an ATM-enabled remittance program in Italy. Additionally, Western Union signed an agreement with **PayPoint PLC** to extend Western Union's network in the United Kingdom and Romania.

ACQUISITIONS

Visa to purchase PlaySpan

Visa agreed to acquire online game monetization plat-

form provider **PlaySpan Inc.** According to Visa, the card brand will pay $190 million in cash for the privately held company, with potential future earnouts if certain performance milestones are reached.

PlaySpan's subsidiary PayByCash offers the Ultimate Game Card, a one-time use prepaid card that allows online gamers to purchase in-world game time or to enhance their abilities and experiences within virtual worlds.

APPOINTMENTS

Barrett joins Card Compliant as VP of Sales

Card Compliant LLC, regulatory compliance expert for the prepaid card industry, hired **Hunt Barrett** as Vice President of Sales.

EB hires 'Bud' as VP of Sales

Health care card program manager Evolution Benefits Inc. appointed **Fred "Bud" Bockoven** as a Vice President of Sales.

Greaves named CEO at Transact Network

European prepaid card provider Transact Network Ltd. announced that **Colin Greaves** was named Chief Executive Officer and a member of the board of directors.

Former Google executive tapped by edo Interactive

Social network services provider edo Interactive appointed **Mark Marinacci** as Chief Revenue Officer. Marinacci is the former Head of Retail Industry at search engine giant Google Inc.

Features

Rewards expand with BillShrink

As a consequence of recently passed legislation that squeezes banks' revenue, rewards and loyalty initiatives may be their salvation. Loyalty platform provider BillShrink is banking on the strategy that greater customer loyalty and deeper customer relationships will help banks make up for lost profits.

According to BillShrink Chief Executive Officer Schwark Satyavolu, passage of the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (the Credit CARD Act) and The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 will cause banks to lose over $30 billion annually. (The Durbin Amendment in Dodd-Frank seems to be particularly costly to banks. It mandates the Federal Reserve not only cap debit card interchange, but also amend Regulation E rules to combat debit card fraud.)

With a "significant amount of new pressure on banks, both on the credit side and the checking or banking side, there's a lot of pressure to go find other ways of making that revenue," Satyavolu said.

Carrot or stick

One way banks can increase revenue is by imposing new fees on customers – what Satyavolu calls the "stick" approach. But Satyavolu said BillShrink offers another way – the "carrot" approach by adding rewards functionality directly to consumers' online bank statements.

Through its StatementRewards program, consumers can take advantage of discounts at merchants they already frequent, as well as recognize where they can achieve savings in their recurring bill payments.

The Bill Analyzer feature of StatementRewards analyzes consumers' recurring bill payments and recommends how consumers can, for example, lower wireless phone service costs. Satyavolu said the average consumer spends a total of $5,000 a year on cable, cell phone and gas; Bill Analyzer can save the average consumer $1,000 annually on those bills.

The second component of StatementRewards involves other expenses that aren't as large or recurring, such as coffee at your favorite coffee shop or clothes from your favorite clothing store.

"What we have done is created a platform that effectively rewards you for your loyalty with each of these different merchants without having to sign up for a loyalty program, without having to swipe an additional card every time you go into the store," Satyavolu said. "It actually just shows up on your statement."

If a coffee drinker buys coffee from a local vendor 10 times in a three-month period, the consumer can get a $15 discount on the next $50 in coffee from the vendor. "And that's something you would get access to right in your bank statement … and without actually having to do anything extra," Satyavolu said. "So it gives you access to discounts at merchants you shop at, and it doesn't require you to do any additional work on your part."

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Rewards are 'in'

According to a BillShrink survey, 94 percent of respondents said they would use cards that offered them in-statement rewards and money-saving recommendations over cards that did not. And over 76 percent of respondents said they would use a new card or change banks if current providers did not offer loyalty rewards in their statements.

Additionally, respondents would increase by 40 percent their visits to merchants who offer in-statement loyalty rewards. Also, 90 percent of respondents would have a more favorable opinion of merchants who offered in-statement discounts.

Satyavolu believes in-statement rewards may also be a way for banks to reinvigorate gift card programs.

"I think the closed-loop gift card is definitely one of those things that has reached a saturation point, but it does have a significant amount of penetration," he said. "People understand it and how to use them. And so giving them access to those kinds of cards, this kind of mechanism definitely puts more cards back into play with a larger audience than they traditionally had access to."

The value of stored-value for ISOs and merchants

As retailers increasingly realize that offering rewards and discounts attracts customers and keeps them coming back to stores and websites, the need for providers of gift, loyalty or rewards programs is only growing, according to a SparkBase white paper.

In *How To Improve Your Bottom Line: 4 Steps to Develop a Successful Gift Card, Loyalty or Reward Program Merchants Want*, the stored-value card processor cites the American Express OPEN Small Business Monitor, which reported the largest driver of merchant revenue growth in 2011 will come from customer demand for such programs. Thirty-eight percent of merchants surveyed said implementing rewards or loyalty programs topped their to-do list in 2011.

"The fact is consumers want stored-value programs, and over the next 12 months, we will see rapid adoption by small to midsize merchants as they rush to take advantage of this opportunity," SparkBase said. "The only question is, Who will provide the merchants their program?"

Jumping in

SparkBase outlined three ways ISOs can go about implementing a stored-value program. The avenue that requires the least investment is to resell a vendor's branded product. But minimal investment means minimal return on investment, SparkBase said, because ISOs would only receive a small percentage of total revenues generated by the program, with the vendor enjoying the lion's share of the profits.

The second business model is for ISOs to develop in-house programs. In this scenario, the ISO has its information technology department build a processing platform or contract the job out to an independent software developer. The upside for ISOs operating their own in-house systems is that they control the technology and realize greater revenues.

However, development of in-house systems costs time and money. SparkBase said development time usually runs seven to nine months and may cost over $1.5 million – an initial investment that doesn't take into account the need for system upkeep and innovation over time.

The third option is for ISOs to "white-label" third-party vendor programs. In this model, the vendor operates the program behind the scenes, while the program is branded and marketed to merchants as the ISO's own program. SparkBase said ISOs that go this route control merchant pricing and can expect to see margins in the 70 percent range.

"Of the three options covered … white-labeling an existing network has the highest incremental rate of return, as it limits the capital investment required for start-up and ongoing overhead while increasing speed to market and still delivering control of the merchant experience," SparkBase said.

Benefits of best-in-breed

The value proposition of stored-value programs is multi-faceted. For small and midsize businesses competing with big-box retailers for customers, ISOs offering sophisticated stored-value programs can help "level the playing field," SparkBase said. Stored-value also reduces merchant attrition, since merchants are less likely to switch processors if an ISO's high performing gift or loyalty program boosts the merchant's bottom line, the processor added.

Above all, well crafted stored-value programs drive new customers to merchants and encourage repeat business from existing customers, according to SparkBase. "ISOs have an opportunity to take advantage of a fundamental merchant need: increasing consumer traffic and spending," the processor said.

The white paper is free for download at *http://sparkbase. com/4steps/*.

ADVISORY BOARD

Game changers for 2011 – Part 2

In the payments industry, one thing is certain: if you don't like the way things are, wait five minutes; everything will change. Whether influenced by global economies, legislation or advancing technologies, a sea change always seems to be taking place in our beloved industry.

To gain insight about industry changes most likely to influence the coming year, we asked our advisory board: What do you see as some of the biggest game-changers for 2011? How do you see them affecting the industry? How can merchant level salespeople (MLSs) work these factors into their game plans and keep ahead of the curve?

This article contains the second, and final, portion of their responses. The first segment was published in *The Green Sheet*, Feb. 14, 2011, issue 11:02:01. Many thanks to all who contributed to this dialogue.

Justin Milmeister
Elite Merchant Solutions

I believe the Durbin Amendment is a game-changer in our industry along with the IRS reporting requirement. The Durbin Amendment was implemented to lower the fees paid by merchants for debit card transactions. It may seem relatively simple in theory, but it is far from that.

The Durbin Amendment is part of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. The way the act is currently written is very typical of what happens when you put people in charge of something that they don't thoroughly understand. Without getting specific, the amendment allows for a board to essentially come up with reasonable costs associated with a debit card transaction. This leaves quite a bit of ambiguity. And then factor in what the board thinks is reasonable, and you have a recipe for disaster.

I spoke with my company's long-time bankcard attorney, Paul Rianda, about this amendment. He told me that the interesting part about this bill is the fact that it addresses the issuers but does not directly impact the retail price charged to merchants. If this is the case, then essentially acquirers would get the lower wholesale pricing from

the issuers, and, as the law is written, would not have to pass these savings on to their respective clients. What a nice pay increase to the acquirers, wouldn't you say?

What seems to be a good thing to protect the end user (consumer) by lower prices will, in my opinion, only hurt in the long run. It is only a matter of time until these issuers will find ways to make up for that lost revenue, and if the past dictates the future, they will always come up with something that was better (that is to say more profitable) than the last, which will of course hurt the consumer.

My concern, and the reason I consider this amendment a game-changer, is due to the fact that once they get one foot in our industry, how long until they get their whole body in bankcard processing?

Another game-changer is the IRS reporting requirement stemming from the Housing and Economic Recovery Act of 2008, which begins for transactions on Jan 1, 2011, and will require merchant acquirers to report the gross processing volumes from their respective merchants. Now, if the tax identification number (TIN) and business legal name does not match what the IRS has, or if it is nonexistent, the merchant will be subject to IRS withholdings.

The kicker here is that even when you do cure this problem, it can take a fair amount of time to get your funds released. These two requirements alone will have many payment processors scrambling to ensure they are in compliance with the new rules and regulations.

The Durbin Amendment affects the industry by regulating an industry that has not been regulated thus far. You can bet that soon to come is the threat to the credit side of regulating its interchange. It is important that payment processing companies band together and voice their word and put up a fight.

I have heard on several occasions that not much of a fight against the debit interchange regulation was initiated considering what was at stake, but when the credit side is attacked, it will be a much different story, and the issuers and card associations will bring everything they have to protect this tremendous revenue source.

It is best all payment professionals stand behind each other on these regulation issues because the government will be soon digging into your pockets as well. So write your elected government officials, and let them know what a knowledgeable payment professional thinks of further regulation of the industry and how it will only end up hurting the consumer in the long run.

As for the IRS reporting requirement, the best thing to do to stay ahead of the game and avoid major problems down the road is to ensure you are getting accurate information from the merchant such as the TIN and business legal name. A bit of short-term pain (validat-

ing TIN and legal name of businesses) for long-term gain (avoiding those horrendous customer service calls for funds being held).

I generally like to list positive things when asked these types of questions; however, in my opinion these are the most pressing and important issues to us as payment professionals at this point in time.

Dave Siembieda
CrossCheck Inc.

This is going to be a busy year, as there are several developments on the horizon that will directly impact our industry. Here are what I see as some of the top game-changers and their impact on the MLS.

The Durbin Amendment will play a primary role. As debit card transaction volume has passed credit card volume, the Federal Reserve has declared a "market failure" in debit card pricing and is setting caps on what can be charged. The caps are 80 percent below current pricing, and this will make processing debit card transactions uneconomical. The MLS will be tasked with finding an alternative that will be acceptable to the Fed, merchants and consumers.

Check volume will increase, as consumers are more likely to pay from their checking accounts, and business-to-business payments remain check-based for the most part. Consumers want to pay by check but do not want to write a physical check in many cases. Up to now, this has meant check conversion to automated clearing house or remote deposit capture, but what is really needed is a way for the consumer to pay with a debit to their demand deposit account without having to physically write a check.

A solution to this, originally proposed by the Fed in 2009, is the Electronic Payment Order. This will allow a check to be written digitally (for example, on a mobile device) without an original paper check in the first place. The MLS will need to choose a processing partner who can offer this service.

Also significant will be fraud management. Criminals are focusing on stealing identities and accounts, and this will call into question the identity management and authentication processes used by issuers and merchants. A focus on fraud will push regulators to concentrate on privacy and security issues, particularly given the increase in mobile and social network transactions. The MLS should look for opportunities to provide device authentication and transaction monitoring.

Mobile commerce demand will spike. Consumers increasingly want to view coupons, scan them and make purchases using their mobile devices. However, neither consumers nor merchants want to pay for any hardware to do this, so the solution may be a free downloadable app. The MLS will need to keep abreast of these developments and be ready to offer a solution to the merchants who are asking for this capability.

Biometrics will become more mainstream. Banks are turning to biometric authentication for mobile and online clients. Fingerprint, voice and face recognition systems will become more commonplace. The MLS will need to be aware as new services become available to meet these needs.

Due to new regulations, new technology or new consumer habits, there are both opportunities and challenges facing the MLS in the new year. I think that now, more than ever before, it's crucial that our industry work to be at the forefront of these opportunities.

Theodore Svoronos
Merchant University

I personally feel that this year will be the beginning of a separation of the haves and have-nots. Some of the biggest changes we've seen thus far are value-added products and services that parallel the mainstream processing world.

The traditional methodology of a terminal and a com-

Feature

petitive rate is no longer enough to grow your business as an ISO, MLS or other payments industry professional. Adding more value to an organization through additional cutting-edge products and services, education, training and exceptional customer service is what has become the cornerstone of stability and growth, and even the new foundation of an organization.

This is also what has been added to the customer's list of "here is what I'm looking for" in an organization. As we see this year unfold, not only should we see new products and services that parallel merchant services but, additionally, we should see new methods of marketing, cross promoting and business development.

Once again in this industry, we have evolved. As vast as a space this seems to be, it really is not, and certain questions must be asked in order to gauge where an organization is within the industry.

Questions include:

- What makes my organization different or better?
- How do I solidify my relationship with my customers?

- Am I in tune with the industry?
- Am I behind the times or am I ahead of the curve?
- Where is this industry headed?
- What do I need to do to hold my ground or gain more ground?

Additionally, mobile commerce and micropayments have gained some ground and are being looked at heavily as a main artery of revenue generation through market segmentation. I think that by bringing these paradigm shifts into our industry and evolving from traditional methodologies, we will see an expansion or a reach into adjacent markets. I also believe that even though "price" will never go way, it will just be bundled as part of the basket of offerings from an organization. ISOs, MLSs and other service providers must clearly adapt and evolve with our industry.

Learning about new technologies, new marketing strategies and value-added business solutions will not only assist in solidifying one's position on this ball field, but it also can be beneficial in giving an edge regarding what is to be (where we are headed) in the very near future. Out-of-the-box thinking and vision are critical, and in the end, those that can see the unseen and can prepare for the future will carve a niche for themselves and reap the benefits.

Company**Profile**

ACH and check verification specialists

VeriCheck Inc. was founded in 1989 as a check verification and collections enterprise. VeriCheck President and Chief Executive Officer Jerry Hannah, who purchased the company from Tom Nort in Atlanta six years later, said it's sometimes hard to recognize the business he took over because of the technological advances the company has made. However, he said the principle of top-notch service has always been and remains at the company's core.

"You will always find our staff fully engaged in a giving, helpful and cordial customer care experience," Hannah said. "We work until there is full resolution of any question or issue that an ISO or MLS [merchant level salesperson] brings to us."

During its 20-plus years in business, VeriCheck has seen the full evolution of automated clearing house (ACH) transactions. "Today we offer solutions that were mere dreams when we first imagined what this industry could become," Hannah said, adding that he, VeriCheck Chief Financial Officer Rebecca DeVane and the company's dedicated staff have remade the company many times over in the last two decades.

Rising ACH stats

The ACH system, which processes electronic credit and debit transfers for institutions nationwide, is a rapidly growing processing alternative. According to NACHA – The Electronic Payments Association, the number of ACH transactions processed exceeded 18 billion in 2009.

Hannah said that offering ACH capabilities contributes to a company's bottom line, and businesses that don't use ACH processing and paper check conversion risk being cut off from new markets. Also, in the United States, many individuals do not possess credit cards or simply prefer to pay via checking or savings accounts.

In December 2010, the Federal Reserve released a study focused on noncash payment trends in the United States from 2006 through 2009. The report showed emerging trends in noncash payment activity across the country, with electronic payments increasing from nearly two-thirds of all noncash payments to more than three-fourths of those payments. Excluding credit cards and checks, usage of all other noncash payment forms has been increasing steadily.

During the reporting period, electronic payment growth expanded annually at a rate of approximately 9.3 percent; total annual transaction volume for electronic payments exceeded 84.5 billion in 2009, representing a dollar value of over $40.7 trillion, the Fed noted. Of the 84.5 billion electronic transactions, ACH volume made up 19.1 billion, coming in third after debit and credit cards, respectively. ACH dollar volume, however, represented $37.2 trillion of the $40.7 trillion electronic payments total.

Multiple ACH options

Beginning in 2001, VeriCheck enhanced its system to include its current ACH processing. Today, the company offers the following types of ACH transactions:

- Website originated (WEB)

Company**Profile**

- Personal account debit (PPD)
- Business account debit (CCD)
- Telephone originated (TEL)
- Point of sale, cash register (POP)
- Back office conversion (BOC)
- Accounts receivable (ARC)
- Returned check item (RCK)

By specializing exclusively in check processing, VeriCheck can complement any ongoing credit card relationship an ISO might have, according to Hannah. The company's reseller packages are tailored to an organization's specific situation and provide end-to-end ACH processing that does not involve third parties.

VeriCheck reported that with multiple program options for check-present and check-not-present transactions, the company offers scalable ACH and check solutions that can be adopted by all types and sizes of businesses. Its system enables businesses to take payments from customers using customers' personal or corporate checking or savings accounts. Merchants can accept payments from customers over the phone, through a website, by fax, online invoice or in person. The company also offers remote deposit capture (RDC) and Check 21 services for ISOs and MLSs whose merchants want to deposit checks remotely.

The primacy of ISOs and MLSs

VeriCheck services are offered primarily through a network of ISOs and MLSs who partner with the company. "We currently work with many of the leading ISOs across the nation, and we are always looking for partner organizations who can benefit from a direct relationship with our end-to-end ACH processing solutions," Hannah said.

He believes in building good working relationships that help ISOs meet their merchant customers' changing needs. He stressed that when an ISO or MLS calls the VeriCheck office, the individual will talk to a live person who understands the client's issues – often the same person the ISO or MLS has dealt with previously.

VeriCheck believes its resellers can fulfill all their check solution needs using VeriCheck's in-house processing. In addition, resellers enjoy a range of check verification tools and resources, check guarantee programs for qualified merchants and a nonsufficient funds recovery program. They can also take advantage of real-time tracking and monitoring of all transactions, as well as reporting by merchant or by portfolio.

With VeriCheck as the processing source, buy-rate mark-ups are effectively eliminated, and VeriCheck's full suite of ACH and Check 21 solutions can integrate into any application programming interface (API) or gateway that an ISO or MLS is using, VeriCheck noted.

In addition, ISOs and MLSs working with VeriCheck can provide every type of checking solution under their own umbrella of services, maintain ownership of the accounts they enroll, make use of competitive pricing programs and enjoy reliable payment of residuals.

"VeriCheck resellers can also benefit from our ongoing relationships with our partner organizations who provide value-added products and services," Hannah said. "We can offer these products and services to your organization at our exclusive discounts, adding additional revenue streams to your business."

Essential customer satisfaction

According to eMerchant Solutions, VeriCheck is its primary provider of ACH and check processing services. A company representative said the relationship has been long standing and mutually beneficial. And when it comes to merchant support and communications, eMerchant Solutions believes VeriCheck "is the best."

VeriCheck prides itself on giving its reselling partners absolute control over the merchants they board, as well as on providing the exact level of interaction its partners individually desire. VeriCheck affirmed that it never gets between resellers and the prices they assess on merchants; it leaves such pricing decisions to the ISOs and MLSs.

The company's entire merchant boarding process and all transaction processing are done in-house. This includes all risk assessment, billing, support, programming and training. Providing all of these services in-house, gives VeriCheck the ability to react quickly to meet the needs of merchants and reselling partners, the company noted.

"When a merchant boards with us, there is no extra price for this service or that service," said Zac Ebrams, VeriCheck's Director of Marketing and Sales. "We include, free of charge, all ancillary services that most other providers charge extra for." Ebrams further pointed out that merchants have access to all features of VeriCheck's fully secure and compliant merchant console, which includes:

- Feature rich reporting capability
- Recurring and scheduled payment ability
- Virtual terminal access
- Predesigned payment forms
- Customer databases
- Accounting software integration tools
- Ability to add products and services to consoles
- Capability to grant up to 50 users access to a processing account

"VeriCheck has been one of our primary providers of ACH services for over five years," said Randy Almond,

Senior Director of Marketing at PaySimple. "As a reliable and valued partner, we've worked closely with them to offer the ACH services that our merchants are looking for. Their powerful self-service management tool enables us to easily track merchant activity and resolve issues."

Ever expanding horizons

VeriCheck is pursuing new opportunities in 2011. For example, as the preferred ACH and check processing provider of its gateway partner, USAePay, VeriCheck feels ISOs and MLSs should be able to offer check processing and ACH services to nontraditional and hard-to-place merchants who are already processing credit cards on the gateway.

To that end, it has begun beta testing on a recently completed integration that will enable it to provide such processing to nontraditional merchants who come directly to VeriCheck or through one of its channel partners.

VeriCheck is also putting the finishing touches on an integrated solution that will allow its customers to use ocular character recognition technology for check scanning. "This will be an ACH and Check 21 product that has the potential to streamline operations for tens of thousands of merchants across the country, and we are very excited about its upcoming launch," Ebrams said.

10 years ago in The Green Sheet

The Green Sheet was **35** pages.

Concord to process Wal-Mart online debit

Electronic commerce provider Concord EFS Inc. was chosen as the online debit POS processor for Wal-Mart Stores Inc. and Sam's West Inc. (Sam's Club) locations nationwide. Concord was already a processor for electronic benefit transfer card payments at Wal-Mart stores.

EDI transactions approach 100 million

At the Electronic Commerce 2001 conference in San Francisco, NACHA – The Electronic Payments Association said that financial electronic data interchange (EDI) over the automated clearing house (ACH) network had grown by 21.5 percent during 2000. More than 96 million financial EDI transactions crossed the ACH during that year.

Fraud prevention website launched

The WorldWide E-Commerce Fraud Prevention Network unveiled its fraud prevention website: *www.merchantfraudsquad.com*. The site, which still exists, provides advice about how merchants can combat online fraud and information on how to report cyber crime and prevent the use of stolen credit cards.

Read archived issues back to 1995 at *www.greensheet.com*; click on Publications.

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On the heels of a thriving joint venture, TSYS and First National Merchant Solutions (FNMS) are pleased to announce that FNMS will become TSYS Merchant Solutions, now part of the TSYS family of companies.

The joint venture's performance has exceeded our highest expectations, and TSYS' move to acqure the remaining ownership will further diversify our business. TSYS and FNMS share many similarities — from our corporate cultures to our commitment to providing today's global merchants with leading payment solutions.

The acquisition of the merchant solutions company — a top 10 acquirer in the U.S. — brings TSYS squarely in the middle of where buyers and sellers connect, as a full-service merchant acquirer. Everything that has made FNMS a leader in the acquiring industry — its sage leadership and Omaha-based headquarters — will remain unchanged, but new opportunities abound as we take our business to the next level.

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TradeAssociationNews

SEAA celebrates its first decade

The Southeast Acquirers Association will host its annual conference from March 21 to 23, 2011, at the Hyatt Regency Bonaventure Conference Center & Spa in Weston, Fla.

This year's theme, "SEAA 10 Years," will honor the organization's longevity. John McCormick, who is Vice President of General Credit Forms Inc. and an SEAA board member and founder, said, "It's been fun to give back to the industry that's done a lot for us."

Mark Dunn of Field Guide Enterprises LLC will conduct his Field Guide Seminar on Monday afternoon, March 21. Sessions will cover such topics as sales recruiting and training, building visibility through social networking, market niche branding, funding and achieving desired financial results.

In addition, W.net will present a Monday networking session for women, and the SEAA will host a private, poolside opening reception at the Bonaventure that evening.

On Tuesday, keynote speaker Brad Meltzer, a *New York Times* bestselling author and host of TV's *Brad Meltzer's Decoded*, will address the rigors of selling and discuss his latest book, *Heroes for My Son*.

Breakout session coverage will include smart phone and tablet payment opportunities, high risk merchants, the growing prepaid market and ongoing developments related to the Durbin Amendment.

Later on, the association will provide bus transportation to the nearby Hard Rock Casino for an evening of gambling and networking. On Wednesday, attendees can participate in a special golf outing.

To register for the SEAA conference, visit *www.southeast acquirers.com/conference.*

New guidelines for card network rule changes

The Electronic Transactions Association released a set of principles that the association has asked the major card networks to follow when issuing rule changes or adjustments to operating requirements.

Foremost among the guiding principles is strict adherence to a semiannual schedule for all releases, with a minimum of 90 days allowed for compliance. The ETA also suggests using standard communication channels.

"By adhering to the guiding principles, the payment networks can be assured that their directives are imple-mented effectively and efficiently and promote timely compliance with a minimum of disruption to their industry partners," ETA Chief Executive Officer Carla Balakgie said in a statement.

W.net links women regionally

Women Networking in Electronic Transactions (W.net) continues to expand its Local Interest Network Circles (LINCs) to facilitate regional networking, mentoring and educational opportunities for women in the payments industry.

W.net LINC Chicago will host a networking event on March 10, 2011, at the Bottom Lounge in Chicago. Executive communications consultant Stacey Hanke, of 1st Impression Consulting Inc., will discuss how to influence others in a presentation titled, *Speak to be Heard*.

On Mon., March 21, during the SEAA conference, W.net LINC South Florida will host a special afternoon of guest speakers and a networking session for show attendees.

W.net LINC Atlanta will present its *Spring Splurge Event*, Thurs., March 31, at Bloomingdale's, Lenox Square Mall in Atlanta. Bank of America executive Ilieva Ageenko, PhD., will lead a frank discussion about work/life balance. She'll also be signing her latest book on multidimensional success for women.

On Thurs., April 7, W.net LINC Phoenix will present an evening themed *How Networking Empowers You*, at the Terroir Wine Pub in Scottsdale, Ariz.

W.net will host a Super LINC event themed *Next Gen Leaders: Navigating the Road to the 'Corner Office,'* on Mon., May 9, in conjunction with the ETA Annual Meeting & Expo, at the Hilton San Diego Bayfront Hotel in San Diego. The event will feature a panel discussion with industry leaders and professionals who will share their success stories, as well as an interactive networking session and reception.

Here are the upcoming W.net LINCs at a glance:

- March 10 Chicago
- March 16 Northern California
- March 21 South Florida (at SEAA Conference)
- March 31 Atlanta
- April 7   Phoenix
- TBD   New York
- May 9   San Diego (Super LINC at ETA Annual Meeting & Expo)

To register for a LINC meeting near you, visit *www.wnet online.org.*

Credit card spending increases

According to two reliable sources – First Data Corp.'s SpendTrend and the U.S. Federal Reserve – consumer credit card activity was up during December 2010 and January 2011. And some industry experts feel this may indicate consumer confidence is on the rise.

SpendTrend indicates growth

A recently issued SpendTrend analysis for January 2011 indicates that transaction growth on credit cards was at a 13-month high in January, and year-over-year credit dollar volume growth was the second highest in over a year.

The report tracks same-store consumer spending at U.S. merchant locations by credit, signature debit, PIN debit, electronic benefit transfer and check at U.S. merchant locations.

The number of credit card transactions increased 5.9 percent year-over-year in January, while dollar volume growth for credit card purchases grew by 7.2 percent, according to SpendTrend.

In the report, Silvio Tavares, Senior Vice President and Division Manager of First Data Information and Analytics Services, stated, "Consumer spending during the fourth quarter of 2010 and the momentum from the strong holiday season carried over into January."

The SpendTrend report also pointed to year-over-year dollar volume growth increases in January for signature debit (9.7 percent) and PIN debit (5.4 percent) transactions; it also revealed a decrease for payments by check (-10.4 percent).

The Fed sees optimism

Meanwhile, figures recently released by the Fed for consumer credit card transactions also showed an increase in December 2010. It's the first time since mid-2008 that consumer credit card spending increased, according to the report.

The Fed report showed consumer revolving credit increased $2.3 billion, at an annual rate of 3.5 percent, to $800.5 billion during the last month of 2010. One or two months does not a trend make, but increased consumer spending, taken in concert with other signs, could strengthen the notion that the economy is improving.

Joanna Stavins, Senior Economist and Policy Advisor for the Federal Reserve Bank of Boston, refrained from sweeping predictions on economic recovery, but she said she is happy to see the increase "because that is an indication that people are more optimistic. It's a self-fulfilling prophecy in many ways: as long as consumers are feeling more confident … that might indicate other things are going to improve."

Reading the tea leaves on Apple and NFC

Opinions of industry experts suggest rumors that Apple Inc. will introduce contactless payment enabling near field communication (NFC) technology in its new versions of the iPad and iPhone are more than speculation.

The rumors began with a Jan. 25, 2011, article on Bloomberg.com that cited Richard Doherty, Director of technology assessment and market research consultancy Envisioneering Group, as saying that Apple's near-future plans for its two popular mobile devices included NFC.

Doherty told *The Green Sheet* he had no inside information from Apple to base his observations on, but that his

News

opinions were influenced by conversations he had with individuals who work at manufacturers that contract with Apple. Doherty stated he could not say definitively what Apple's plans were considering NFC – and that no outside party could – but that his contacts expected NFC-enabled mobile payments to be pushed "over the top this year," with Apple being part of that process.

According to Adil Moussa, Analyst at payments industry consultancy Aite Group LLC, this is the year. "We [Aite] predicted that 2011 is going to be the year where mobile payments is really going to rise, or at least get launched seriously," he said.

And Apple isn't the only company that apparently will soon push NFC-

based payments into the mainstream. Telecommunication companies, card brands, banks, as well as mobile device manufacturers have aligned through partnerships and initiated NFC-based strategies to capitalize on the long-touted potential for proximity payments at the POS using smart phones, Moussa said. "The biggest challenge is with the NFC," he added. "It looks like NFC is promising, but I don't know if it's eventually going to be the solution ... that will be picked up by the market."

iTunes user base

Todd Ablowitz, President of payments consultancy Double Diamond Group LLC, said, "Everyone is speculating, watching the tea leaves on Apple right now. And they're in a tremendous position to do something disruptive in payments."

Ablowitz based his opinion on the synergy generated between Apple's built-in customer base of approximately 160 million iTunes account holders (who have registered credit cards with the accounts) and Apple's mobile devices that would be used to access those accounts to conduct NFC payments at the POS – a payments ecosystem controlled by Apple.

Among those 160 million iTunes users are the 300,000 application developers who write software for Apple devices, Doherty said.

When an end user downloads an application from Apple's online App Store, the developer of that app gets paid for that download via his or her iTunes account "the same day," he added.

So Apple has "300,000 satisfied professional customers," he said. "Now 300,000 professional customers, that's a pretty good start for an alternative banking system."

The "Bank of Apple," as Doherty called it, is not just an alternative debit system, but a kind of credit network as well.

"That may mean a 15-year-old who can't apply for a credit card might get a positive iTunes store balance just by

going to see the movie *Tangled*," Doherty said. "So Apple is looking at positive credits, not just debit. If even a tiny part of the Apple iTunes store experience is translatable to new forms of commerce, it's actually going to gut traditional banking as we know it."

Patent pending

But if Apple is to become a brick-and-mortar mobile payment network, it will need to create a way for the mobile device to communicate with a retailer's POS terminal or reader, and NFC may be that solution.

Apple has applied for a patent that integrates NFC technology into its mobile devices. The application – which can be accessed at *http://images.intomobile.com/wp-content/uploads/2010/04/US20100082784.pdf* – includes schematics that show where an "N" logo (for "NFC") might be displayed on the exterior of Apple devices, such as an iPhone.

It is not by accident that Apple would choose to place that logo where it did, Ablowitz said. To conduct a mobile contactless payment at a brick-and-mortar retail location, the mobile device must touch the POS reader.

Ablowitz said it makes sense that Apple would embed the NFC technology directly underneath the "N" logo on the iPhone because that is the device's "sweet spot."

The correlating "sweet spot" on a contactless reader is indicated by a circle with a wave symbol. To initiate a payment, you touch one sweet spot to the other. The patent application shows that "Apple clearly gets that," Ablowitz said.

New terminal manufacturer?

According to Bloomberg.com, Doherty claimed Apple has created a prototype for a POS terminal for small mom-and-pop businesses. When *The Green Sheet* contacted Apple for confirmation on that point, Apple spokeswoman Natalie Harrison said the company does not "comment on rumor and speculation."

Given the lack of details, Moussa wondered if the terminal would be "employed via the POSs that already exist or is it going to be a device that they are going to stick in every merchant? Because that just seems completely illogical, extremely costly."

But Ablowitz is not so sure. "Apple's not stupid," he said. "I wouldn't put it past them going down any path," including manufacturing its own readers. "News flash: Apple's a hardware company," he said. "If they want to make a reader, they can make a reader."

Ablowitz pointed out Apple understands "the taxonomy of the point of sale," since Apple is a retailer itself through its Apple Stores, 300 of which exist worldwide, according

to the Cupertino, Calif.-based technology company.

However, Ablowitz guessed that Apple would want to somehow take advantage of existing POS systems, if for nothing else but speed of adoption. "For payments you want ubiquity," he said. "The last thing they need is for it to take five years to get rolling. They need to get it rolling much more quickly."

Doherty said it would be easy to enable NFC payments via Apple devices at Apple's own stores and difficult to retrofit the thousands of terminals at big-box giant Wal-Mart Stores Inc. to work with Apple devices.

However, retailers in between those two extremes may represent an attractive opportunity for Apple because, as Doherty noted, a portion of retailers are already comfortable working with more than one terminal vendor.

"If Apple were to secure just 10 percent of retail over the next 12 months, it's a huge change in cashless commerce," he said.

But the caveat is that no one outside the company knows for sure what Apple will do. Maybe it's not a coincidence that Apple filed its NFC-related patent application on April 1, 2010, otherwise known as April Fool's Day.

Weighing in on alternative payments

A three-part webinar series exploring the ripple effects of alternative payments on the payments industry is being presented by Jim McIntosh, Vice President Strategic Initiatives at Inetco Systems Ltd. In part two, *Alternative Payments: What's Your Opportunity or Risk?*, McIntosh identified the potential benefits and risks facing merchants, payment processors, network providers and issuers when considering alternative payment solutions.

The ability to easily charge for applications and services or to process micropayments was not an option a few years ago, McIntosh said. "The growth of mobile and the ability for applications to charge are key drivers for creating more transactions, often replacing checks and cash." He believes that, in the future, the multitude of devices, channels and new POS options created by the developer community will "produce more ways to pay than most people can imagine."

"I think one of the key drivers is this economy has produced a lot more sole proprietors, and they all need to process," said Ken Musante, President of Eureka Payments LLC. "We're working with smaller merchants that have been shut out of card processing. It's very easy now to set up a merchant. You don't have the compatibility issues with the phone. It's no longer an oddity to go to a farmers market or street fair and have them accept Visa or MasterCard. Previously, it was odd to see that. Now it's expected."

Merchant perks and pitfalls

McIntosh likened the relationship between merchants and alternative payment providers to their existing ties with Visa Inc., MasterCard Worldwide and other established payment networks. With each new payment alternative, he said, merchants must evaluate the cost, speed, convenience and security involved with processing transactions.

"Merchants have the opportunity of adopting an alternative payment offering, either by accepting NFC, bar codes and/or QR codes," McIntosh said. "Adopting an alternative payment product would allow merchants to expand their customer base, provide more payment options, provide more efficient service and position themselves as a leading merchant and preserve a share of the early adopter consumers."

McIntosh referred to Starbucks Corp. as a prime example of a larger merchant reaching out to early adopters with a mobile payment application that links to its prepaid cards. In 2010, Starbucks

reportedly loaded $1.5 billion onto its prepaid cards. He said the new app offers customers a quick payment method, and cards can be managed either online or via mobile devices, similarly to mobile banking solutions today. McIntosh revealed that potential risks for merchants include possible reduction of processing speed, less reliability, lack of hardware certification, changes in liability and increased investment costs. As a cautionary note, he said many merchants are concerned about backing the wrong technology.

Reality check for processors

Payment processors must overcome significant fixed costs, and the relationships established with alternative payment providers will either be cooperative or competitive, McIntosh said. Once fixed costs have been recovered, he believes processors will profit from revenue generated by the increased transaction volume available through alternative payment channels.

"Their business is all about scale and optimization," he said. "They allow the ability to keep their customers on the traditional rails, and they have the opportunity of generating additional services and being able to charge additional fees for alternative payment transactions." He believes what may complicate matters for processors is dealing with additional messaging protocols and interfaces, managing more clients, and navigating through a certification process that could become more difficult or nonexistent in the future.

Network and issuer relationships

McIntosh sees little change for network providers that embrace alternative payment providers. "All alternative payments must travel on existing networks' infrastructures used by credit, debit, signature or PIN charge; ATM; or the ACH network." Brand recognition will favor network expansion into new markets, he added.

Due to its low or nonexistent fee structure, McIntosh considers the automated clearing house (ACH) network a viable option for mobile payments, as well as for POS integration. However, for this to occur, settlement speed must improve, he said. A shift in liability could also expose networks to increased risk.

McIntosh described the relationships among issuers and alternative payment providers as either integral or nonexistent. Alternative payment products linked or integrated with a checking account will be interconnected, whereas products designed specifically for the unbanked or underbanked will have no connection to issuers. He believes opportunities exist for issuers to introduce new payment products and potentially reduce the risk of losing interchange revenue.

The endgame

While the opportunities and risks may differ for each seg-

With each new payment alternative, merchants must evaluate the cost, speed, convenience and security involved with processing transactions, according to Jim McIntosh, Inetco Systems Ltd.

ment involved in the payments sphere, a consistent thread among all is that alternative payments will generate more transactions, McIntosh said. He added that the "complexity of the transaction path, the multitude of devices and wireless technologies and payment options will add a layer of complexity to the transaction environment," that will emphasize the need for accurate transaction-level information.

Inetco will present its next webinar, *Why Do Alternative Payments Require New Business Transaction Management Tools*, on Thurs., March 17, 2011. To register, visit *www.inetco.com/alternative_payments_part3/*.

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for example, the PIN entered at the POS, that the card has not been reported lost or stolen, and that the cardholder's account has a sufficient balance to cover the cost of the transaction.

Once that information is confirmed, the issuer routes that train now carrying that transaction's authorization code back through the card brand, which returns that virtual locomotive back to the processor, which reroutes it back to the merchant's POS system, where the sale is finalized.

However, if back at the card issuer that packet contains information that doesn't jive, such as the cardholder name and PIN do not match or the account balance is insufficient to cover the transaction, then a denial message is sent and the transaction is declined at the POS.

Whether the transaction is approved or declined, it is here that the processor stores the transaction. Transactions are stored just in case a consumer disputes a charge, for example, in which case the chargeback process ensues.

That first authorization step comprises the "front-end" of processing. The function is performed in real time, which may last from a sub-second up to approximately five seconds, depending on the complexity of the transaction.

The remaining six steps make up what is commonly termed "back-end processing."

2. Merchant balancing

Merchant balancing is defined as the process of reconciling transactions, usually at the end of a 24-hour business cycle, by closing out a batch of transactions at a terminal and sending them off in encrypted format to the processor for back-end processing.

3. Capture

Capture means converting authorization codes into billable transaction records within a batch for the subsequent clearing and settlement of the transactions.

4. Clearing

Clearing involves the processor performing risk management procedures on the transactions to flag potentially illegitimate ones, then submitting the "good" transactions via the respective card brands' rails for interchange processing.

5. Interchange

This is where the card brands break up the transaction amounts into percentages (based on numerous rate categories for card types and other factors) to

be routed to the appropriate card issuers, acquirers, processors, ISOs and merchants. This is also the stage where card brands sort transactions by bank identification number (BIN) and route the transactions to the appropriate issuers for posting to cardholders' accounts.

6. Settlement

At this stage, the process of transferring funds for sales and credits between processors and issuers is accomplished.

7. Merchant payment/ACH

In this final step, processors make deposits into merchants' accounts to reimburse merchants for sales completed way back in stage one. The deposits typically include the total amount of sales less the amount of credits/returns and the discount rate (interchange plus processing and other fees).

In some cases a merchant may use one provider for front-end processing and another for the back-end function.

The combined front-end and back-end processing of any payment is referred to as the payment's "life cycle."

Tracking payment types

The preceding explication of the payment process only scratches the surface of its complexity. However, it may come as a surprise that the five basic payment types – credit, debit and prepaid cards, as well as checks and ACH processing – do not add greatly to that complexity.

Credit and debit cards are usually processed over separate rails, but are very similar in how they are actually processed, according to Steve Mathison, a Vice President in Product Management at the industry's largest acquirer, First Data Corp.

"From a pure transaction processing and switching capability perspective, there's not a lot of difference," he said. "What happens on the Visa/MasterCard or the bank side, the biggest difference is, well, the bank giving the consumer a loan or are they drawing those funds directly out of a bank account."

Prepaid cards are processed basically the same way as credit and debit cards, but with a twist. "What's different is on the issuer's side – how they hold those funds," Mathison said.

"[Prepaid] is not a loan, and it's not withdrawing from a DDA [demand deposit account] – 'I've actually collected and I'm holding a liability that I owe to the consumer that the consumer redeems from time to time by going to a merchant.' So the style of how the issuer handles it is the biggest difference," he added.

Checks are processed similarly as the above card payments, Mathison added. After the data on the check (magnetic ink character recognition line information, the signature, etc.) is captured via a check reader at the POS, it becomes "just another electronic transaction," he said. The processor recognizes the transaction is a check and then usually routes it over the ACH network, Mathison noted.

The ACH, which began in the 1960s as a way for banks to facilitate recurring consumer credit payments (such as payroll and retirement benefits) and recurring consumer debits (payments of insurance premiums and utility bills, for example), has been expanded to include person-to-person money transfers and decoupled debit payments.

The main difference between a credit/debit/prepaid card payment and one that travels over the ACH is where the transactions are routed.

While a credit transaction would be routed through a card brand, an ACH payment is funneled through the U.S. Federal Reserve banking system, where money is transferred directly from one bank account to another, according to Mathison. Person-to-person payment via PayPal Inc. accounts is one example.

Function junction

Among the top electronic funds transfer (EFT) networks over which debit cards run are First Data's Star Network, Discover's Pulse, Visa's Interlink, the NYCE Payments Network LLC and MasterCard's Maestro.

Among the top acquirer/processors that connect to those networks are First Data, Chase Paymentech Solutions LLC, Elavon Inc., Fifth Third Processing Solutions, Global Payments Inc. and Heartland Payment Systems Inc.

At processing's front end, the connection between the POS device, or online gateway, and the processor must be seamless. Greg Chapman, Chairman of gateway provider PaySentinel LLC, said that connection is like a "light socket plugged into a wall. The switch goes off and on."

To send transactions to the processor, data must be configured according to certain specifications. 1stTransaction Corp.'s TransactionX is POS software that runs on Microsoft Corp.'s Windows operating system for PCs. Rich O'Brien, founder and Chief Executive Officer at 1stTransaction, said each processor wants the card data formatted differently.

"The idea of taking data…and moving it into a format that's applicable to each of the different platforms, it takes a little bit of work to make sure everything works," he said. "And it has to be certified because it has to be repeatable."

For example, processors require transactions coming from restaurants to have different information from transactions coming from gas stations, O'Brien said; a transaction from a restaurant needs a separate data field for tips while a transaction from a gas station requires a field for the type of gasoline pumped.

Another example would be an airline ticket. Mathison said the front-end authorization of an airline ticket may include the card number, expiration date and limited track data; but, in the settlement phase, flight and ticket numbers are included in the data.

A switch in time

A core function at the processor level is analyzing the transactions received from POS devices for such things as transaction type and card brand and then routing them to the appropriate entities. The combination of hardware and software that analyzes that information and routes it over the right network is called the "switch."

David Bergert, Technology and Development Director at Dallas-based payment system manufacturer On-Line Strategies Inc., said a switch is either a "full tower computer or a highly available set of servers with specialized software optimized for online transaction processing."

Once a switch receives a transaction arranged in a certain processor's "message format," the switch's logic engine analyzes the different data fields in order to route it. "A lot of the switching algorithms are based on BIN-based routing," Bergert said. "They look at the first one to six digits of the card to determine what the card type is. If it's '5' it goes to MasterCard; if it's '4' it goes to Visa; if it's '6011' it goes to Discover; if it's '37' it goes to AmEx."

Like the processors, the card brands also have individual specifications for how they want card data formatted, Bergert added. So the switch does what is called "message translation" and sends along a "new" message to the card brands, he said.

Many factors play into how fast a transaction moves through a switch, including computer processing power and the physical age of the hardware, Bergert noted. But he also pointed to a transaction's "external duration" as also affecting processing speed.

For example, it may take a shorter or longer time for a transaction to get through the authorization stage, depending on how much fraud control the issuing bank applies to a transaction. It might take longer if the bank performs velocity controls (the frequency of transactions within a given time period that involves a particular card or a particular cardholder's name, for example) on a transaction to determine if it is valid.

"A lot of it depends on the amount of logic that the issuing bank determines it needs to do on each transaction that comes through," Bergert said.

Another factor is the size of the data packet itself. On-Line Strategies builds special switches to facilitate pharmaceutical payments.

Bergert said because such payments involve adjudication, the process for determining which purchases at mixed-use retailers are covered by health insurance plans, the card data includes insurance information, which makes the size of the "message" a hundred times larger than the size of an average 200 byte-size transaction.

Processing of such transactions can take up to five seconds, where a standard financial transaction takes a millisecond, he added.

Payment pros, like merchants and consumers, are guilty of taking for granted the payment infrastructure that allows modern commerce to occur.

It may be enough to know that the system works. But when you take the time to investigate how, you gain a deeper appreciation for the ingenuity that went into its construction. We have come a long way, indeed, when we think a transaction is slow if it takes all of five seconds to complete.

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POS systems, yea or nay?

By Ken Musante
Eureka Payments LLC

T o get the merchant level salesperson (MLS) perspective on selling and supporting POS systems, I posted the following on GS Online's MLS Forum: "What do you all think about the virtual cash registers and software that turn your PC into a card-present processing solution?

"I know there are Payment Card Industry (PCI) Data Security Standard (DSS) issues that must be dealt with, but assuming the solution is PCI DSS compliant, what do you think?

"Many lower-cost solutions are available, not just for restaurants but also for retail merchants, that may be sold with or without the hardware. Many of these are encroaching on Micros, Aloha and Squirrel. Separately, some gateways have offered a card-present solution for years, but the functionality did not outweigh the monthly cost. Now with the ease of connecting and the enhanced functionality, many of these solutions deserve a second look. What's your experience? As always, feel free to expand the topic."

Compatibility issues

CCGUY started us out: "We have looked at software - POS solutions," he wrote. "The big gap is hardware. Where does the merchant get it from? And who deals with the hardware issues?

"I talked to a few companies, and they said … '[Y]ou can get hardware anywhere …' I do not want to deal with that. And then you have to explain to the merchant now that you use your PC for POS, you can not surf Google or do your email."

CCGUY described the obstacles MLSs must overcome

before selling POS systems. With a terminal, the hardware and software are compatible. With a POS system, not only must you ensure the PC has up-to-date virus software, but you must also ensure the software does not conflict with the processing capabilities.

I received a related post, from someone who wished to remain anonymous, pointing out that diverse hardware and software are sold by dealers with little or no real knowledge or experience and "no reference to customer support or service."

A viable option

BER posted that MLS Forum members "have been talking, mumbling, and chatting about POS on the MLS level for a while now. With [an ISO] announcing their free POS program, I figure this may be a good time to discuss MLS involvement in POS.

"MerchantNation and I were talking about POSs. I mentioned a thought I had of a lower-priced, all-in-one POS with embedded software, not PC-based, that would cost less than half of a traditional system and lock merchants in.

"We talked possible solutions, service levels and service requirements. … I've talked to POS guys on and off … and it just seemed too involved a business for me to get into at

"The question is will the POS system increase sales or allow you to close larger merchants that you cannot otherwise close, or will it lead to excessive service issues. BER feels "there is no way to deny the market potential for lower-cost POS that can be remotely supported with integrated payments. ... I think it's funny how some of you guys are selling on not doing POS ... I do see all the obstacles you guys mention ... but those are all barriers to entry. Fewer people in the game means a better piece of the pie for me."

Forum Member **BER**

this point [considering] support and logistics ... but I put it on my 'follow-up' list for later.

"My market is primed for another POS player; other than the guys for Micros and Pinnacle, there is just one company ... cleaning house with cash registers and POS. Just about every restaurant and bar in town has these guys for POS and Heartland or Mercury for processing when they open.

"The Harbortouch POS program, free or otherwise, seems like a good setup. Seems like something a lone-wolf, single MLS can sell and manage. Adding the free part, leads, upfronts to pay ETF, subagents and referrals, and an application so you can demo on your iPad ... seems like a homerun.

"I also think that having this offering will help legitimize an MLS with prospects, possible referral partners and current clients."

The question is will the POS system increase sales or allow you to close larger merchants that you cannot otherwise close, or will it lead to excessive service issues. **BER** feels "there is no way to deny the market potential for lower-cost POS that can be remotely supported with integrated payments. ... I think it's funny how some of you guys are selling on not doing POS ... I do see all the obstacles you guys mention ... but those are all barriers to entry. Fewer people in the game means a better piece of the pie for me."

One of **BER**'s key comments was that the system can be supported remotely. POS systems that charge a monthly fee will succeed over others that do not, because the home office of the POS provider gets paid for solving user issues.

Sticking points

To give the other side equal time, I'm including **MAKETELINC**'s perspective. "[H]ow much did you get per hour for your studying, setting up and supporting [a POS system]? How much did you get per hour for night

time [not to mention nightmare] work? How many nights' sleep did you lose, and how much other business did you lose, because you were busy with this? How many agents dumped the equipment outside your office and canceled their bank accounts? How many want to sue you for lost business, and how many $300 claw-backs came your way?

"[No merchant] complained that you priced them lower than what they were paying, but when they add up the charges less the [monthly support fee of] $59.00 … their effective rate is 50 to 60 basis points higher, or for that matter, even [100] basis points higher. [Before doing POS systems] you only took an hour on average per merchant, and your residuals were as good as they are elsewhere [different ISOs] on the same type of account, and none of the above stories happened to you – then bingo!

"If the above stories happened, and you are in denial suffering from Stockholm syndrome, then I will feel bad for you, but I think … I have warned you of the possibilities, so after all, it may be your own doing. … For those of you who feel [placing POS systems] is a lifetime opportunity to get rich quick, I say it is a free country; go for it, but as wise men would always advise, never lay all your eggs in one basket."

A pro's perspective

I reached out to Jared Isaacman, Chief Executive Officer of United Bank Card Inc. because UBC recently included a POS system that MLSs could provide to merchants at no cost. I told him I would appreciate his perspective on POS systems and asked, "Why you are now putting a major investment behind Harbortouch?"

"Well, to be honest, we have been putting a lot of money in Harbortouch since we founded the division back in 2007," he replied. "There is no question the future is in POS systems. You can see that trend in all forms of technology.

"People want more features in one device. Integration makes our lives easier. In our present world we carry a cell

phone that does email, takes pictures and plays music and video. The alternative would be lots of separate devices.

"We no longer use fax machines as much because email accomplishes so much more, and it's integrated into our computer. The same applies with POS systems. A credit card machine just runs credit cards.

"A POS system runs the entire business – from order entry, inventory, employee operations, marketing, credit card processing, cash management, reservations, etc.

"The list of features is overwhelming, but the point is businesses are more efficient when using a POS system. That is clearly why so many of the largest national chains, in both retail and hospitality, use POS systems. As costs come down, it will be only natural for all businesses to take advantage of this technology.

"That is why we started our free POS initiative. We brought those costs down by becoming a software development and an actual hardware manufacturing company. Once we were able to achieve the price point we wanted, it was only natural to include it in our already successful free equipment program."

I mentioned to Isaacman my belief that so long as

there is a monthly service fee, systems like Harbortouch will work because you have a vested interest in maintaining them.

He replied, "Well, there is no question that you have to have some form of a service or maintenance agreement. The systems are more powerful and feature rich than a regular-old credit card terminal, so with that come more support obligations. The support we provide at Harbortouch includes on-site installation, training, repair, replacement, remote data backups, remote management, priority swaps of defective equipment, wiring, etc.

"We are completely turnkey. This level of service is essential, and we are not new at it. We have been doing it this way since we first got involved with POS systems several years ago. Also, considering we are placing the system at the merchant's location for no charge, we have a very vested interest in assuring its proper function.

"If the POS system stops working, we are then unable to receive credit card transactions that are core to our return on investment. Basically, when a merchant receives our free POS system they are getting a lifetime warranty with it. As long as the merchant is processing with UBC and under our service agreement, the system will always be well-maintained."

I then asked Isaacman, "The solution also attracts a larger more sophisticated merchant, correct?"

"There is no question that higher volume and better quality merchants utilize a POS system," he said. "These are merchants that do enough business to recognize all of the efficiency gains that come with POS systems. Over the years, we have noticed substantially higher processing volumes and much lower attrition with merchants utilizing our Harbortouch product."

Inevitable alternative

We should all learn about POS systems. They are coming and are right for many merchants and business types. By understanding when to provide a POS system and how to offer it such that you are able to connect the merchant and the POS system installer directly, you can be ahead of your competition.

Get to know the variety of solutions available. Get to know POS dealers in your area, and understand if they are referral sources or competition.

Thank you to **BER** and **MAKETELINC** for letting me use their posts for this article, and to Jared for his comments. In closing, when in doubt, sell something.

Selling in the digital age

By Dale S. Laszig
Castles Technology Co. Ltd.

Remember selling merchant services when all you needed were paper applications, a few sample merchant statements, and some pictures of countertop and portable terminals? Times have changed; we're not a one-size-fits-all business anymore. Our profession has evolved from a cottage industry of regional banks into a multibillion-dollar global enterprise. Merchant level salespeople (MLSs) need more knowledge and creativity to compete in today's high-speed, always-on world where much of our commerce is conducted digitally.

Technology changes all the time, but the hallmarks of a robust processing system remain the same, year after year. The best way to convince a merchant to upgrade a dated but reliable system is to emphasize the qualities that make the upgraded setup secure, flexible, scalable and future-proof.

Security is paramount

When it comes to selling processing systems, security is job one. The most advanced solutions are no less immune from data breaches than are legacy devices like the Tranz330 and T7P.

It's not only the technology that needs to be compliant. One of our responsibilities is to educate our merchants on the right way to transmit, process and store cardholder data. According to Chris Bucolo, Senior Business Development Manager at ControlScan Inc., "We have seen more and more evidence that ISOs and acquirers are integrating PCI compliance discussions into the sales process, no longer waiting until after the merchant is boarded. Paying attention to the compliance status of systems, applications and the merchants themselves has taken center stage during the sales process."

Flexibility is a must-have

Why is flexibility a must-have for merchants these days? Simply stated, without the ability to continuously adapt to the increasingly fluid, evolving scope of payment technology, merchants will be stuck with obsolete, outdated equipment.

The warp-speed of innovation is affecting all industries: Health care, transportation, education, military, and government professionals use secure, enterprise-level wireless networks that enable office and remote workers to stay connected and exchange documents and data through email, text messaging and geolocation technologies.

Merchants need the same kind of integrated environment where updates to remote devices can be performed from a central network host quickly and seamlessly. Such an environment would enable merchants to react quickly to emerging trends in social media, gift and loyalty programs, and the value-added applications that are an integral part of most processing systems.

Flexible processing environments are ultimately green and self-sustaining ecosystems, continually adapting to merchants' changing requirements and needs.

Merchants who process through gateways have a high degree of flexibility and choice. Credit card transactions from a diverse population of devices can be viewed in real-time from a secure access point. Equipment swaps, software modification, wireless activation and device download can all be controlled from a secure portal with greater ease and without any disruptions to service.

Multi-application environments, where downloads of ancillary programs can be done without disturbing primary payment programs, provide flexibility and business continuity. Equipment rentals and swap-out programs are other ways to keep merchants in the most flexible and

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Education

up-to-date processing environments. Many of these merchant clubs and rental programs include help-desk support and overnight equipment replacement in their monthly fee.

Virtual terminals are scalable

Growth is imperative to any business. Innovations in technology have accelerated POS product life cycles, lowering life expectancies of many terminals and PIN pads due to evolving compliance standards and communications protocols. Considering how quickly our technology is changing, how can we provide services that expand as our merchants grow?

Many merchants looking for scalability are using virtual terminals. These systems offer merchants the option of buying what they need when they need it, with increased capacity available on-demand. These Internet-based products, typically priced with monthly gateway and per-transaction fees, are an affordable alternative to countertop and portable single-use devices. They can be accessed through smart phones or laptops or from almost anywhere through a secure web portal.

Services, managed remotely by professionals at centralized controllers, are easily accessible through web browsers. Managing capacity is as simple as adding or removing users. Batch processing options are available for merchants who manage high volumes of transactions. Reputable gateways and cloud-based networks absorb some but not all liability for Payment Card Industry (PCI) Data Security Standard (DSS) compliance and secure management of cardholder data.

You can future-proof your portfolio

Helping merchants build secure, flexible and scalable processing systems is a long-term proposition that extends over the lifetime of the relationship; it's not a "one-call close." Merchants are too focused on their core businesses to spend time researching the latest trends in payment processing; they rely on timely, valuable recommendations from a trusted network, noted Alexandra Best, Vice President, Marketing at RewardStream Inc.

"The trusted network is assuming an increasingly important place in the purchase decision life cycle across many industry sectors," she said. "In a world where consumers are in control and information's there for the taking, the word of a trusted advisor with experience of a product or service is critical to validating the decision.

"Today's consumer places the same level of trust in family and friends as they do a close contact in a social networking site. All businesses must consider how trust-based networks – or what we refer to as recommendation marketing – will figure in their marketing and sales efforts going forward."

In this age of relationship marketing, the payment professional's ultimate goal should not be closing sales but opening relationships, where becoming part of a trusted network is a true value proposition. It's not only merchants who are looking to MLSs for guidance. We've evolved into a broader community where we all advise each other on products and services.

Joining this conversation is a logical first step toward finding common ground, where MLSs and merchants can partner to build future-proof networks and look out for their shared best interests in the expanding payments sphere. 🔲

Dale S. Laszig is Vice President of Sales in the United States for Castles Technology Co. Ltd., a manufacturer and global provider of smart card, contactless and POS solutions. She can be reached at 973-930-0331 or dale@dsldirectllc.com.

The decreasing primacy of price

By Theodore Svoronos

Merchant University

The payments industry continues to change and evolve, as we all know. For many years, there have been significant changes to the industry related to terminal types and sizes, payment processes, card programs, legislation and security, just to name a few.

It's commonly agreed that all of these changes have been instrumental to the growth of our industry. It's also pretty well known that philosophies on price point selling may also be changing. Until recently, price has been considered the main measurable marker of doing business, but this simplistic approach may not be sufficient to satisfy merchants any longer.

The pros and cons of price point selling

For quite some time, price has been one of the greatest concerns of the merchant services industry. It has been the focus and the deal-maker or -breaker for many ISO-merchant relationships – until now. While price plays an all-important role within our industry, the misuse of pricing structures and the appearance of hidden and unforeseen fees have raised, for merchants, a red flag.

Now it's not just the actual price that matters, but the price structure, validity and value. Price concerns seem to have shifted from pinning down the dollar value to asking, "What are my costs, are these all my costs and how do you justify these prices?"

Now more than ever, providers need to be savvy about pricing. Pricing includes much more than just the cost, so providers and organizations must concentrate on offering a more holistic, value-added approach. All providers are not created equal; therefore, it may be difficult to have the best price in town.

By outlining and clearly explaining the prices, and by standing on a foundation of best practices and fairness, ISOs can help customers and partners understand and accept the reasoning behind the prices.

Transparency creates a certain level of comfort for the customer or partner and can foster a healthy relationship. Price, in and of itself, then fades into the background, and the focus of the relationship shifts to the added value your organization can provide by offering additional products and services. This approach also highlights the fact that you are providing the much-needed mentoring, consultative approach that customers are seeking.

The cycle of information is never-ending and has been instrumental in increasing the level of sophistication for clients, who now know not only what questions to ask, but what answers to expect.

Education that creates greater understanding

As the payment industry has evolved and grown, so has the level of understanding and education of individuals within it. Education is not limited to industry professionals; it is available to anyone with an interest in learning and becoming more proficient. At this point, merchants, salespeople and service providers all have a more fundamental grasp on the industry and also a deeper working knowledge.

This begs the question of whether we know more now than we did 10, five or two years ago. The answer should clearly be yes. It's safe to say that if we, as industry professionals, know more now, so do our clients and partners.

As an industry, we've provided enough information and resources to educate anyone who wants to participate within the payments space. We all know that education and knowledge can, however, provoke more questions, which in turn demand more answers.

The cycle of information is never-ending and has been instrumental in increasing the level of sophistication for clients, who now know not only what questions to ask, but what answers to expect. Fundamentally, customers ask many more questions these days and expect more from their service providers than they did years ago.

I feel it is important to mention again that a terminal and a good price used to be enough to earn the customer's business. This approach simply isn't enough today in light of how the payments industry has evolved.

The market landscape and economic climate have brought about not only price competition, but also an increased interest in value-added offerings. The customers need to know that their providers have the capability to handle all of their needs and can serve as complete, trusted resources for them.

Bundling value-added services

As just mentioned, pricing is now only a piece of the pie

Education

that merchants consider; they now place a larger priority on ancillary products and services. So it's beneficial to think beyond price and focus on other ways your business can bring value and success to your merchants.

Depending on the customer and circumstances, pricing matrices may need to become even more competitive so that you can market additional products and services (cross-sell, up-sell) through a bundled fashion. The more products and services you can tie into your customer's needs, the more valuable you become and the more likely you will become a business partner, not just a service provider.

Products and services such as website design, hosting, consulting, education, mobile capabilities, and technology partnerships are excellent examples of areas in which you can contribute value. In today's business environment, mainstream merchant services and payment processing accounts are gained almost by default when offering other added-value and bundled solutions.

Concentrating on and revamping the methodology of your approach to customers is critical in differentiating your organization from the others. You can start by asking what makes your organization different and what you can add in terms of value. Consider these questions every time the industry shifts or evolves. Even better is to obtain a firm understanding of the current market conditions so you can form a forecast of where the industry is headed and what will be needed.

The word "value" is now part of our everyday vocabulary and should be built into everything we do for our customers and partners. With so many options available to merchants, your name should be associated with creating value beyond the norm.

This is accomplished by providing the best service possible and expanding your offerings to your merchants. ⬛

Theodore Svoronos, a founder of Merchant University, has been proactive in the payments industry since 2001 and has over 23 years of experience in sales, business development and executive management. He has been responsible for organizational growth, partnerships, education, training, regulatory compliance, security and ISO relationships. This experience is complemented by his IT security, identity theft and fraud prevention background.

Honoring values of best practices, security and professionalism, Theodore is a pioneer in forward thinking and pushes for economic growth through industry education. Please contact him at theodore.svoronos@merchantuniversity.org.

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Referrals:
Do you play the numbers game?

By Bill Pirtle

MPCT Publishing Co.

How do you find new prospects for your services – through cold calling, leads, referrals or prospects who contact you? Each involves a numbers game. For example, 20 cold calls may bring you five appointments and ultimately one contract. Leads may yield better percentages, depending on their source.

Prospects that contact you are rare, but their closing rate is usually better. Good referrals have a much better closing rate. Everyone wants referrals. What is the trick to greatly increasing the number of high-quality referrals you receive?

Increasing your referrals

Tim R. Green knows how. He runs the Referral Institute of Michigan (part of BNI founder Ivan Misner's Referral Institute program) and is the author of *Set 4 Life: Four Amazingly Simple Steps to Personal, Financial & Referral Marketing Success*.

Most merchant level salespeople (MLSs) and other service-oriented people believe they can get referrals simply by providing great service for a fair cost. Green told me this method is actually one of the least effective sources of referrals because clients already expect great service.

I asked Green if people can really predict the number of referrals they will receive. He replied, "Yes, if they take a proactive stance to referral marketing – not a reactive stance. We call this [reactive referral stance] the 'good luck' referral: first of all, good luck if you receive a referral this week, good luck if the person referred to you will talk to you and good luck if you close the referral."

Instead, the Referral Institute teaches you how to take a proactive stance to referrals and not simply rely on good luck. Key to the proactive stance is identifying four referral partners who will provide you with referrals on a continuous basis. The Referral Institute teaches this using its "VCP Process."

Cultivating high-quality referral sources

What is the VCP Process? Green explained, "A referral marketing plan involves relationships of many different kinds. Among the most important are those with your referral partners, with prospects these referral partners bring you and with customers you recruit from the prospects." Green pointed out that the relationships require nurturing through three phases: visibility, credibility and profitability – an approach called the VCP Process.

Green went on to say that the VCP Process "describes the process of creating growth and strengthening of business, professional and personal relationships; it is useful for assessing the status of a relationship and where it fits in the process of getting referrals. It can be used to nurture the growth of an effective and rewarding relationship with a prospective friend, client, co-worker, vendor, colleague or family member.

"Understanding the VCP Process helps eliminate any frustration we might have around the referral process. Have you ever had someone point the finger at another or at a group and say, 'They aren't passing me referrals?' Well, when we point the finger at others, three more are actually pointing back at us. You see, the fact that others are not passing us referrals has nothing to do with them."

Green emphasized the need to take personal responsibility for "moving the relationship from V to C and then from C to P." According to Green, the strategic objectives in the visibility phase are to get your potential referral partners to:

- Show (know that) you are a friendly and considerate person
- Show (know that) you like, respect and value them
- Show (know that) you are a valuable resource for information, support and contacts
- Become interested in learning more about you
- Remember you

In the credibility phase, the goals are to get your potential referral partners to:

- Establish a networking connection with you
- Believe that you are trustworthy
- Believe that you are a knowledgeable individual in your field

And in the profitability phase, you should strive to get your potential referral partners to:

- Seek you out for your products and services
- Believe your products and services are valuable and reasonably priced
- Promote you and your business
- Provide you with referrals

What are the levels of referrals? Green refers to "10 different shades of referrals." The higher the shade, the easier it is to close the referral. Here's how he describes them:

- **Shade 1:** I give a name and/or contact information only.

- **Shade 2:** I give out literature, a business card or company information.

- **Shade 3:** I authorize the use of my name.

- **Shade 4:** I send a letter of recommendation with a testimonial.

- **Shade 5:** I send a letter of introduction, and then call.

- **Shade 6:** I qualify a prospect's specific need or interest and arrange permission for the referral partner to call the prospect.

- **Shade 7:** I qualify a prospect's specific need or interest and arrange a meeting between the referral partner and the prospect.

- **Shade 8:** I qualify a prospect's specific need or interest and arrange a face-to-face introduction of the referral partner to the prospect.

- **Shade 9:** I describe products and services in person so well that I can tell my referral partner what the prospect is looking for within his or her product or service area.

- **Shade 10:** I bring my referral partner a closed deal.

Where to concentrate your efforts

Is it important to drive your relationships all the way through the VCP Process? Have you wasted or invested your time if all of your relationships stop at V or C? It only counts when you drive your relationships completely through the model, Green said.

What type of referral should you give or receive with the VCP Process? "We recommend that you receive and pass

only shade [level] seven referrals or higher," Green said. "Any shade below shade seven will make it very difficult to actually talk with the person referred to you."

Which source of referrals is the best for salespeople? "The absolute best referral partner you work with is one of your contact spheres," Green noted. A contact sphere is an individual or business that has the same target market you have but is not your competitor, Green pointed out.

For the MLS, this can include accountants, web developers, phone system suppliers, bookkeepers, office supply representatives and many others. Green recommended that you begin with just four partners in the VCP Process and get to know them well.

His seminars on the VCP Process drive home the fact that both partners must see the profitability of new referrals or the relationship won't last.

Bill Pirtle is the President of MPCT Publishing Co. and author of Navigating Through the Risks of Credit Card Processing. *He is also a merchant level salesperson for Clearent LLC, Electronic Payments Inc. and Electronic Merchant Systems Inc. Bill's website is* www.creditcardprocessingbook.com, *and his email address is* billpirtle@yahoo.com. *He welcomes all connections on Facebook and LinkedIn.*

Marketing basics

By Nicholas Cucci

Network Merchants Inc.

I t takes a basic understanding of human behavior to succeed at marketing. People buy things to meet their needs or to satisfy their wants and desires. When marketing a product or service, don't focus on what your product has to offer; concentrate on what will motivate your audience to buy what you have to sell.

The importance of a product or service for buyers is how it enhances the way they feel, look or act. People do not buy a perfume's aroma; they buy its romance.

spray: if your hair spray keeps your hair firmer longer, tell the world.

There are always two angles to take with advertising: characterization and personification. Characterization involves creating a character that expresses the product's benefits or personality. The narrative methodology involves developing a story with episodes describing a problem and its solution or outcome.

Many forces affect the marketing environment: competition, laws and regulations, economic and social conditions, and culture. These forces are dramatic and difficult to predict. Any of them can create threats, as well as opportunities for your business.

Most people mistakenly identify marketing with selling and promotion.

Treadmills don't sell because of new features but because customers want a healthier (and often thinner) look. This is why, when planning your marketing campaign, you must keep broad, motivational reasons in mind.

Customer satisfaction

Most people mistakenly identify marketing with selling and promotion. While selling and promotion are aspects of marketing, they are not the most important parts. In his book *Principles of Marketing*, Philip Kotler stated, "If the marketer does a good job of identifying consumer needs, developing appropriate products, and pricing, distributing, and promoting them effectively, these goods will sell very easily."

The ultimate goal of marketing is to make selling nonessential and to know and understand the customer so well that the product or service fits him or her and sells itself.

An underlying concept of marketing is trying to satisfy a customer's needs, wants and demands. Needs are plentiful. Basic human needs include food, clothing, warmth, safety and belonging. Wants are simply needs shaped by culture and the individual. Demands are the wants of a consumer when backed by the ability to pay for that want.

Thinking of recent television commercials and even print advertisements for cars, it seems like the auto industry is aiming to reach a younger crowd with slogans like, "We speak car." The hype in that industry right now is gas mileage because of record high gas prices.

Advertising angles

One way to create an effective ad campaign is to go with a single benefit methodology. This will directly link your brand to a single benefit. A great example is hair

Once you have created your advertisement check its effectiveness by asking whether it:

- States a single, straightforward message
- Ensures that the message is clearly evident
- Evokes a specific emotion relating to your product or service
- Is presented in a space where it will be noticed

Marketing savvy

When creating your marketing campaign, keep the four P's of marketing in mind: product, price, place and promotion. Product is what you are offering to your target market, be it a product or service. Price is the amount you will charge for your product to make sure it's competitive. Place is the channels your product will go through to reach customers. Promotion is how you will raise awareness in your target market, for example, print advertisements, press releases and blog posts.

Your plan's short- and long-term projections should describe immediate and future results desired and how you intend to achieve them, including expected, related revenues and expenses. At the end, a conclusion should summarize the contents of the plan.

Peter Drucker once said, "There are only two functions of a business: marketing and innovation." I truly believe the point he was trying to make was the importance of marketing.

Nicholas Cucci is the Director of Marketing for Network Merchants Inc. He is a graduate of Benedictine University and a licensed Certified Fraud Examiner. Prior to joining NMI, he worked in the payment processing division for a Fortune 500 company and has advised several large retailers on credit card fraud protection, screening and risk assessment. Nicholas can be reached at ncucci@nmi.com or 800-617-4850.

ISOMetrics
Salaries in the payments industry

The following data is from *Salary Guide – 2010 Salaries in the Payments Industry*, which is based on placements Impact Payments Recruiting made during the 2010 calendar year. For more information, please contact the company's Chief Executive Officer, Curt Hensley, by email at *curt@go-impact.com* or by phone at 480-315-8800.

Job Category	Explanation	Filled	Avg Base	High Base	Low Base
Lower-level sales	Small merchants, cold calling	91	$29,000	$36,500	$20,000
Outside sales manager (regional)	Usually manage lower-level sales reps	14	$65,000	$80,000	$60,000
Inside sales rep	50 percent inbound, 50 percent outbound	20	$28,750	$45,000	$12/hr ($24K)
Inside sales manager	Manage/hire teams from 10 to 30	8	$87,500	$100,000	$60,000
Mid-level sales	$5M to $25M annual processing volume	11	$47,500	$60,000	$40,000
Dir mid-market sales	Work with mid-market sales teams or banks	5	$133,750	$140,000	$125,000
National or specialized sale	Specific verticals/niche or national presence	16	$88,000	$125,000	$60,000
VP of sales/ Head of bus development/ Dir of national sales	Handle sales strategy, generally for large to midsize ISOs, working with national team	13	$146,000	$188,000	$100,000
ISO/agent recruiter	Recruit and sometimes train small ISOs and agents	16	$65,000	$82,,000	$60,000
Dir ISO/agent channel	Like above position but may manage those	5	$102,000	$135,000	$72,000
Tech support	Deployment, customer service	12	$42,000	$47,000	$40,000
Tech/ops manager	Manage above team	5	$66,000	$70,000	$48,000
Underwriting/risk rep	Handle underwriting/ risk on merchants	15	$32,500	$36,000	$30,000
Dir/mgr of underwriting/risk	Manage above team	13	$80,000	$115,000	$65,000
Dir of loss prevention	Similar to above, but with finance focus	4	$85,000	$90,000	$80,000
Sales support	Relationship mgt, client and sales training, ISO support	14	$54,500	$85,000	$40,000
VP of ops	Manage tech support, deployment, cust. service and often risk/underwriting	3	$150,000	$175,000	$120,000
Controller	Corp controller, assistant controller, dir of finance	5	$128,000	$180,000	$85,000
C-level positions	COO, CFO, CIO, CEO, president	4	$263,000	$400,000	$180,000
Product, mgr and dir	With top 20 processors	12	$129,000	$180,000	$102,000
IT, non-mgr	No direct reports, expertise in specific technologies	21	$101,000	$125,000	$80,000
Board positions	Focus on acquisitions and aggressive ISO growth	3	N/A	N/A	N/A

Source: Impact Payments Recruiting

NewProducts

Upward mobility, no strings attached

Product: Pay Anywhere
Company: North American Bancard

With the Pay Anywhere mobile payment solution from North American Bancard, cost is never an issue, according to NAB. That's because anyone who signs up for this new program will receive a feature-packed mobile software application, card reader accessory, access to a secure merchant portal and customer support – all free of charge. The only fees attached to this service are a flat transaction fee and set percentages for swiped and keyed entries, the company stated.

"We are allowing our independent sales force of agents and ISOs the ability to offer a device, a card reader on smart phones, that has no fees when you don't use it," said Marc Gardner, NAB founder and President. "So, if you're only attending that book fair once a year, there are no fees when you're not using it."

According to Gardner, Pay Anywhere acceptance among smaller merchants during the pilot test was especially strong, because the free offer eliminated barriers to entry, and many said they preferred to process transactions at the point of decision. "We actually had a stay-at-home mom in New York City with a jewelry line she had created" participate in the pilot program, he said. "One of the first things she said to us was, 'The check's no longer in the mail.'"

Enterprise features for any size merchant

In terms of the company's evolution, Gardner said, "We looked at business logic software that was available to enterprise-level businesses and midsize-level businesses. It was really outstanding, but not available in your typical countertop POS terminal and only available in a really robust retail POS solution. We said, 'How can we make that available to a small user?' And we built those features into our app."

The application's real-time reporting functions can trigger automatic email sales activity alerts and track best-selling items at multiple locations. For example, Gardner noted, a limousine service operating 20 sedans in Chicago could determine where to position its vehicles on a Saturday night by selecting a date range of prior Saturdays. The software would then generate a report with a Google map pinpointing locations where the highest levels of sales activity had occurred.

Features of Pay Anywhere include:

- Free app and card reader accessory
- No hidden fees, pay only to process
- Free merchant portal, real-time reporting
- Geo tax calculator and default tipping
- ISO revenue opportunity
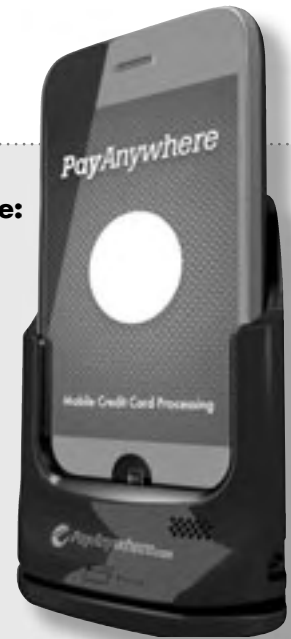
Pay Anywhere automatically calculates local, municipal and state taxes. "We did the geo-positioning location on the device to look up the local tax," Gardner said. "If you're doing an art fair in New York City, your tax is going to be different than one in Madison, Wisconsin. Most small art dealers would not know the local tax, and it calculates that for them."

The application also produces data-rich receipts, which can be emailed to customers. The receipts contain details about items purchased, product images, a blue dart with the GPS location of the transaction's origination and the cardholder's signature, which Pay Anywhere captures.

Experience matters

Gardner believes NAB's nearly two decades of experience in payment processing supports its expansion into the mobile frontier. "We put a high level of importance on customer care and tech support, and where we provide a point of differentiation on that customer care experience is the fact that we have over 400 people here supporting these accounts," he said.

Gardner said that to expedite account signup, "We have a unique user interface for enrollment. This is just a different payment device. We market the ability to enroll and get a merchant active and on the network in under five minutes."

North American Bancard

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Again, here is the popular lineup

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For more information, please contact:

Steve Eazell at 866-300-3376
seazell@securepaymentsystems.com
Michael Pruitt at 888-313-7841
mpruitt@securepaymentsystems.com

www.securepaymentsystems.com

An app to cinch the deal

Product: POS Portal Mobile App

Company: POS Portal Inc.

There's a new application on the street, but this one is for agent eyes only. POS equipment distribution, deployment and on-demand services provider, POS Portal Inc., released a smart phone application designed to provide real-time pricing and product availability for everything it stocks via its online store at *http://buy.posportal.com*. The downloadable POS Portal Mobile App is free to merchant level salespeople (MLSs) and ISOs.

"We're pretty sure this is the first smart phone application ever developed for the feet on the street," said Kevin Kent, Senior Product Marketer, POS Portal. "Other applications have been developed for the merchants to accept credit cards, but this is focused on making the salesperson that's out there working with merchants on a day-to-day basis much more efficient and effective in closing the next deal, because they have real-time information at their fingertips."

In terms of what POS Portal's online store offers, the website currently features today's most popular countertop terminal models, wireless terminals, refurbished terminals, PIN pads, card readers, terminal accessories and supplies.

Comparison shop and place orders on the spot

In 2010, POS Portal launched an e-commerce website for small and sub-ISOs who customarily order anywhere from one to 10 terminals at a time, Kent said. To access price quotes and check product availability, agents simply touch the app's smart phone screen. The "quick links" feature permits ISOs to search for product images and information to make product comparisons while meeting with prospective merchants.

"You may typically deploy something like a VeriFone Vx510, which is a popular unit," he said. "But for a certain merchant, you may need something slightly different, or they may be open to a different kind of terminal that needs multiple applications, for example. They can actually look at the phone and see it right there."

Orders can be placed directly through the smart phone application. "Not only do they see the price, but if they click on it they'll actually be in the cart at a place where they can order right on the spot," Kent said. The application establishes a secure connection with POS Portal's servers, where it stores preferred payment options and default shipping addresses. Shipping charges are calcu-

Features of POS Portal Mobile App include:

- Provides real-time quotes on POS products
- Offers terminal and supply ordering from anywhere
- Designates favorite products as default items
- Stores previous product configurations for reorders
- Offers click-to-call feature for immediate sales support

lated automatically, so that ISOs can quickly determine the delivered cost to merchants.

Favorites, tracking, support

For frequently ordered items, the application allows ISOs to designate specific terminals, PIN pads and supplies as preferences in the app's "favorites" section. When the application is launched, the first items to appear on screen are the user's preferred products along with current pricing. If an agent discovers a new "favorite," the item can be designated as such, and it will appear in the first-look options. The opening screen also lists the daily specials, Kent said.

MLSs and ISOs can also track product order status through POS Portal's Mobile App from anywhere in the field. According to Kent, the application maintains detailed account information as well as previous product configurations, which simplifies the reorder process.

When immediate assistance is needed, the application's "click to call" button instantly links ISOs to POS Portal's sales support team. The direct sales line facilitates time-sensitive details when negotiating larger orders with merchants, including expedition of shipments from its two fulfillment facilities situated in Sacramento, Calif., and Louisville, Ky. 🖼

POS Portal Inc.

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BoostYourBiz

A checklist for advertising effectiveness

Boost Your Biz is a new feature in *The Green Sheet* that will present actionable tips on how to get the most from your advertising and marketing dollars. This initial article presents a checklist of essential questions that can help you create your advertising message and determine your ad's return on investment:

- **What is your purpose for advertising?** Have you set specific objectives that will allow you to determine the success of a given ad? Thinking about what you are trying to achieve will make it easier to design an effective ad.

- **What is your budget for advertising?** Knowing how much you can spend can help you decide the size and frequency of your ad placement. (Remember, a single insertion is rarely effective; the impact of advertising relies, in part, on repetition.)

- **What is your call to action?** How will you get your customer to pick up the phone or go to your website? With numerous competitors vying for attention, your ad's offer should solve a problem, make a compelling case or present an intriguing opportunity.

- **Are there factors that dictate the timing of the ad?** If an ad is a limited time offer or intended to promote an event, how far in advance should it run? If your ad has a seasonal angle, when should its placement begin and end?

- **Does your ad work in concert with other marketing efforts?** If you are advertising through other marketing channels, such as social media, your messages should be consistent – or at least complementary. How can one channel build upon the activity going on in another?

- **How will you measure your ad's effectiveness?** Has the person who will field responses to your advertising been instructed to ask callers for their source of information on your company? Have you created a landing page on your website and activated a tracking tool like Google Analytics?

Keep in mind that a little bit of forethought can help you capitalize on your advertising investment. 🖼

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Southeast Acquirers Association
Trade Associations
2011 SEAA Annual Conference

Highlights: The Southeast Acquirers Association's Annual Conference provides information on current issues of concern to merchant level salespeople (MLSs) and ISOs in the electronic payments industry. Each year, the meeting brings industry leaders to the Southeast region of the United States for the purpose of helping the feet on the street become more successful.

This year's event will include a variety of networking opportunities with vendors and attendees. The exhibit hall will feature many of the leading payment processors, equipment manufacturers, leasing companies and other third-party vendors in the industry. Breakout sessions will provide a small forum in which attendees can learn and share information. Panel discussions, which have been some of the most heavily attended sessions in previous years, will be led by industry leaders.

When: March 21 – 23, 2011
Where: Hyatt Regency Bonaventure Conference Center and Resort, Weston, Fla.
Registration: www.southeastacquirers.com/conference

NACHA – The Electronic Payments Association
Trade Associations
Payments 2011

Highlights: Payments 2011 promises to delve into the latest trends in electronic payments and offer a snapshot peak into next-generation payment drivers and solutions. Over 130 sessions and workshops will be presented in eight tracks that include such topics as the automated clearing house, card solutions, corporate payment solutions, global business, health care opportunities, and mobile banking and payments.

When: April 3 – 6, 2011
Where: Austin Convention Center, Austin, Texas
Registration: www.nacha.org

Merchant Acquirers Committee
Trade Associations
2011 Annual Meeting

Highlights: MAC's annual conference regularly draws more than 250 attendees and is said to be the only annual meeting in the United States exclusively dedicated to educating individuals responsible for risk mitigation in the payments industry.

The 2011 conference will feature keynote speakers from Microsoft Corp., the FBI and the Federal Trade Commission, among others. Panels will discuss the Payment Card Industry Data Security Standard, banking trends, legislative changes and updates from the card brands on upcoming risk-related issues.

Also included will be day and evening networking events attended by some of the industry's largest payment processors and opportunities to see the newest products in risk mitigation.

When: April 12 – 14, 2011
Where: MGM Grand Hotel, Las Vegas
Registration: www.macmember.org

Payments Source
Industry Events
23rd Annual Card Forum & Expo

Highlights: This comprehensive industry event offers payment professionals cutting-edge strategies, best practices, and innovative new products and services. Paul Galant, Chief Executive Officer of Global Enterprise Payments at Citigroup Inc., and other industry leaders will address critical issues affecting card payments.

The expo's five breakout tracks will include: card trends and opportunities, loyalty and the customer experience, emerging payments, regulatory reform and compliance, and security and fraud protection.

When: April 27 – 29, 2011
Where: Fontainebleau Miami Beach, Miami Beach, Fla.
Registration: www.paymentssource.com/conferences/cfe11/index.html

Electronic Transactions Association
Trade Associations
ETA 2011 Annual Meeting & Expo

Highlights: A definitive annual event, this gathering is known as the ultimate networking and educational forum for professionals from every segment of the electronic payments industry.

More than 3,000 attendees, 200 exhibitors and 400 companies are expected to participate in this year's meeting. Strategic sessions will cover a range of topics including alternative payments, sales force development, industry regulation and global opportunities.

Slated pre-conference events include ETA Compliance Day, for all things compliance; Prepaid Day, where attendees will learn from leading experts how to prosper in the prepaid market; and the educational ETA University.

Other highlights include a president's dinner, golf tournament and entrepreneurial guest speakers.

When: May 10 – 12, 2011
Where: Hilton San Diego Bayfront, San Diego
Registration: www.electran.org/content/category/6/35/118/

2011 Calendar of events

To submit your event to this calendar, email a press release to press@greensheet.com. Please include the name, date and location of the event, as well as highlights of planned activities and registration contact information.

2011 Event	Date	Location	Web site
Prepaid Expo USA 2011	March 6 – 9	Orlando, FL	www.iiiusa.com/prepaid
BAI Payments Connect 2011	March 7 – 9	Phoenix	www.bai.org/home.aspx
WNet UNC Chicago	March 10	Chicago	www.wnet.biz
National Collections & Credit Risk Conference	March 13 – 15	Miami Beach, FL	www.collectionscreditrisk.com/conferences/nccr11
WACHA, Electronic Payments Conference 2011	March 21 – 23	Wisconsin Dells, WI	www.prodevmedia.com
Southeast Acquirers Association (SEAA)	March 21 – 23	Weston, FL	www.southeastacquirers.com/conference
WNet, UNC South Florida	March 21	Weston, FL	www.wnet.biz
WNet, UNC Atlanta	March 31	Atlanta	www.wnet.biz
NACHA, Payments 2011	April 3 – 6	Austin, TX	www.nacha.org
WNet, UNC Phoenix	April 6	Scottsdale, AZ	www.wnet.biz
Merchant Acquirers Committee, Annual Meeting	April 12 – 14	Las Vegas	www.macmember.org
2011 TowerGroup Annual Conference & Exhibition	April 13 – 15	Boston	www.cvent.com/EVENTS/Info
Glenbrook Partners, Payments Boot Camp	April 13 – 14	New York	http://paymentsessentials.com/?page_id=46
2011 EPCOR Payments Conference Spring	April 19 – 21	Columbus, OH	www.epcor.org/iMIS15/EPCOR
SourceMedia, 23rd Annual Card Forum & Expo	April 27 – 29	Miami Beach, FL	www.paymentssource.com/conferences/cfe11/index.html
WNet, 2011 Super UNC	May 9	San Diego	www.wnet.biz
ETA 2011 Annual Meeting & Expo	May 10 – 12	San Diego	www.electran.org/content/category/6/35/118
Glenbrook Partners, Payments Boot Camp	May 18 – 19	Santa Clara, CA	http://paymentsessentials.com/?page_id=46
5th Annual Mobile Banking & Emerging Applications Summit	June 5 – 7	New Orleans	www.americanbanker.com/conferences/mobile11
NACHA, 2011 Global Payments Strategies Conference	June 7 – 8	San Francisco	www.nacha.org
6th Annual Underbanked Financial Services Forum	June 8 – 10	New Orleans	http://cfsinnovation.com/events/article/440652
ACI, Prepaid Card Compliance	June 23 – 24	Washington	https://transactions.c5groupinc.com
MWAA 9th Annual Conference	July 27 – 29	Oak Brook, IL	www.midwestacquirers.com/next_event.php
WNet, Career & Leadership Summit	Sept. 12 – 13	Atlanta	www.westernstatesacquirers.com

Inspiration

Any activity becomes creative when the doer cares about doing it right, or better.

– John Updike

The fine art – and science – of selling

Selling to merchants is both an art and a science, requiring insights into human nature, as well as technical knowledge of products and services. During sales calls, we must connect with a human being, not just a business entity, to make our case.

The most successful merchant level salespeople (MLSs) know how to combine people skills with industry expertise to create a truly effective presentation. Fortunately, MLSs are by nature resourceful and results-driven, so becoming well-rounded to secure more sales makes perfect sense. After all, we routinely set goals for ourselves, not boundaries, while seeking to perfect the sales process.

Becoming well-rounded

Keeping tabs on the industry, as well as acquiring insights into human behavior, is a dynamic, never-ending process. Technology changes rapidly, and we are constantly discovering more about how people communicate, what motivates them and why they make certain choices.

Industry expertise comes from reading trade publications like *The Green Sheet*, attending tradeshows, networking with peers, taking relevant classes and so on. It's important to read and share this type of information so you can credibly represent a range of payment solutions – the "science" side of selling – to merchants.

On the "art" side of selling, there is the need to listen carefully, ask probing questions and empathize with the challenges the merchant faces before jumping into a one-size-fits-all sales pitch. The information-gathering portion of your meeting demonstrates to the merchant facets of your character that are key to relationship-building.

It's a joy to watch salespeople who can create rapport and then wield their deep industry expertise to fashion a solution that truly matches a merchant's goals and circumstances. It's like witnessing a masterpiece in the works.

Broadening your horizons

So how do you become a better listener, more attuned to customer needs, more innovative when suggesting solutions? Perhaps it's time to move beyond your accustomed educational resources to achieve a fresh perspective. Here are some suggestions:

- Practice asking open-ended, evocative questions with family and friends.

- Find a coach outside of your usual circle of colleagues. Choose someone who can offer an unbiased appraisal of your presentation skills.

- Read a biography about a person renowned for his or her ability to engage and inspire people.

- Attend a workshop on humor (there's a reason many public speakers start their presentations with jokes).

The more you seek to understand the people you are selling to, the greater your chance of building a connection and thus creating a sale. Facts and figures alone will not convince a potential customer that you recognize their needs and are worthy of their trust. You must creatively combine both the art and science of selling to excel.

Good Selling!℠

Paul H. Green, President and CEO

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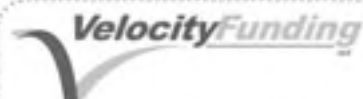
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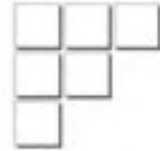
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INTRODUCING
UNITED BANK CARD'S
FREE*
POS PROGRAM

The next wave in the payments industry is here!

UNITED BANK CARD'S
FREE*
POS PROGRAM

United Bank Card changes the game yet again with our newest initiative: our sales partners are now able to offer merchants a free* Harbortouch point of sale (POS) system with integrated payments! Harbortouch accounts offer higher than average residuals, up-front commissions and virtually non-existent attrition while providing a valuable tool to your merchant customers.

Why would a merchant opt for a standard credit card terminal when they can receive a full-featured, touch-screen POS system for free?

	TERMINAL	HARBORTOUCH POS
Process credit cards	●	●
Print receipts	●	●
Comprehensive reporting		●
Inventory tracking		●
Employee scheduling		●
Built-in time clock		●

✓ Merchants benefit from streamlined operations, detailed reporting, inventory tracking, labor management and many other time and money saving features

✓ State of the art software combined with top of the line hardware

✓ Simplified setup process and intuitive user interface offer an easy transition for merchants

✓ Comparative systems sell for tens of thousands of dollars, while you can offer them for free

PLUS:

✓ $300 up-front commission per POS terminal. An average merchant utilizes three terminals, providing a typical commission of $900 per deal!

✓ Free "Harbortouch Sales Center" software allows you to demo the system and sign up a merchant from start to finish on your laptop

HARBORTOUCH UNIVERSITY

To participate in this program, our sales partners must complete Harbortouch University, a comprehensive online training course intended to provide a fundamental understanding of POS systems. This training course has been developed to ensure that you have the knowledge about Harbortouch to succeed.

FREE HARBORTOUCH LEADS!

To help bolster your new pipeline of deals, we are also providing complimentary leads to all active participants in the free POS program! Each month you will receive pre-set appointments with merchants in your area that are specifically interested in a Harbortouch POS system.

With free POS systems, free leads, residuals and up-front commissions, this program offers the complete package: a truly unparalleled sales tool the likes of which has never been seen in the ISO community!

* To receive a Harbortouch POS system as part of this program, merchant must sign a credit card processing agreement and equipment service contract. Other charges may apply.

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OR

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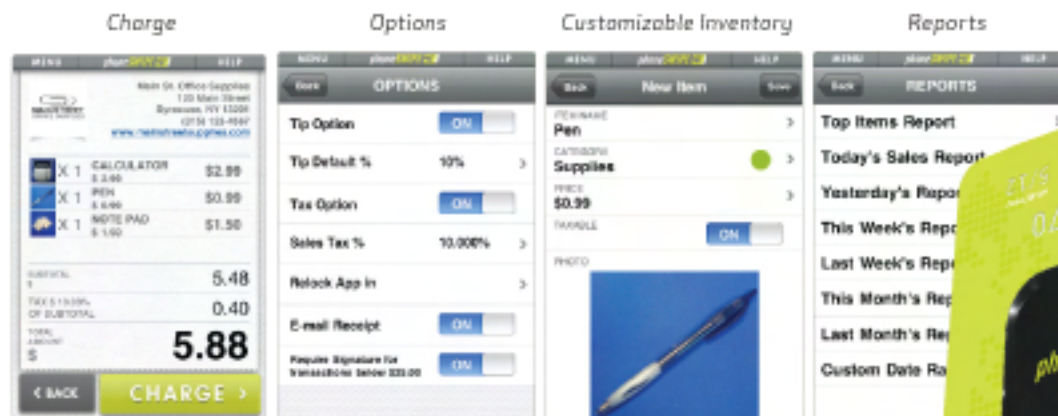
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Plus, CCS gives *your merchants* the working capital to bankroll *their* business!

(See Reverse Side For Details)

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Call for details. See reverse side for complete CCS program benefits.

CCS Provides Merchants

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