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April 11, 2011 • Issue 11:04:01

# Payment fraud, rising to the challenge

By Patti Murphy

*The Takoma Group*

**R**ecent reports about RSA, a leading provider of security and risk solutions, being breached by hackers drives home a critical point: in today's interconnected world no one is immune to fraud. Since its start in 1982, RSA's corporate moniker has become synonymous with data security. The company, which became the security division of EMC in 2006, invented public key cryptography, and its authentication products have been implemented at many of the largest companies (including banks) in the world.

So when Art Coviello, RSA's Executive Chairman, penned an open letter to customers in March 2011, explaining that hackers had penetrated RSA's security walls and stolen information about SecureID, an authentication product widely used in online banking, some experts saw it as a wake-up call.

"It shows that there's really no 100 percent security," said Markiyam Malko, PCI program manager at Merchant Warehouse, a Boston-based ISO. "There are a lot of sophisticated hackers out there. It demands that we stay vigilant every day."

Paul Martaus, an industry consultant based in Mountain Home, Ark., said the severity of the RSA breach depends on who's behind the incident. "It could well be an attempt by someone who has an axe to grind to embarrass RSA," Martaus said. Or it could be something more sinister, like an international fraud ring. "The big question is, what did they get?" he added.

Hackers clearly have become more sophisticated and persistent. Kaspersky Labs, an international information technology security firm that tracks malware, recorded 1.5 billion incidents involving malware last year alone.

### Data breaches are costly

Data breaches are a costly proposition. The latest data from the Ponemon Institute, a Michigan-based research center, indicates data breaches cost U.S. companies about \$214 per compromised record in 2010, and averaged \$7.2 million per breach event. And as Dr. Larry Ponemon, the institute's founder, explained, it's not just the direct costs that matter. The indirect costs like customer churn can have a huge impact on a breached company's bottom line.

"The fact is that individuals still care deeply about their personal information, and they lose trust in companies that fail to protect it," Ponemon noted in a March blog post.

 See Fraudsters on page 51

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**Notable Quote**

**What happens to checks after they are scanned at merchants? Thrown in the trash? Hopefully not, but no one debates that they are much less secure than if they were presented at the FI.**

**See story on page 76**



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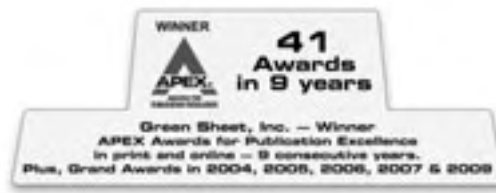
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The Green Sheet (ISSN 1549-9421) is published semi-monthly by The Green Sheet Inc., 6145 State Farm Dr., Rohnert Park CA 94928. Subscription is FREE to participants in the payment processing industry, an annual subscription includes 24 issues of The Green Sheet and 4 issues of GSQ. To subscribe, visit [www.greensheet.com](http://www.greensheet.com). POSTMASTER: send address changes to The Green Sheet Inc., 6145 State Farm Dr., Rohnert Park CA 94928. Any questions regarding information contained in The Green Sheet should be directed to the Editor in Chief at [greensheet@greensheet.com](mailto:greensheet@greensheet.com). Editorial opinions and recommendations are solely those of the Editor in Chief.

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# Forum

## Holding deposits until services are rendered

I am an ISO for a credit card processor, and I have a question that has come up a couple of times. I haven't received a straight answer from either Visa or MasterCard. I am told that a merchant can accept a deposit 30 days prior to services being rendered, and this is a Visa/MC regulation. I cannot find it anywhere, although it is tough, considering the hundreds of pages of info from the card companies.

Could you help point me in the right direction for the correct info on merchants accepting deposits prior to services being rendered?

Ryan Kenny  
Rocky Mountain Credit Card

Ryan,

I referred your question to Linda Grimm, a bankcard consultant, who provided the following answer:

*The question of the timing of settlement and delayed delivery comes up quite often, as there are many misconceptions out there. The answer to your question is that Visa Inc. and MasterCard Worldwide require a merchant to deposit a transaction receipt only when the merchant has:*

- Completed the transaction
- Shipped or provided the goods
- Performed the purchased service
- Obtained the cardholder's consent for a recurring transaction

*As with all things Visa and MasterCard, there are exceptions. Visa and MasterCard allow for merchants to have delayed delivery transactions. These occur when there is an initial deposit, say, for a custom ordered product like furniture, and a final payment when the goods are completed and delivered. In this case the requirement is to deposit the transaction within three business days of the transaction date of the "deposit" and of the "final payment," respectively. Neither card brand stipulates how much time can transpire between the deposit and the final payment; that is up to the merchant and the circumstances around the transaction.*

*The 30-day rule you referenced may be from MasterCard's requirement for a merchant with multiple locations using a central facility to accumulate and present records to the acquirer; the maximum time allowed for presentment is 30 calendar days from the transaction date (Visa allows 21 calendar days).*

*The real question around delayed delivery, however, is the risk tolerance of the bank. While the regulations allow for it, the bank may not be willing to accept the extended liability that this type of transaction activity presents. The longer it is between the transaction and when the customer receives the goods/services, the greater the risk of something going wrong.*

*Take, for example, a furniture store that takes orders for custom furniture. When everything is going well, the merchant can pay the suppliers for the custom furniture with the money received from that customer. Let's say business starts to slow down, and the merchant needs to use some of the deposit money for rent or utilities, hoping business will pick back up so the merchant can pay the supplier for the custom furniture.*

*The economy is tough; business does not pick up. But the merchant, in desperation, continues to take orders using the deposit from customer B to pay for the furniture for customer A. Eventually, this causes the merchant to collapse; the supplier demands payment, but the merchant doesn't have enough new business to pay for the old orders. Now the customers want their furniture or their money back, and the merchant is out of business. Guess who has to pay for those chargebacks: the acquiring bank.*

*This type of extended liability is a major risk concern for acquiring banks and is why banks often require reserves and/or are unwilling to accept merchants with delayed delivery beyond 60 to 90 days.*

*You'll find the regulations around transaction acceptance and delayed delivery in Chapter 6 of the latest Visa International Operating Regulations released October 2010 and available on Visa's website [http://usa.visa.com/merchants/operations/op\\_regulations.html](http://usa.visa.com/merchants/operations/op_regulations.html), as well as in MasterCard Rules, Section 5.9.2., available at [www.mastercard.com/us/merchant/pdf/BM-Entire\\_Manual\\_public.pdf](http://www.mastercard.com/us/merchant/pdf/BM-Entire_Manual_public.pdf).*

*Thank you, Linda, for such a thorough response. I hope this provides exactly the information you need, Ryan. Best of luck to you.*

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](mailto:greensheet@greensheet.com) or call us at 800-757-4441.



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# QSGS

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

Cover Story

1

## Payment fraud, rising to the challenge

Recent high-profile security breaches drive home a critical point: in today's interconnected world no one is immune to fraud. Vulnerabilities in the payments sphere constantly challenge companies to step up to devise new technologies and strategies that ferret out fraudulent transactions before they become a problem.

Feature

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## Momentum builds for maritime cards

Payroll on the high seas can be a choppy process due to a variety of factors, including arcane maritime laws and the propensity to pay crews with cash. To simplify the experience for crew members, many cruise lines have streamlined the payroll process by embracing Prepaid Solutions Inc.'s onboard maritime payment card solution.

View

24

## PII and merchant portfolio acquisition

Personally identifiable information (PII) is a major driver of value in merchant portfolio acquisition. And affecting that value is the harm a breach or loss of the portfolio's PII could cause. The question is, how do the privacy policies of an acquisition target affect its valuation and the ability to consummate a sale?

News

42

## Did hackers gain insight into RSA's methodology?

RSA, the security division of EMC Corp., reported that a hacker gained access to its network and stole information relating to its SecurID two-factor authentication product, which protects the PCs, USB devices, phones and key fobs of about 25,000 corporations. While RSA customers were not targeted, the attack raises concerns over the effectiveness of two-factor authentication.

View

28

## Social redemption at the POS

Smart phones, the mobile capabilities of the Internet and the coming of age of near field communication and contactless technologies are transforming countertop card acceptance solutions into a focal point for new consumer transaction-based services. This article offers six rules to make the transformation more accessible.

News

42

## Comodo compromise draws swift response

Nine secure sockets layer (SSL) certificates across seven domains were fraudulently obtained from a registration authority affiliated with the Comodo SSL Certification Authority. The compromise appears to have been socially motivated, rather than financial, which has industry leaders abuzz about what preemptive measures can be taken to prevent future attacks.

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*- Rhoda Steward, Director of Strategic Partnerships and Marketing*



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News

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### PCI SSC dials up call center compliance

With increasing levels of fraud directed at MO/TO operations, the governing authority of the Payment Card Industry (PCI) Data Security Standard (DSS) has issued a timely, educational resource that details tactics and best practices for securely processing card transactions over the telephone. What do card data call centers need to protect, and how can they do it?

Education

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### Street Smarts<sup>SM</sup>: Straight talk on professional certification

*The Green Sheet* welcomes Bill Pirtle, author of *Navigating Through the Risks of Credit Card Processing*, as the new Street Smarts columnist. In this inaugural article, Pirtle invites forum members to discuss the potential impact of the Electronic Transactions Association's plan to certify payments industry professionals through its Certified Payments Professional program.

Feature

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### SEAA is 'the bomb'

The tropical breezes of Weston, Fla., enhanced the atmosphere for the Southeast Acquirers Association's 10th annual conference. During and after the conference SEAA stalwarts reflected on the organization's progress since its inception and how all participants have benefited through the educational and networking opportunities presented at its annual gatherings.

Education

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### Leads, leads, leads - Part 3: Lead nurturing

Once you have a system for generating and managing leads, then what? The final stage involves nurturing leads in a way that won't alienate prospects, because not everyone is prepared to buy on the spot. As many as 70 percent of all prospects eventually do buy, so it's imperative to employ a strategy that motivates leads to sign with your company rather than a competitor.

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Education

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### **Coach your way to a stronger organization**

All business leaders are charged with the responsibility to make their teams perform effectively. Without a doubt, coaching can be a vital component in this endeavor. Done properly, it enhances employee productivity and commitment. Here are some steps to help develop coaching skills at the professional level.

Education

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### **How to reboot a stalled PCI program**

As ISOs, merchant level salespeople, processors and banks become more comfortable with the PCI DSS, some old pains and problems are becoming more manageable. Nevertheless, stumbling blocks exist, but there are tools to keep merchants moving toward achieving compliance with relative ease.

Education

66

### **Projecting confidence, inspiring trust**

When you are selling, you are on stage. You are playing a role, that of a salesperson. Confidence is the great differentiator between success and failure. To project the right amount of confidence successfully requires having adequate resources at your disposal, as well as avoiding common pitfalls such as over-analysis, false assumptions and fear.

Inspiration

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### **Stick with the truth**

One of Aesop's fables tells the story of a woodsman who is richly rewarded for telling the truth to a friendly water spirit. The old story still serves a purpose today. In business, integrity should underlie every interaction because honesty, practiced consistently, cultivates trust, an important ingredient in successful relationships, whether personal or professional.



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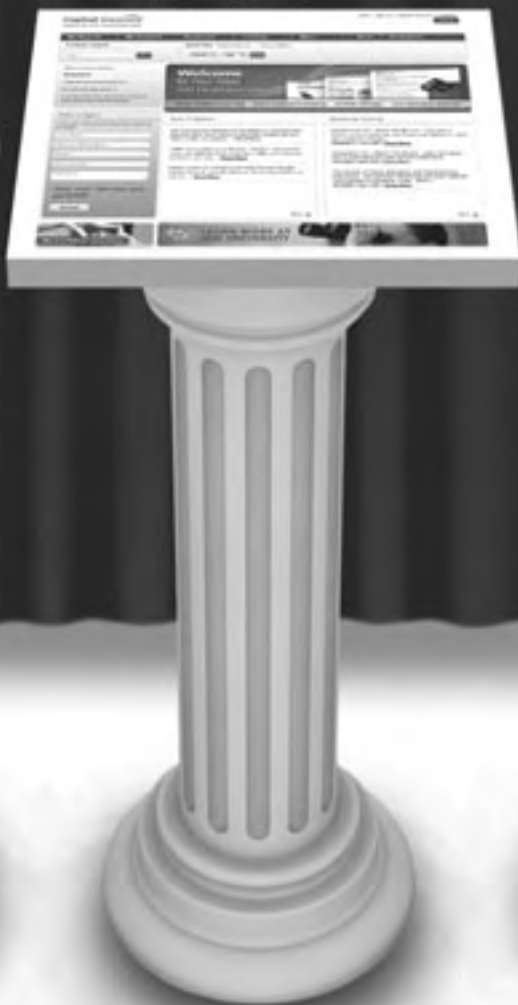
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# IndustryUpdate

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## NEWS

### 'Cheat sheet' cuts Dodd-Frank to size

A summary of the 1,000-page **Dodd-Frank Wall Street Reform and Consumer Protection Act** was released by InformationWeek Financial Services. At fewer than 40 pages, the "cheat sheet" summarizes the law's rules and definitions. Using layman's terms, the report outlines the law's impact on technology organizations and highlights key deadlines.

"The law contains new rules for derivatives clearing, mortgages, executive compensation, credit cards, proprietary trading, consumer protections and more," said Greg MacSweeney, Editorial Director for InformationWeek Financial Services.

The summary can be downloaded at [www.banktech.com/dodd-frank](http://www.banktech.com/dodd-frank).

### LexisNexis creates comprehensive fraud suite

Online information service **LexisNexis** launched a comprehensive retail fraud prevention management suite. The software and services are intended to protect retailers from fraudulent card-not-present orders. The suite integrates its front-end identity fraud risk scoring with a workflow platform and fraud analyst review system, giving merchants the ability to assess order risk at the transactional level.

The field for such fraud-prevention services is crowded, with comparable scoring and fraud-detection services available from LexisNexis partners Kount Inc., CyberSource Corp., Retail Decisions PLC, Digital River Inc., 41st Parameter Inc., Accertify Inc., Fidelity National Information Services Inc., ThreatMetrix Inc.

and others. The LexisNexis software integrates with the company's public records database and its data-linking technology. LexisNexis Retail Fraud manager is a hosted service.

### W-net becomes Women's Network in Electronic Transactions

In a desire to keep current and remain relevant, W-net's Senior Leadership Team decided to change the association's name from Women Networking in Electronic Transactions to **Women's Network in Electronic Transactions**, as well as change its website address to [www.wnetonline.org](http://www.wnetonline.org). Additionally, changes to the website format offer greater usability and provide access to more information, said Kim Fitzsimmons, President of Women's Network in Electronic Transactions.

"As the year progresses, we will be providing even greater information to our members to include access to articles of interest on professional development and career progression," Fitzsimmons added.

The association's next Super LINC event is scheduled for May 9, 2011, in conjunction with the Electronic Transaction's Association's Annual Conference & Expo in San Diego. The event, entitled *Next Gen Leaders: Navigating Your Way to the Corner Office*, will feature a panel discussion with industry leaders and professionals who will share success stories and tell how they were able to propel themselves into the corner office.

## ANNOUNCEMENTS

### Accertify signs clothing retailer

Retailer Abercrombie & Fitch Co. implemented the Interceptas fraud prevention platform from **Accertify**.

- According to *Beverage Digest*, the five top-selling soft drinks from 2010 were **Coke, Diet Coke, Pepsi, Mountain Dew** and **Dr Pepper**. There were four diet sodas among the top 10 – twice as many as in 2000.
- Total apparel sales grew by 6 percent in February 2010 year-over-year, according to **MasterCard Worldwide's SpendingPulse** report. Sales in all apparel subsectors posted increases ranging from 0.8 percent for footwear to 10.7 percent for children's apparel.
- Internet sales in 2010 accounted for 8 percent of total retail sales and are projected to rise to 11 percent by 2015, according to **Forrester Research**.

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## Industry Update

The retailer operates more than 1,000 apparel stores worldwide.

### CPP consolidates divisions in larger facility

**Certified Payment Processing** relocated to larger offices in Carrollton, Texas, to accommodate all of its sales divisions, administration and support staff. Two divisions, TransTech Merchant Group and Summit Merchant Solutions, experienced significant growth recently, CPP said. A third sales division, ISIS Direct, was launched in 2010, and a fourth is planned for launch in late 2011, the company added.

### Shavitz gets risky in SEAA session

Jeffrey Shavitz, a founder of **Charge Card Systems Inc.**, member of The Green Sheet Advisory Board and the First Data Corp. ISO Advisory Board, talked risk at the Southeast Acquirers' Association's Annual Seminar. In the breakout session entitled *The Ins and Outs of High Risk Merchant Processing*, Shavitz shared insights on chargeback ratios, benefits of domestic versus off-shore solutions, funding delays, industry types that typically are considered high risk, and monetary reserves.

### Georgia association awards ControlScan

The Technology Association of Georgia named

**ControlScan Inc.** one of the Top 10 Innovative Technology Companies in the state. The award recognizes companies for innovation and financial impact. ControlScan provides Payment Card Industry (PCI) Data Security Standard (DSS) compliance services.

### Dovetail hub cited by Celent for advanced technology

**Dovetail Systems Inc.** received the XCelent Award for Advanced Technology in Celent LLC's recent report on payment services hubs.

The Dovetail hub automates a range of payments, including bulk automated clearing house (ACH) and global real-time gross settlement.

### German pharmacy chain picks Hypercom hybrids

For its 1,200 retail outlets, German drugstore chain dm-drogerie markt GmbH + Co. KG bought 3,700 Artema Hybrid payment terminals from **Hypercom Corp.** The terminals accept both mag-stripe and contactless payment cards.

### Ingenico doubles NFC-enabled terminal shipments in 2010

**Ingenico** said its shipments of terminals with near field communication (NFC) contactless technology doubled in 2010. During the calendar year, 21 percent of Ingenico terminals sold to merchants were equipped with NFC technology, up from approximately 14 percent the prior year.

### Silver Tail Systems Forensics wins MRC's METAward

The **Merchant Risk Council** awarded its first annual MRC Emerging Technology Award, or METAward, to **Silver Tail Systems Inc.** The company's forensics product was judged the most innovative payment, fraud and security tool in e-commerce. The judging was done by a panel of online and multichannel merchants.

### Mobile info site debuts

Web portal **MobileWayToPay.com** debuted in March 2011. The site tracks mobile and NFC developments, technology advancements, new entrants to the mobile payments arena and new payment options for consumers.

### Petru founds Redstone Payments

Lawrence J. Petru, former President of Delta Card Services (doing business as Merchants' Choice Cards Services), launched **Redstone Payment Solutions LLC.** Headquartered in Houston, Redstone is a registered ISO/MSP of Wells Fargo Bank N.A. Petru retired from MCCS in 2009.


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## Industry Update

### SmartSoft expands in North America

Anticipating that the U.S. marketplace will migrate to chip and PIN-based technology, payments software provider **SmartSoft US LLC** opened two new sales and technical support centers in North America. The centers are located in Toronto and Portland, Ore. SmartSoft, which also provides card issuance services, was founded in 2001 to develop Europay/MasterCard/Visa (EMV) compliant payment software.

### BBH, The Human Chain team for NFC implementation

Wheeling, Ill.-based document management technology provider **Böwe Bell + Howell** and Oxford, England-based telecommunications consultancy **The Human Chain** signed an agreement for the companies to collaborate on projects designed to deliver new services in the loyalty, membership payment and access control markets using smart phones, payment cards, microSD chips and chip-enabled stickers.

### SVP signs first nonprofit

**FamilySearch International** signed a pilot agreement with **U.S. Bank** to evaluate **Secure Vault Payments** as an online payment option for the website's patrons wishing to make donations. FamilySearch is the first nonprofit to use SVP. Co-developed by NACHA – The Electronic Payments Association and eWise, SVP is now a private commercial payment network.

### Fifth Third extends Planet Payment's DCC

**Fifth Third Processing Solutions LLC** now offers dynamic currency conversion (DCC) to its ATM terminal and processing clients. The Pay in Your Currency service is powered by **Planet Payment Inc.** and allows international cardholders to choose the DCC option at

## PARTNERSHIPS

### All About Merchants certifies with MAUI

Colorado-based ISO **All About Merchants** became certified with **Merchants Against Unfair Interchange**, an organization that invites processors to take an oath regarding interchange fee practices and to then use third-party monitoring.

### BlueStar distributes Hypercom technology

In a new distribution agreement, **BlueStar Inc.** added payment systems from **Hypercom** to its product portfolio. BlueStar now distributes the Optimum T4220 Ethernet with dial terminal, the L5300 multiline system, the M5000 and the IntelliNAC network access controller.

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## Industry Update

the time of cash withdrawal. Fifth Third began offering Planet Payment's DCC service to retail clients in 2004.

### Fiserv signs nine CUs

Nine credit unions recently signed with Fiserv Inc. for account processing. New clients include **Greater Norwalk Area Credit Union Inc.**, **Connects Federal Credit Union**, **Clinchfield Federal Credit Union**, **Healthcare Plus Federal Credit Union**, **Miami Federal Credit Union**, **Avanti Federal Credit Union**, **Local 170 Teamsters Federal Credit Union**, **First Choice Credit Union** and **USDA Credit Union**.

### CheckAlt supplies RDC to IBS

**Integrated Business Solutions** picked **CheckAlt Payment Solutions** to supply remote deposit capture to its business customers. IBS provides card processing and ACH services to 10,000 merchants in North America.

### IP Commerce offers fraud prevention from ReD

Open payments platform **IP Commerce Inc.** is offering ReD Shield fraud prevention technology from **Retail Decisions Inc.** to IP's merchants. With ReD, IP Commerce is targeting tier two and three retailers to provide real-time fraud detection using an unlimited number of variables and a global database of fraudulent cards.

### Litle & Co. goes with CyberSource

Litle & Co. partnered with Visa Inc.'s **CyberSource** for fraud detection. Litle chose CyberSource's Decision Manager as the preferred fraud detection system to offer its portfolio and e-commerce merchants.

### MGS selects ThreatMetrix for fraud prevention

Payment gateway provider **Maas Global Solutions Inc.** chose **ThreatMetrix** to provide online fraud detection services to its Paymentsite.com customers. The Paymentsite.com gateway is integrated with WorldPay US Inc., TSYS Merchant Solutions and Chase Paymentech Solutions LLC, among others.

### Infogroup signs with MeS

**Merchant e-Solutions Inc.** became the exclusive provider of payment processing services for **Infogroup**. MeS will provide gateway, tokenization and web-based reporting services.

### Monitise signs MoUs with Handpay, China Rewards

**Monitise PLC** said its Asia-Pacific joint venture signed memorandums of understanding (MoUs) with two companies in China: mobile payment provider **Handpay**

and loyalty management company **China Rewards**. The MoUs signify Monitise's agreement to help the companies deliver new mobile services to customers inside and outside China.

### Pivotal teams with FIS

**Pivotal Payments** is deploying electronic funds transfer (EFT) software from **Fidelity National Information Services Inc. (FIS)** to support Pivotal's HD3 merchant services processing platform. The software provides access to real-time data, reportedly enabling tougher fraud protection measures. The combination of FIS' EFT software and Pivotal's internal systems creates a fully integrated North American back-end and back-office processing system, according to Pivotal.

### Security Card Services goes shopping

**Security Card Services LLC** engaged **Preston Todd Advisors** to identify merger targets. Oxford, Miss.-based Security Card intends to grow its merchant processing business through acquisitions.

### Shift4 gateway integrates with valet parking system

**Shift4 Corp.** integrated with the Computerized Valet Parking System from **Service Tracking Systems Inc.** to allow mutual customers to process parking payments through Shift4's gateway. Hotel guests' charges can be billed directly to rooms and non-guests can be charged immediately through the hotel's POS system.

### Charity turns to Obopay to raise mobile donations

**United Way of Central Virginia** enlisted **Obopay Inc.** to power a text-to-donate mobile service and to enable online donations. The regional chapter expects the service to help it meet its annual goal of \$3.4 million in donations.

## ACQUISITIONS

### REPAY buys merchant portfolio

**Realtime Electronic Payments (REPAY)** acquired the merchant card portfolio and related assets of Chicago-based **National Translink Corp.** The deal added 1,450 merchants to REPAY's existing network of 5,000 merchant locations.

## APPOINTMENTS

### Baker joins ControlScan

**ControlScan** hired **Joe Baker** as Vice President of Business Development for North America. He is responsible for developing partnerships with processors and mer-






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**CONTACT:**

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 rich@msihq.com

## Industry Update

chant banks. Previously, Baker was Senior Vice President at CRE Secure Payments LLC.

### AMSWC elects Burtzloff Chairman

Applied Merchant Systems West Coast Inc. elected **Chuck Burtzloff** Chairman of its board of directors. A former President of the Electronic Transaction Association, Burtzloff founded Cardservice International and was its Chief Executive Officer from 1988 until its sale to First Data Corp. in 2001. He joined the AMSWC board in October 2010.

### First Data promotes Elkins

First Data appointed **John Elkins** President of its business operations in Europe, the Middle East, Africa, Asia Pacific and Latin America. Elkins has been the company's Chief Marketing and Strategy Officer since joining the company in 2009. He joined First Data from McKinsey and Co., where he was a senior advisor.

### Nawara joins Clearent

Clearent LLC hired **Terry Nawara** as Vice President of Business Development. Based in Sacramento, Calif., she is responsible for growing partnerships with new ISOs and financial institutions on the West Coast.

Nawara was a founding member and Director of Sales at POS Portal Inc.


### SCA names Transportation Council representatives

**Craig Roberts** of the Utah Transit Authority was named Chair of the Smart Card Alliance Transportation Council for 2011/2012.

Transit Vice Chairs are **Gerald Kane** of Southeastern Pennsylvania Transportation Authority and **Mike Nash** of Affiliated Computer Systems Inc., a Xerox Co. Parking Vice Chair is **Peter Burrows** of Parkeon Inc.

The Council's 15-member steering committee includes **Faye Surrette** of MasterCard Worldwide, **Sandy Thaw** of Visa and **Mike Meringer** of VeriFone Systems Inc.

### Bell ID appoints Worthington

Bell ID, which provides smart token management products, appointed **David Worthington** as Principal Consultant for Payments and Chip Technology. Previously, he was a payments and EMV consultant with Aconite. 

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# PII and merchant portfolio acquisition

**Daniel Federgreen**

*Analyst*

**P**ersonally identifiable information (PII) is a major driver of value in merchant portfolio acquisition. PII, by definition, is central to any discussion of privacy in the payments industry. Merchant service providers must be able to access and transmit PII securely to facilitate transactions, which are the heart of commerce.

The question is, how do the privacy policies of an acquisition target, compared to the acquiring entity's policies, affect the target's valuation and the ability to consummate a sale?

ISOs, merchant level salespeople, processors and acquiring banks are information-driven. For many, awareness of the responsibility to manage PII and the deep understanding of the harm that breach or loss of this information can cause is elusive. And a high-profile discussion regarding security and privacy continues: How should we, as an industry, manage PII in the portfolio acquisition process, and what are the challenges associated with this?

High-speed data transfer is central to the modern electronic world. However, too often data streams contain information that is ambiguous or unknown to both senders and recipients of the data, and the streams may contain PII. Thus the information is not only sensitive to individuals and entities, but it also often contains information that, if obtained by unauthorized parties, could be used for criminal purposes.

## Value of data

When merchant portfolios are bought and sold, what is really being obtained – and therefore the item of value – is the information in the portfolio's database that, when transmitted among authorized payment entities, allows for the processing of payment transactions.

Associated with this information is a laundry list of data that may contain Social Security numbers, dates of birth, driver's license numbers, home and business addresses, and other items that define PII.

Of note, the PII being transmitted may contain not only current relationships; it also may contain details pertaining to prior relationships that were not appropriately purged from databases, as well as third-party data from extraneous inputs.

The need to address data transfer is not restricted to merchant portfolio acquisition. It is a basic fact of any business acquisition, merger or divestiture in today's economic climate. And the stated data privacy policy of the portfolio targeted for acquisition must be compared with the data privacy policy of the acquiring entity.

The policy of the target should reflect the various statutes that affect the target organization, based upon the jurisdictions in which the target operates.

This must be balanced with the business needs of the acquiring organization. The potential conflict between the privacy policies of the target and acquirer must be reconciled before a relationship can be consummated.

## Data management challenges

Data privacy management has become a modern informational nightmare. Fundamental questions of whose data it is to who has the right to sell or transfer it are issues that must be addressed. Not just because of the legal liabilities associated with this, but also because of the social and ethical responsibilities of the entities involved.

In the book *Information Privacy* by Peter P. Swire and Sol Berman, the authors describe the four basic areas that every organization faces regarding the handling of information. They are legal compliance, reputation, investment and reticence.

All who are involved with the art of the deal should understand these four concepts. Legal compliance is the requirement that each organization comply with all applicable laws.

Reputation is that the organization must protect its reputation as a trusted institution with respected brands. Investment requires that the organization receive proper return on its investment. Reticence, in this context, is the need for the organization to use the acquired information as robustly as its competitors.

The organization acquiring a portfolio must understand and embrace the privacy policies of the entity it intends to acquire. The target's population of merchants has given them PII under the premise that the stated or published privacy policy will be maintained.

If, in the evaluation of the potential target, the privacy statement is deemed incompatible or unacceptable to the acquiring organization, the acquiring organization must factor in the costs related to providing appropriate notice



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## View

of changes to the policy and the potential effects of said changes in terms of erosion of the target's merchant base.

To my knowledge, no study has addressed this issue. Therefore, no known predictive model can be applied. What might be called a reasonable guess is simply nothing more than a guess.

It is probably safe to assume the majority of published privacy policies are compatible in terms of immediate needs. Modifications so that privacy policies of merged entities can coexist across an entire enterprise can be put in place during a transitional period while the acquired portfolio's merchant population is integrated in a manner that is least disruptive. The concept of Privacy by Design can serve as a useful guide to accomplish this process.

### Principles of privacy


A fundamental concept today is that of Privacy by Design developed by Dr. Anna Cavoukian. As described by Dr. Cavoukian, "Privacy by Design asserts that the future of privacy cannot be assured solely by compliance with regulatory frameworks; rather, privacy assurance must ideally become an organization's default mode of operation."

Privacy by Design presents a set of "foundational principles" that can help companies innovate in ways that are

consistent with fair information practices. These seven principles are:

1. Proactive, not reactive; preventative, not remedial
2. Privacy as the default
3. Privacy embedded into design
4. Full functionality; positive-sum, not zero-sum
5. End-to-end lifecycle protection
6. Visibility and transparency
7. Respect for user privacy

The merger, acquisition or divestiture of merchant portfolios or any other entity with respect to the intrinsic PII of an entity targeted for acquisition must be accounted for in the predictive modeling of cost of acquisition and valuation of the target.

The issue is how to successfully integrate this information without compromising the security and privacy and, at the same time, meet the stated four objectives of Swire and Berman. As author Ursula Le Guin stated, "When action grows unprofitable, gather information; when information grows unprofitable, sleep." 

*Daniel Federgreen can be reached at exvala@gmail.com. He currently is employed in the corporate financial group of a Fortune 50 company.*

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# Social redemption at the POS

By Paul Rasori

VeriFone Inc.

**T**he merchant countertop has never been as valuable to so many as it is today. Smart phones, the mobile capabilities of the Internet and the coming of age of near field communication (NFC) and contactless technologies are transforming the countertop – or more specifically, countertop card acceptance solutions – into a focal point for new consumer transaction-based services.

It's the point of convergence for mobile phone manufacturers, telecoms and Internet services companies, as well as for traditional and alternative payment schemes.

Everybody wants a piece of that countertop, but, of course, they want it for free. While some promoters assert that merchants have only to purchase a compatible NFC acceptance device to enable consumer mobile payments, nothing could be further from the truth.

Are you buying your morning coffee with a mobile appli-

cation? That capability, now available in almost 7,000 Starbucks Inc. stores across the United States, represents the leading edge of widespread efforts to integrate the POS with mobile devices, payment cards and even social networks.

Outfits such as Groupon, ShopKick and Bling Nation are aiming to mobilize web-based social communities and focus that mob power on the POS.

Featuring some combination of loyalty, discounting and rebates, these newly emergent shopping phenomena have already demonstrated an ability to convert web visibility into brick-and-mortar sales.

## Integrating new payment options

By now, you've heard press reports about Google Inc., Apple Inc., ISIS, PayPal Inc. and several other potentially high-impact players entering this space. So in addition to the four major card brands, merchant countertops will be expected to handle applications and updates for these new players.

What these new players lack, for the most part, is the ability to easily integrate their redemption value into the storefront merchant's existing payments processes. This integration is an exciting prospect, but it requires effort and investment that has to be funded by some combination of those who will benefit.

At the most basic level, the firmware of contactless and NFC devices requires a unique "card handler" or "wallet handler" for each and every card or wallet that the merchant wishes to accept.

In addition, the applications in every payment terminal, cash register and back-office of a merchant likewise must support the specific features of the cards or wallets accepted.

By routing POS transactions through a payment gateway, it's possible to authorize, validate and process NFC-driven coupons, discounts and other loyalty payouts while settling the balance with the merchant's regular processor. That makes it easier and simpler for merchant and customer.

This is all good news for ISOs and merchant level salespeople. Because merchants will have access to an increasingly diverse – and presumably competitively priced – array of marketing opportunities to their regional consumer base, it provides the feet on the street with the opportunity to integrate these new channels into a richer payment environment.

Some of the new players trying to climb onto the countertop expect merchants to rush out and spend their hard-earned dollars on new acceptance peripherals and terminals. It's not that simple.

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## View

**Enabling the new countertop**

VeriFone Inc. CEO Doug Bergeron recently articulated six key rules that aspiring services companies need to understand in order to make this transformation work. The rules, written in Bergeron's own words, follow:

1. Deployment and management of complex NFC technologies will require significant ongoing services from the retailer's payment systems provider. Until retailers are assured of receiving real value from mobile commerce, service providers who stand to gain from carrier fees, advertising revenue or transaction charges must be willing to bear the costs of this highly disruptive paradigm shift.
2. Mobile commerce must add value to the consumer. Tapping a phone is a gimmick, no different from tapping a card or fob. In addition to providing the ability to pay for stuff by phone, service providers and retailers need to provide real additional value – such as coupons, loyalty rewards and discounts – for consumers to leave their wallets at home.
3. Mobile commerce must be streamlined with existing POS services and managed well for the retailer. Retailers won't tolerate the need for multiple methods of acceptance to accommodate what will become a wide array of mobile commerce schemes. All ideas, regardless of where or who generates them, must converge at a unified point of sale.
4. Mobile commerce must go from zero to 90 mph in five seconds. Consumers will not embrace mobile commerce without the confidence
5. Mobile commerce must be integrated with other forms of payment. Mobile commerce won't lead to the quick death of plastic cards and must work with existing payment systems that are certified by all major processors and installed in the vast majority of large and small retailers.
6. Mobile commerce must be iron-clad secure. Security, both real and perceived, is imperative to the adoption and sustainability of mobile commerce. Even minor setbacks in security could compromise consumer adoption and stop the movement in its tracks.

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We all want this transformation to take place. It represents a great opportunity for traditional payment services providers to ally with other industry segments in providing merchants and consumers with new services that create new payment revenues.

It would be a shame if the opportunity is muffed because merchants are expected to bear the costs. The aspiring players expect that if they can incentivize some of the leading national retailers to adopt this new payment infrastructure, all other merchants will meekly follow along.

Maybe, over a long time, that strategy could play out, but the fact is that if consumers can't use their NFC capabilities at their everyday mom-and-pop stores, it just isn't going to happen.

The retail POS represents a point of convergence for smart phone-initiated payments, social networking and electronic couponing, but it won't happen if retailers are expected, on faith, to absorb the costs of making it work. ■

*Paul Rasori is VeriFone's Senior Vice President, Global Marketing. He can be reached at paul\_rasori@verifone.com.*



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# Selling Prepaid



## Prepaid in brief

### NEWS

#### Industry responds to disaster in Japan

Several prepaid card companies took action to help Japan recover from the devastating March 11, 2011, earthquake and tsunami. **MoneyGram International** donated \$25,000 to the American Red Cross and activated its ExpressPayment service to deliver cash donations to the disaster relief agency when funds are sent from one of MoneyGram's 35,000 U.S. agent locations.

Additionally, **Obopay Inc.** and Calgary, Alberta, Canada-based **Benevity** partnered for a text-to-donate initiative. The process, which combines Obopay's mobile payment technology with donation management, tax receipting and corporate matching functionality provided through Benevity, reportedly allows consumers to make donations in the hundreds of dollars, with the donations rapidly reaching relief organizations in Japan.

#### FinCEN implements new AML guidelines

On March 1, 2011, the **Financial Crimes Enforcement Network's** (FinCen) updated anti-money laundering (AML) regulations went into effect. The updated regulations, which prepaid card companies must comply with, are designed to shore up regulatory gaps that arose due to the growth of the prepaid card industry which, at just over a decade old, didn't exist when the original AML regulations were propagated.

#### Senators worried by border uses of prepaid cards

In a letter to the Secretary of the U.S. Department of the Treasury, three senators of the **Senate Caucus on International Narcotics Control** urged a crackdown on prepaid cards transported across the U.S.-Mexico border. The March 16, 2011, letter can be accessed at <http://drugcaucus.senate.gov/pre-paid-cards-3-16-11.html>.

### ANNOUNCEMENTS

#### Aconite launches mobile prepaid solution

U.K.-based smart card software provider and consultancy **Aconite** launched Mobile Prepaid with its partner Proxama. The new solution extends the capability of

its recent implementation of a smart card fare payment system in South Africa, Aconite said. Customers can now use near field communication-enabled mobile phones as mobile wallets for fare payments on South Africa's taxi-buses, the company added.

#### Travel cards gaining popularity in Canada

**BMO Bank of Montreal**, issuer of the Prepaid Travel MasterCard, said prepaid travel cards are increasingly being used in Canada in lieu of cash and travelers checks for out-of-country spending. The bank added that BMO Prepaid Travel MasterCard has quickly gained popularity, exhibiting year-over-year double-digit growth since its introduction in 2007.

#### First Data introduces m-vouchers for merchants

**First Data Corp.** unveiled mobile voucher technology to allow merchants to extend brands and commerce services to customers with mobile devices. First Data mVoucher enables merchants to deliver offers to consumers through email or text message.

#### MoneyGram to extend footprint in Malaysia

**MoneyGram** disclosed its intention to extend its market presence in Malaysia. The money transfer company has worked with Maybank since 2007, building its agent network from 58 branches to over 400 in Malaysia.

#### NovoPayment honored twice at Paybefore Awards

**NovoPayment**, the Miami-based program manager of prepaid solutions in Latin America, won two awards at the 5th Annual Paybefore Awards held during the 2011 Prepaid Expo USA in Orlando, Fla. NovoPayment won Best in Category for its Plata Promociones program, as well as the 2011 Industry Achievement Award for its Chief Executive Officer, Anabel Perez.

#### Western Union duets with Latin Grammy winner

**Western Union** teamed with Latin Grammy award-winning recording artist Daddy Yankee to launch "Love in Any Language," a national campaign designed to help consumers express affection for loved ones.

### PARTNERSHIPS

#### Visa, CashEdge team for P2P payments

Person-to-person (P2P) payment provider **CashEdge**

Inc. signed an agreement with **Visa Inc.** to enable Visa credit, debit and prepaid account holders to send and receive P2P payments domestically and internationally through CashEdge's Popmoney.

### **MoneyGram, Societe Generale expand partnership**

MoneyGram expanded its agreement with **Societe Generale**. The Paris-headquartered retail bank will give MoneyGram access to its international network of 3,800 bank branches in 37 countries.

### **ISO chooses SparkBase for marketing**

Loyalty and gift card network provider **SparkBase** said **EVO Platinum Services Group**, an ISO of EVO Merchant Services, selected SparkBase for reward, gift card and mobile marketing functionality on the ISO's Platinum Rewards Network.

### **United Way joins Obopay for mobile donations**

Nonprofit organization **United Way** said it is implementing **Obopay's** text-to-donate mobile donations solution to enable online donations in Central Virginia.

### **Western Union adds Emirates NBD Bank**

**Western Union** reported it will now offer its Account-Based Money Transfer service to accountholders of **Emirates NBD Bank** throughout the United Arab Emirates. The service allows users to send money transfers directly from bank accounts via the online, mobile and ATM channels.

## ACQUISITIONS

### **Fiserv expands portfolio with Maverick purchase**

**Fiserv Inc.** acquired prepaid card processing and other technologies developed by **Maverick Network Solutions**, a Delaware-based provider of prepaid card programs, including reward and incentive cards.

## APPOINTMENTS

### **MoneyGram hires Henry for public sector outreach**

MoneyGram engaged **Aaron Henry** as its Senior Vice President, Associate General Counsel, and Global Regulatory and Chief Privacy Officer. Henry is tasked with strengthening relationships with regulators around the world and communicating with lawmakers on matters that impact MoneyGram and money services businesses. 📧



## Features

### **Momentum builds for maritime cards**

**A**pparently, payroll on the high seas can be quite choppy. According to Ken Goins, Chief Executive Officer at Prepaid Solutions Inc. (PPS), one arcane maritime law stipulates that if a ship makes a mistake on a crewmember's pay, such as issuing the wrong amount or not getting the money to the crewmember in a timely fashion, the seafarer is entitled to double that day's wages.

It is that kind of costly error that PPS' maritime card, called the Travelex OceanPay Payroll Card, is designed to eliminate.

Since *SellingPrepaid E-Magazine* first profiled PPS in issue 10:10:A, Oct. 18, 2010, the Burr Ridge, Ill.-based company has made progress in implementing the program for cruise lines.

On top of extending its contracts with its partners for the back-end network – MTN Satellite Communications and Travelex – PPS finalized deals with Apollo Ship Chandlers Inc. and, most recently, with the International Cruise Management Agency AS out of Oslo, Norway. ICMA provides staffing, such as bartenders and ship engineers, for cruise lines. One such cruise line is Crystal Cruises.

Through ICMA, PPS is rolling out its payroll program on the Crystal Serenity and Crystal Symphony cruise ships.

The two deals with Apollo Ship Chandlers and ICMA represent about \$80 million in payroll annually, Goins said. He estimated that, all combined, the crews of over 200 ships globally now carry either Visa Inc.- or MasterCard Worldwide-branded OceanPay cards.

### **High cash costs on high seas**

Goins said most cruise lines still pay crews with cash. The inefficiency of cash-based payroll for the cruise line industry is multifaceted, with the physical handling of cash and administrative burdens among the biggest problems. Onboard ATMs have to be maintained and loaded with money, Goins noted. And, administratively, all manner of snafus occur when payroll processing is manual.

"These people go on ships and they may have a six- to nine-month contract," Goins said. "And somehow the paperwork gets screwed up and one person ends up at

## Selling Prepaid

the wrong ship at the docks," which causes headaches in sorting out accounts. Another common problem concerns wire transfers.

"They [ship administration] would actually wire money to accounts at home, and they would make mistakes and try to reach into a foreign bank account, get the money out, different things like that," Goins said. "It's nightmarish."

Those kinds of mistakes are eliminated with the OceanPay card, according to Goins. He said on a cruise ship with a staff of 500, OceanPay can save the cruise line approximately \$1 million a year.

The product is integrated into the cruise line's payroll system. "All they have to do is just feed the data, just like you were doing a direct deposit today, and just send a flat file of all the information," he said. "It's like here's a list of all the people getting paid this amount and – boom – it's done. They don't have anything else to do."

"They have to manage the implementation of the program and answer questions about the program, but it doesn't add a layer of work onto the cruise lines. It really alleviates a lot of the administrative burdens they have."

A typical on-board installation of the OceanPay system involves setting up a card printer the size of a shoebox in the purser's office and loading it with white plastic card stock, Goins said.

The printer is hooked up to the Internet and gets commands from the cruise line's home office when new crewmembers sign on. When a new crewman or woman arrives at the ship, the purser communicates with the printer via a laptop computer; a few mouse clicks later, the printer spits out the new instant-issue OceanPay card.

### Sailing away with profits

Goins said PPS has cruise ship implementations scheduled through summer 2011 and is in talks with some of the largest commercial shipping ventures in the world, including Copenhagen, Denmark-based A.P. Moller - Maersk Group and Mediterranean Shipping Co. S.A.

From a payroll standpoint, the number of employees is what distinguishes commercial shipping from cruise lines. Goins said the same basic product application applies in both instances, only that a commercial ship has maybe 30 employees, compared to 500 to 1,000 on a cruise ship.

Although commercial ships employ contract workers in smaller numbers, they make up for it in number of ships, with over 50,000 commercial ships floating in the world's waterways today, Goins noted.

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## Selling Prepaid

He estimated that the combined maritime card market of cruise lines, commercial shipping (and even offshore oil rigs) is almost \$3 billion annually in payroll. "It is such an enormous opportunity for us," he said. 

### Prepaid profile: HP Prepaid Card Services

## Providing prepaid self-serve for global markets

**W**hile Hewlett-Packard Co. is perhaps best known for its role as a Silicon Valley pioneer and its line of personal computers and inkjet printers, it is also a merchant acquirer. Up until now it processed credit and debit cards through the bank channel. But recently it added prepaid card programs to its product portfolio.

"We have had a platform on both the issuer and acquiring side," said Robt Sadeckas, Global Cards Strategist, Enterprise Services, HP. "On the issuing side we did the 'pay now' and we did the 'pay later.' And we had a void in the offering relative to the 'pay before.' So that's why we addressed that."

Sadeckas indicated that through its new HP Prepaid Card Services, part of HP's business and technology services division HP Enterprise Services (formerly Electronic Data Systems, acquired by HP in 2008), the new enterprise will focus on providing banks with self-service prepaid card programs.

By self-service Sadeckas means bank-branded websites that provide fee disclosures for prepaid cardholders and offer access to real-time transaction histories and card balances.

Sadeckas said HP's version of a self-service prepaid card solution addressed a shortcoming in the marketplace where banks that wanted to issue prepaid cards would have to do their own program creation and integration.

"We wanted to address that and make it easier for our clients to white label and very quickly go to market and provide self-servicing capabilities for their cardholders," he said.

### International footprint

Sadeckas called HP the second largest acquirer worldwide, with an especially strong presence in international

markets, including Latin America and Asia. Because of that international presence, HP's prepaid card programs are compliant with the Europay/MasterCard/Visa (EMV) security standard, and its cards are enabled with chip and PIN technology.

"Being in the international market, you have to be EMV compliant," he said. "Everybody does it except [the United States]... We think it adds a lot from the security perspective on a stored-value or prepaid card in a number of different environments, like on a campus or a corporate environment."

Through HP Enterprise Services, HP operates one of the largest reservation systems for airlines, such as Virgin Atlantic. Additionally, HP manages the back-office systems for London's Oyster card fare payment system. Sadeckas said HP also has a large footprint in health care claims processing.

"If you look at all those industries, there's a growing need in every one for prepaid capabilities," he said.

"For example in the HSA [health savings account] space, there's a lot that can be done relative to integrating that stored-value and adding better controls, adding better reporting, adding better management; by putting it in the purview of our offering, [it] gives us a lot more flexibility to do that integration, to do that customization, to make it a little bit different than the run-of-the-mill products in that market," Sadeckas added.


### Cards in HP's mix

HP also has an interest in general-purpose reloadable (GPR), teen and travel cards, Sadeckas said. He believes the security vulnerabilities inherent in using debit and credit cards online make GPR cards all the more interesting to consumers, as the cards are not tied to checking accounts or credit lines.

The same can be said for teen cards, but with a twist: "Parents want to make sure [their children] have access to funds, but they don't want them to have full access to their credit line or to their checking account," he said.

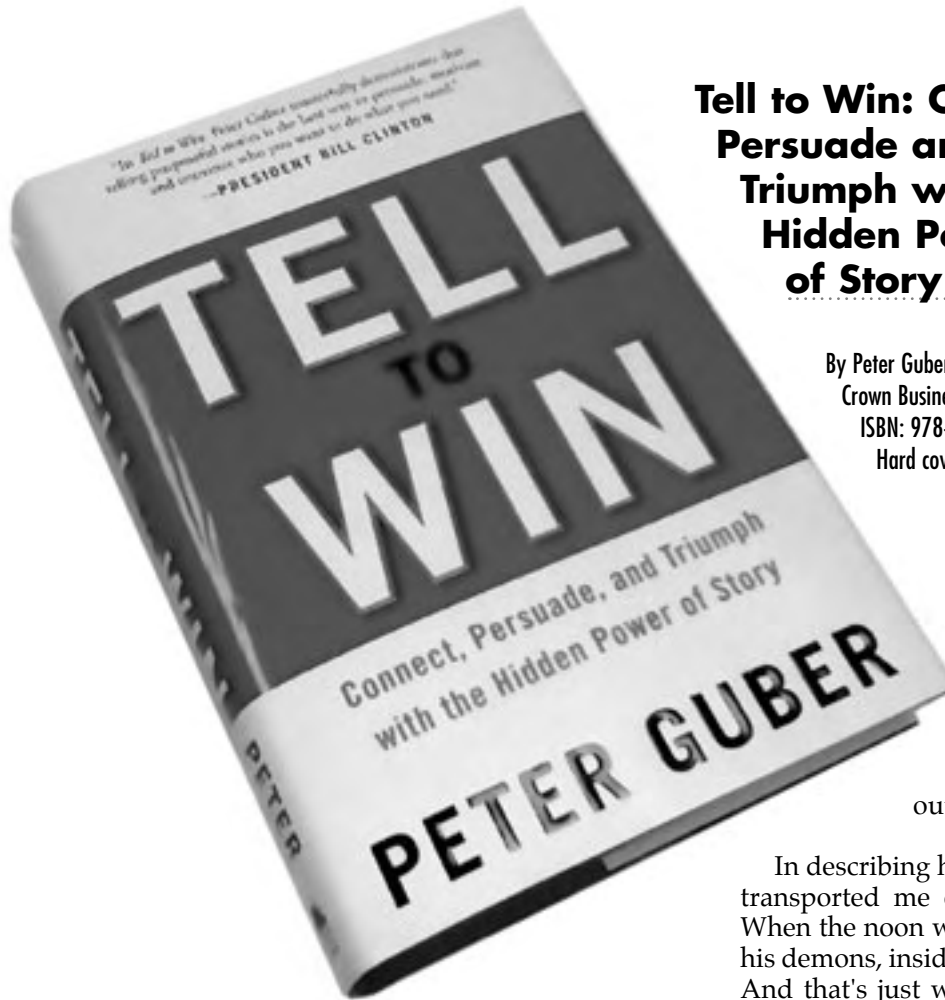
Travel cards are another potential product category for HP. "In particular we're finding a big demand for the multicurrency feature," Sadeckas said.

Travel cards allow users to lock in exchange rates at the time the cards are loaded so that travelers know what they are paying on each transaction as they travel in foreign lands.

As HP enters the prepaid card market, Sadeckas expects the company to follow its previous path to success – a company that excels at "transformation and integration and doing custom development." 



# BookReview



## Tell to Win: Connect, Persuade and Triumph with the Hidden Power of Story


By Peter Guber  
Crown Business  
ISBN: 978-0-307-58795-4  
Hard cover, 255 pages

Clinton called Guber and said, "Peter, this is High Noon," likening his situation to that of Will Kane, the sheriff in the movie by that name, who had the support of only one boy as he stood to face a notorious gang of outlaws arriving on the noon train.

In describing his response, Guber wrote, "Those words transported me emotionally, and I immediately got it. When the noon whistle blew in the movie, the hero faced his demons, inside and out, and braved his way to victory. And that's just what our hero, Bill Clinton, would do if I played the role of that lone supporter and backed him despite the odds."

Guber presents a spectrum of other prominent people who have used purposeful storytelling to attract, persuade and motivate others. These include Magic Johnson, Wolfgang Puck, Larry King, Nelson Mandela, Carl Sagan, David Copperfield, Tony Robbins and many others. Guber shares his own storytelling successes, too.

Some key points Guber makes in the book are that emotions play just as important a role as intellect when people are making decisions, and stories reach people's emotions in ways no spreadsheet ever will; storytelling allows the teller to show vulnerability, and that builds trust, which is essential to closing a deal; and a story needs a structure in which a hero is presented with a challenge, struggles to meet the challenge and resolves it in a way that leads to a call to action (the hero could be a fictional character, the listener or even a community).

If you don't use storytelling in your business, this book will likely motivate you to do so. It'll also provide plenty of tips on how to go about it to gain maximum results. 

## Do Tell

**P**eter Guber, Chief Executive Officer of Mandalay Entertainment Group, knows how to tell a story, and he makes a strong case that anyone who wants to soar in business, or in any worthwhile endeavor, needs to learn to spin a yarn. You don't have to become a performer; for the purposes of moving people to take a particular action, a well chosen anecdote, or even just the mention of the right story to the right person at the right time, can do the trick.

As an example of the latter, Guber described how Bill Clinton's political future looked bleak after he lost the New Hampshire primary in 1992.

"Not since 1952 had a candidate won the presidency without first winning New Hampshire, and since the Golden Rule of politics is 'Money flows where the vote goes,' this loss put Clinton's organization in fiscal crisis," Guber wrote. Clinton needed to raise \$90,000 in one day.

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# Company Profile



## Merchant Implementation Services

### ISO/MLS contact:

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### ISO/MLS benefits:

- Complete restaurant POS solution bundles
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- Automated staff and resource management
- Overnight shipping for product replacements
- 24/7 merchant support

## A POS solution iron chefs will appreciate

**O**n any given day, American restaurants generate between \$1.5 and \$1.6 billion in revenue at 945,000 nationwide locations, according to the National Restaurant Association. A pivotal ingredient in processing the \$580 billion produced annually by this industry is expert synergy between kitchen and table.

Managing a bustling kitchen supported by properly equipped staff can be a daunting challenge. A reliable POS system is essential, but not just any system will do. The fast-paced restaurant environment places a heavy demand on equipment. And for that reason, component durability and software connectivity throughout the entire chain of command are vital to the mix.

### The ISO proposition

After architecting and building a successful restaurant POS solution for First Data Corp., Kurtis Kammerer ventured off to form Merchant Implementation Services. As a partner and Senior Vice President of Sales and Marketing for MIS, Kammerer's objective has been to develop a bundled POS solution that would cater to small and midsize restaurants and bars, which are underserved markets in his opinion.

"We felt like the days of just walking in with a swipe terminal, especially in the restaurant industry, were slipping away," said Kammerer. "A lot of agents realized this, and typically what they did was to partner with the local VAR. But, of course, all they could get was a referral fee, and they really didn't have any control in that situation as to how the merchant might be treated or how the process would work."

For Kammerer, the system not only had to be affordable, but it needed to automate the functions involved in daily operations, which would allow busy restaurateurs and bar owners to focus more attention on the profitable side of turning tables. The company's flagship product, its MIS POS system, was launched during the 2010 Electronic Transactions Association Meeting & Expo.

According to Kammerer, primary targets for the system include fine dining establishments, quick service restaurants, coffee shops, bars and nightclubs. "A lot of software doesn't do pizza, or if they do, they're strictly for pizza and that's it," he said, adding that the software that's bundled with the MIS POS system features a strong component for pizza restaurants.

### Fully integrated, secure

While hardware and software constitute core components, peripherals and services also play prominently in the MIS POS solution. For example, MIS noted that the system features full surge protection, essential in an environment where use of industrial-grade equipment is known to cause electrical surges. The system is hard-wired to enhance continuity and diminish security risks, and its single form factor unit saves space by housing the central processing unit in the touch-screen monitor itself.

## CompanyProfile

The MIS POS bundled package includes:

- POS PC preconfigured with integrated touch screen and credit card reader
- Thermal receipt printer, kitchen printer and supply starter kit included
- POS software preloaded, registered and activated
- Credit card interface and merchant account information installed and tested
- Restaurant menu entered and verified
- Network configured for multistation systems
- Power surge protectors included for all POS stations and printers
- Phone- and web-based system installed
- Web-based training sessions provided for merchants
- 24/7 merchant support available

Prior to shipping, MIS bench tests each system. "Everything is color-coded and ready to go," Kammerer said. "So things like anti-virus, surge protection, the preconfigured router and – probably the biggest thing for our ISOs and agents – preconfigured credit card processing with basically the processor of their choice. I say 'basically' because Aldelo [software] is certified direct, without the need for another gateway, to use the TSYS, Global and First Data platforms."

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In addressing security issues, Kammerer said, "Aldelo has their PA DSS certification, which allows the merchant to be PCI compliant. We always tell merchants, PCI compliance is their issue, PA DSS is our issue. So, does our software meet the requirements to allow them to be PCI compliant? They need to do things the right way. All we can do is to provide a system that meets all the Visa and MasterCard requirements."

### The menu, please

According to Kammerer, the system's intuitive software allows restaurant and bar managers to maintain and manipulate menu items. A manager can set pricing for a happy-hour or daily special, and once an offer has expired, the system automatically reverts to the item's original pricing.

Kammerer noted that handwritten tickets are a thing of the past because all orders are entered on a touch-screen monitor. "You just touch," he said. "They're touching hamburger, no pickle, extra cheese, this and that. They're adding the drinks for however many people they have, and then they're hitting a button to send that order back to the kitchen."

Kammerer said fine dining establishments appreciate the timing feature, which allows wait staff to submit individual course selections to the chef with a timing mark indicating when preparation should begin. Timing can either be programmed to occur at set intervals or entered manually as patrons complete each course.

One source of revenue loss for restaurants is the inadvertent giving away of free products. With the MIS system, when a customer requests an extra item, the software can tabulate the cost of the extra item. "If a customer asks for extra cheese, for example, the server can respond, 'We can add extra cheese. It's a 25 cent add-on,'" he said. The software also assists managers with tracking inventory levels so reorders can be timed accordingly.

Splitting ticket costs among patrons can be time consuming for restaurants, Kammerer said. "If you're on a busy Friday or Saturday night, and you've reduced a 4- or 5-minute operation of splitting a ticket down to 10 seconds [which the MIS system does automatically], and you perform that operation 20 times or so over the course of

an evening, now we're talking about another table turn, and that's a real value to a merchant."

Kammerer noted that the end-of-shift settlement feature can also save time, particularly for restaurants where the employees act as cashiers, turning over money owed to the restaurant at the end of each shift. The software keeps a running total of amounts collected during an employee's shift and provides a printout at the end. With the time clock feature, employees can either enter a PIN or customized swipe card, which can be ordered through MIS.

### Sticky points

Reflecting upon MIS' partnership with Aldelo LP, Kammerer said, "We have the only version that has the credit card interface screen locked. Once somebody sells the merchant, not only is this a very sticky product and merchant for that agent – because of the fact that you now have something in there that is basically running their business – but it's extra sticky because somebody else can't just walk in and say, 'I'll put my new merchant ID and terminal ID in and save you 10 basis points.'"

To help increase the sales conversion rate, MIS offers live, online product demonstrations to prospective merchants. A merchant level salesperson (MLS) can lead the call with the merchant, either in person or on the phone, and MIS

is there to provide answers to questions, Kammerer said.

The MIS POS system can also be branded. "We can put their logo on the software page and we can put it on the hardware," Kammerer said, "So now you have your own system. ... You walk in and the merchant says, 'I need something more than just a card swipe. I'm looking for a whole system.' Now you can say, 'Got something for you.'"

As an experienced MIS POS reseller, Gary Matherne, Chief Executive Officer at Bankcard Processing International LLC, said, "My experience with the POS industry for this type of merchant is that it costs less and it's a lot easier to support. Three years with unlimited support and warranty is huge. It helped us get a few merchants that we wouldn't have gotten. We haven't had any down time for any of the merchants yet, and that's been a big plus."

MIS offers two wholesale pricing models to ISOs and MLSs. Both include 24/7 merchant support and MIS' Advanced Overnight Warranty Replacement program. "With us you call in and say, 'My kitchen printer broke,'" Kammerer said. "It shows up on your doorstep the next morning. We walk you through plugging it in. Restaurants need things up and running quickly. That's how we operate." ■



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## Did hackers gain insight into RSA's methodology?

**R**SA, the security division of EMC Corp., reported that its network was hacked and that information relating to its SecurID two-factor authentication product was stolen. RSA's SecurID products are used on PCs, USB devices, phones and key fobs in about 25,000 corporations. They provide a level of security beyond user names and passwords when accessing virtual private networks or other systems containing sensitive information, such as financial data.

In a two-factor authentication process, the traditional user name and password combination is often the first factor. The second factor can be a SecurID token that, in conjunction with back-end software, generates an authentication code every 30 to 60 seconds using a random key or "seed." A user gets into the network by typing this authentication code.

### Authentication's effectiveness possibly reduced

In a statement posted on RSA's website, the company's Executive Chairman Art Coviello said, "While at this time we are confident that the information extracted does not enable a successful direct attack on any of our RSA SecurID customers, this information could potentially be used to reduce the effectiveness of a current two-factor authentication implementation as part of a broader attack."

Paul Martaus, President and Chief Executive Officer of payments industry consulting firm Martaus & Associates, said it appeared from the statement that the hackers might have obtained the "blueprints" behind RSA's SecurID product.

"The methodology is what is important here – the algorithm – how RSA goes about generating these keys," he said. "The hackers don't necessarily have access to the keys, and they don't necessarily have the ability to get into RSA's customers' sites, but they may have the blueprint that will allow them to develop the capabilities to do so."

Nicholas Percoco, Senior Vice President and head of Trustwave's SpiderLabs said, "There are many steps that would need to be completed to have a successful attack against an organization using RSA SecurID tokens for authentication."

He added that the attacker would need additional bits of specific information, such as the serial number of the

token and the end user's PIN, which theoretically could be obtained through a targeted phishing attack against an RSA customer.

### Date of breach a determinant

Regarding the likelihood of a direct attack, Percoco said, "If this breach took place just two weeks ago, then the likelihood is probably rather low at this point. ... If it took place a year ago, then it means the criminals have had access to this data for a whole year and may have been launching attacks to get this type of information from customers of a specific organization."

RSA provided recommendations on its website to customers on how to maintain security on their networks, including enforcing strong password and PIN policies, re-educating employees on avoiding suspicious emails, and reducing the number of employees who have access to administrator accounts.

Percoco noted that, beyond the generic recommendations offered by RSA, each company has to determine its own response to the news of the data breach. "I guess it's a judgment call," he said. "I would venture to guess that unless there is some major vulnerability that has been exposed that we're just not aware of in the system, leaving this authentication mechanism in place until you have more information is probably better than just switching it all to static user names and passwords."

He did point out that other mechanisms can provide two-factor authentication. "Some organizations may say 'We're not going to take the risk,' and they can go down the path of swapping out [RSA's] technology for some other technology," he said. ■

## Comodo compromise draws swift response

**I**n a recent cyber attack, nine secure sockets layer (SSL) certificates across seven domains were fraudulently obtained from a registration authority (RA) affiliated with the Comodo SSL Certification Authority (CA). Comodo issued an incident report March 15, 2011, stating that all nine certificates had been revoked, which affected domains of Mozilla, Firefox, Yahoo and others. The RA account in question was suspended pending further forensic investigation.

Web security expert Phillip Hallam-Baker stated on a Comodo blog that the "attacker obtained the user name and password of a Comodo Trusted Partner in Southern Europe." He added that the information was used "to log in to the particular Comodo RA account and effect the

fraudulent issue of the certificates. ... While the involvement of two IP addresses assigned to Iranian ISPs is suggestive of an origin, this may be the result of an attacker attempting to lay a false trail."

Comodo's incident report provided an interpretation of the attack. "The circumstantial evidence suggests that the attack originated in Iran," the report stated. "The perpetrator has focused simply on the communication infrastructure, not the financial infrastructure as a typical cyber-criminal might. The perpetrator has executed its attacks with clinical accuracy."

Comodo founder and Chief Executive Officer Melih Abdulhayoglu said the attack targeted the "Authentication" layer of the Internet and "what is being obtained would enable the perpetrator to intercept web-based email/communication."

Considered the most popular security protocol on the Internet, SSL digital certificates issued by third-party CAs enable web browsers to establish secure Internet connections with authentic websites.

"Being in that kind of a position at an ISP and trying to fraudulently obtain certificates for some of these social media services and communications services, that's definitely a strong indication of somebody wanting to get in the middle of the communications between two points, somebody using that service and the provider of that service," said Brian Trzupsek, Vice President of Managed Identity and SSL for Trustwave.

Trzupsek further stated that, in this case, "it definitely seems like the attack was more coordinated from one geographic region, specifically one ISP within that country. And at the ISP level you have more controls over what you can do on the network if you're trying to fraudulently do something, because you're controlling the network for that country, in effect."

### Payments industry not targeted

According to Comodo, circumstances surrounding the incident suggest the motive of the attack was not financial. "To make use of the fraudulently issued certificates, the perpetrator would have to have the ability to direct Internet users to their fake sites rather than the legitimate ones. This in turn requires control of the DNS [domain name system] infrastructure, which requires government-level resources to achieve on a large scale or for an extended period," Comodo reported.

While the payments industry was spared this time, future attacks could penetrate further. In this case the fraud was detected early, but according to Trzupsek, Google Inc. indicated the same login credentials could be used for some payment services on the Google network. Trzupsek added that in Mozilla's case, organizations with financial plugins that work with Firefox could also be compromised.

### Steps to avert future attacks

Following the Comodo incident, members of the CA/Browser Forum, an organization of leading CAs and certain application software suppliers that provides guidelines for standardized procedures for issuance and management of extended validation certificates, held discussions to address preemptive measures for preventing future attacks.

"We just had a call last week, and it's mostly confidential information, but everybody that's there is completely interested in what has happened here," said Trzupsek, who is a member of the forum. "One of the good things here is that it's caused a lot of us CAs to communicate about things that I don't think people have communicated about much in the past. There's a broader sense of us communicating and working together as a more secure network of individuals, instead of working in silos and trying to shield that from each other."

Comodo, too, has forged ahead with its own security efforts, reporting that new controls have been introduced in the wake of this latest threat to the authentication platform. "The threat model is changing, and Comodo had already initiated a proposal for new standards in 2010, which would help mitigate some of these attacks," Abdulhayoglu said. ■

## PCI SSC dials up call center compliance

To mitigate the increasing levels of fraud directed at MO/TO operations, the governing authority of the Payment Card Industry (PCI) Data Security Standard (DSS) issued an educational resource that details tactics and best practices for securely processing payment card transactions over the telephone. The new supplement outlines what card data call centers need to protect and how to do it.

The supplement, entitled *Protecting Telephone-Based Payment Card Data Information Supplement*, explains how the PCI DSS applies to cardholder data stored in call recording systems.

It also helps merchants determine what controls are necessary to ensure call recordings meet the PCI DSS, suggests methods for securing that data and offers guidance on how to implement security requirements. The PCI DSS mandates that sensitive authentication data, such as the three- or four-digit card verification value numbers on payment cards, cannot be retained by merchants, and that the full primary account numbers cannot be stored without certain security measures being implemented.



## News

Thus, call centers that accept customer payment card details over the phone and then store recordings of those phone conversations on merchants' internal systems pose a risk of data theft and are not in compliance with the PCI DSS.

### Staying in touch

The PCI Security Standards Council (PCI SSC) believes the supplement is important for ISOs and merchant level salespeople because the threat landscape for fraud has migrated away from brick-and-mortar and e-commerce environments due to the successful application of risk mitigation strategies. Now, fraudsters are targeting MO/TO payments, where protections for sensitive cardholder data may be lacking.

At call centers, customer-service provider interactions are often recorded and stored digitally on internal systems. "And therefore what we see, as with many other of the breaches that take place, is that the criminals hack in remotely or occasionally hack in with the support of a rogue employee," said Jeremy King, European Director for the PCI SSC.

What makes call centers especially vulnerable is the volume of calls many centers receive, King added. "It's because they are dealing with so many calls per hour," he said. "There can be a lot of people interfacing directly with the cardholder and, therefore, there are lots of opportunities for the card data and the sensitive authentication data to be recorded."

Such data may be transferred from the call agent to a supervisor and be stored at multiple locations within the center, he explained. And, then, if the data gets backed up, "suddenly the whole infrastructure's awash with sensitive authentication data," he said.

### Sensitizing centers to data security

According to King, many governments and law enforcement agencies require that call centers record customer interactions for purposes of verification. The U.K.'s Financial Services Authority, for example, mandates financial institutions that advise customers on mortgages "must have the call recorded to show that the person who was wishing to take out a mortgage did undertake the call," King said.

During that conversation, if a transaction is conducted and card data is taken, the PCI DSS requirements apply. "They must realize that [call centers] are the frontlines and that they have a role to play in protecting the cardholder data that comes in," King said.

"The IT specialists in the organization have a role to play to make sure this data is not just wandering through the systems, and also to make sure that they are locking down and securing their systems from external attack."

King reports that more and more businesses with call centers are recognizing that they need to bring their centers into PCI compliance. In fact, the supplement was created after the PCI SSC received feedback from some of its participating organizations that guidance was necessary. "This provides a good guidance for those who start asking the questions," King said.

The supplement can be accessed online at [www.pcisecuritystandards.org/security\\_standards/documents.php](http://www.pcisecuritystandards.org/security_standards/documents.php) under the Information Supplements heading. ■

## Fifth Third seeks innovation through open platform

**F**ifth Third Processing Solutions LLC, the nation's fourth largest bankcard acquirer by volume, in conjunction with IP Commerce Inc., a cloud-computing payment platform developer, has launched e-Simulate, an open payment platform and workflow engine to facilitate delivery of FTPS's payment solutions to the software development community.

As a leading acquirer, FTPS follows Chase Paymentech Solutions LLC in being among the first to introduce an open platform. "We think ours will be different in that we'll offer more functionality to developers," said Pat Moran, FTPS Senior Vice President, Product and Portfolio Management. "It's a key component of our innovation strategy to really open up our systems, and ultimately we think this is good for our merchant customers as well as our distribution partners."

With merchants migrating from basic terminals to software-based solutions, Moran believes that ease of integration will be a key driver in payment innovation. "Prior to the launch of our open APIs [application programming interfaces], when you connected to us as a developer, you usually had a complex integration that you had to go through, and you had to be able to code to an ISO standard stack or one of our proprietary message specifications," he noted.

According to Moran, the e-Simulate platform will help simplify integration and Payment Card Industry (PCI) Data Security Standard (DSS) compliance.

"We're delivering the capability for the software developers to integrate and partner with FTPS in a much more common software solution, XML or Web Services, different interaction methodologies that are very common in the market that are easy to code," he said, adding that it features ancillary payment services such as tokenization,

fraud detection and transaction management.

### Free to development community

An advantage to developers is that FTPS doesn't charge for the integration or services selected, which can include credit, debit, automated clearing house and fraud services, among others.


"Ultimately, we will bill the end merchant who would use the developer's software," Moran said. "So we make it very easy for the developer to work with us because there is no cost for them, and then we recoup the cost of the services through the price that gets charged to the end merchant."

Once a developer has set up a project in e-Similate, a customized integration recommendation is created, and an integration specialist is available to offer expert advice, customized sample code, engineering support, access to PCI resources and testing credentials with sandbox access. Its developer-centric resources include software

development toolkits, application programming interfaces, sample applications and a developer sandbox.

FTPS is working with a variety of business partners to develop payment applications that integrate with e-Similate. "Some of them are already coding to our systems today," Moran said. "We want to serve more market segments, as well as offer deeper connections and a more comprehensive set of solutions to the partners beyond just core credit and debit processing."

Because of rapid advances in payment technologies, it is "very important from our ISO strategy to be able to bring these more nimble integration strategies to the market," Moran noted.

"We think our business partners, whether they're merchants or ISOs, or other third parties, will come up with the creative ideas, and this is just the tool to help them capitalize on it. We're going to add on a lot more services that we will allow the developers to access." 

# Boost Your Biz


## Integrating your marketing efforts

**W**hen it comes to your various forms of marketing, are you looking at how you can make them work in concert? As the number of places where you can promote your product or service grows, so do the opportunities to create a marketing strategy where, as the saying goes, the whole is greater than the sum of its parts.

A natural, cost-effective synergy can occur in cross-channel marketing campaigns if you:

- Consistently incorporate key elements of your brand identity across channels so that your company becomes recognizable, no matter what the context. The more times a potential customer sees your message, the better, but only if your brand makes an indelible impression.
- Develop a master plan that spells out all the possible ways you can spread the word about what you have to offer. For example, if you are planning to publish a white paper that tells how your solution meets a market need, plotting out all the places where you can place a link to it can help you maximize the requests for downloads.

- Create a marketing dashboard – a tool that will allow you to review results from various marketing campaigns, by marketing medium. If you organize the data correctly, patterns will emerge that will help you spot instances in which one medium contributed to the rate of traffic to another.
- Repurpose content created for one channel for use in another. If you've taken the time to prepare brilliant copy and art for your next email blast, why not use it for a print ad or blog posting?
- Cross promote the channels and link them. Remember to list all of your points of contact, including website and social media URLs, on all of your marketing and advertising materials. You can also provide live feeds from one channel to another, such as Facebook or Twitter feeds to your website, or place a link in your e-newsletter to your latest video on YouTube.

By choosing the right mix of media, you can build cross-channel campaigns with better reach, recall and results. And that's a good use of your marketing dollars. 

# Trade Association News

## SEAA is 'the bomb'

**P**rofessionals from across the payments industry gathered March 21 to 23, 2011, in Weston, Fla., to celebrate the Southeast Acquirers Association 10th annual conference.

For over 10 years, the SEAA has provided ISOs, merchant level salespeople (MLSs) and third-party vendors with educational and networking opportunities. Although the group has had obstacles, it always perseveres.

John McCormick, one of the founders of the SEAA, shared some history with *The Green Sheet*. He is quoted at length, as follows: "I looked through some old records and found some numbers to highlight the growth over 10 years. Our first show was in St. Pete Beach, Fla., in October 2001. (The SEAA used to be in the fall, but after four of our first five shows were impacted by hurricanes, we elected to move to the spring.) We were very nervous because not only was this our very first show, but the nation had just been traumatized by the events of 9/11. The ETA had canceled their mid-year conference (scheduled for that same week in September), and we were not sure if our show would be a success.

"We had 25 registered exhibitors, and we struggled to get that many to register. Our presentations consisted of giving every exhibitor 15 minutes to give a quick talk about their products and services. In 2011, there were 90 registered exhibitors (and many more that we had to turn away because our space was full); our presentations focused on regulatory changes and technological advances that will impact the acquiring business in the coming years.

"In 2001, 133 total participants attended the show. This year we hosted more than 600. I hope that the increase is a reflection on the quality of the show, but I also think it is a result of several factors that are impacting the industry and the economy in general.

"Several proposed legislative and regulatory changes will impact the industry in the near future, including new IRS reporting requirements and continued efforts to regulate interchange. There are also a number of technological advances that are very important for everyone to understand, from securing transaction data to alternative payment devices and payment options.

"I also think there is a real sense of optimism that we may have weathered the worst of the economic storm facing the country. I think this will lead to increased attendance at all of the remaining shows in 2011: the ETA in May, the NEAA one-day seminar in June, the MWAA in July and the WSAA in September.

"Everyone deserves a portion of the credit for the suc-

cess of our show over the past decade, our volunteers, sponsors, exhibitors and attendees. The SEAA Board and Advisory Committee serve on a volunteer basis, and we also have a number of volunteers who will come to the show a day early just to help with the setup. The nuts-and-bolts of the show, from the agenda to registration, would not happen without the efforts of the many volunteers.

"The sponsors provide much of the financial support that allows us to make the event comfortable, with nice meals and refreshments throughout the event. Deserving of special recognition are American Express and General Credit Forms; they were our first sponsors in 2001 and have sponsored the SEAA every year since (our media sponsorships did not start until years three and four of the organization). Their dedication to and investment in the acquiring industry is second to none.

"Of course, the heart of the show is getting the exhibitors and attendees together. The main purpose of the SEAA is to provide a forum where the ISO/MLS can learn about the newest products and services directly from the vendors creating those products. Our exhibitors and attendees come to the show motivated to connect. The most rewarding part of every show is seeing a crowded exhibit hall, and this year was no exception."

### Making connections, gaining knowledge

At this year's show, gentle evening breezes cooled the air Monday evening for the opening reception held poolside. This event provided attendees with the opportunity to catch up with old friends and make some new ones.

The opening reception was preceded by the very popular Field Guide Seminar. For the past seven years, Mark Dunn has been organizing and presenting these seminars at the regional acquirers' shows. Each seminar includes industry experts speaking on up-to-date topics of relevance to the industry.

"I started the Field Guide Seminars to give a platform to speakers with good insight into the agent and ISO business," Dunn said. "I wanted them to share their experiences, tips and techniques of building a sales engine and a merchant portfolio. I thought the person who wanted to move up in the industry could benefit from hearing a dedicated professional talk about what has worked for them.

"Also, I wanted to talk about new products and services which could expand the revenue stream of the average agent or ISO.

"I've always built in time for Q&A so attendees could get further answers and interact with the speaker. As we start our eighth year of Field Guide Seminars, it seems we've done a pretty good job as more people keep coming to



Pictures from the SEAA conference: reception and speaker hall



listen in and participate." This year the Field Guide included speakers on topics such as branding, connecting with international acquirers, training a sales force and social networking. Among the speakers were Josh Sheiner, Rod Hometh, Matt Clyne, Harold Montgomery and Mary Winningham.

Later in the evening, First Data Corp. hosted a late night party. Those who engaged in business dinners were able to stroll over to the party and continue networking late into the night.

### **Finding inspiration, camaraderie**

On Tuesday morning, attendees could either learn more about the new IRS regulations or partake of a continental breakfast while mingling with the exhibitors. Exhibitors seemed pleased at the mix of attendees versus exhibitors this year. The hall buzzed with excitement as old deals were discussed and new deals made.

Later in the morning, John McCormick of General Credit Forms announced that five attendees were in attendance who had attended each of the 10 SEAA meetings. These loyal folks were rewarded with not only free registration to next year's meeting in Dallas, but also with paid hotel rooms.

He then introduced the keynote speaker, Brad Meltzer. Meltzer is an award-winning author and host of *Brad Meltzer's Decoded* on the History Channel. A consummate storyteller, he related some of his own experiences and delved into the subject of heroes. All audience members were challenged to not only examine the heroes in their own lives, but to explore ways they can be heroes to

others. His message was that everyone has the power to change the world.

After lunch, more time was allotted to spend with the exhibitors and to attend four breakout sessions. The sessions included a discussion on the increase of smart phones and tablets in the payments area, a presentation of the ins and outs of high-risk payment processing, an explanation of the growing prepaid market and an update on the Durbin Amendment to the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act.

The last session was originally scheduled to be a panel discussion, but due to unforeseen circumstances, only one presenter was available. Sarah Weston, an Associate with Jaffe, Raitt, Heuer & Weiss, updated interested participants on the Durbin Amendment.

Following was a lively discussion among audience members of the effects these new regulations may have on the industry. The consensus seems to be that it is the unforeseen consequences that will be problematic. Large issuing banks are already preparing for this law to be enacted.

The evening wrapped up with a cocktail reception with the exhibitors and a trip to the nearby Hard Rock Casino. For those who were still in town on Wednesday morning, an informal breakfast was offered, and the SEAA kicked off its first annual golf tournament.

If you have not been to one of the regional events, this may well be the year to try one out. As Dee Karawadra, Chief Executive Officer of Impact PaySystem, said, "SEAA is the bomb!" Indeed. 🍌



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## **Fraudsters from page 1**

Yet, according to a 2010 survey by Information Security Media Group, 75 percent of banks first learn of fraud incidents from their customers. A report detailing survey results – *The Faces of Fraud: How to Counter 2011's Biggest Threats* – reveals that 82 percent of responding banks had been hit by credit and debit card frauds in 2010. In addition:

- 63 percent experienced check fraud.
- 40 percent were invaded by phishing/vishing attacks.
- 37 percent experienced automated clearing house/wire frauds related to account takeovers.
- 32 percent were victimized by third-party POS skimming schemes.

### **It's a challenge to stay ahead of online fraudsters**

The anonymity of the web renders online merchants easy prey for fraudsters. And the resulting costs to online merchants are more than just dollars lost to fraudulent sales. There are other costs: sales declined due to overzealous fraud filters; labor associated with reviewing orders manually, tracking down fraudsters and dealing with chargebacks (as well as the cost of the chargebacks themselves); implementing fraud management tools; and loss of customer trust.

According to the *12th Annual Online Fraud Report* from CyberSource Corp., the online payment company owned by Visa Inc., one-third or more of e-commerce merchants spend 0.5 percent or more of online revenues managing fraud.

In 2010, fraud losses amounted to 0.9 percent of revenues at online retailers, CyberSource reported, down from 1.2 percent in 2009. However, "fraud pressure" increased. Fraud pressure is defined as the sum of orders rejected due to suspicion of fraud in addition to accepted orders that later turn out to be fraudulent.

Over the past seven years, the average percent of accepted orders that later turn out to be fraudulent has varied from 0.9 percent to 1.3 percent of revenues, CyberSource reported. Online merchants rejected 2.7 percent of all incoming orders for suspicion of fraud last year, up from 2.4 percent in 2009.

### **PCI risks run high among smaller merchants**

Fraud isn't just an e-commerce problem. And it's not just a risk posed to the largest retailers either. In fact, small retail establishments have become ever more vulnerable to data breaches and other methods of fraud as larger stores tighten controls in response to Payment Card Industry (PCI) Data Security Standard (DSS) and other edicts.

According to Visa, Level 4 (small) merchants account for more than 85 percent of all card data compromises. To put

this into perspective, the federal government estimates there are more than 24 million small businesses currently operating in the United States.

Results of a study undertaken by First Data Corp. and the National Retail Federation suggest small merchants overall are knowledgeable about the PCI DSS. Sixty-five percent of merchants in a survey pool dominated by those with sales under \$100,000 a year said they knew about PCI requirements. Yet only 49 percent had completed a self-assessment as mandated by the PCI DSS; 42 percent didn't know they were required to perform annual self-assessments.

Perhaps even more telling, the First Data/NRF survey found 60 percent of merchants did not know they were liable for fines levied by the card companies if they are found to be responsible for data breaches that result in mandatory card replacements.

Separately, a 2010 survey of Level 4 merchants conducted by Merchant Warehouse and PCI compliance company ControlScan found just 45 percent of merchants with staffs of 10 or fewer were familiar with the PCI DSS requirements.

PCI requirements for merchants vary according to yearly card transaction volumes. The very largest establishments are designated Level 1 and have the most stringent compliance demands; the very smallest are grouped together as Level 4 merchants. PCI requirements for Level 4 merchants are basic; they include completing a yearly self-assessment questionnaire and maintaining good system firewalls.

### **Risks are multifaceted**

Experience suggests certain categories of companies also are more prone to data breaches than are others. Food and beverage establishments are the most breached, according to Trustwave, a security services and incident response firm based in Chicago. Trustwave's *Global Security Report 2011* indicates the food and beverage sector accounted for 57 percent of all card data breach investigations in 2010. (Many of the most successful attacks involved firms that believed they had comprehensive data security plans in place, TrustWave noted.)

Echoing a widely held sentiment among data security experts, Robert J. McCullen, Chairman and Chief Executive Officer of Trustwave, said, "[O]rganizations that approach their initiatives firmly committed to including security as an integrated requirement, and not just as a checkbox, will be most resilient to attack, reduce their risk to compromise, and be able to best protect both sensitive data and reputation."

Another troubling finding reported by Trustwave: one organized crime syndicate may be responsible for more than 30 percent of all 2010 data breaches. Martaus isn't

## CoverStory

surprised by this; he said there is plenty of evidence to suggest hackers are being compensated handsomely by international criminal enterprises and a few foreign governments that aren't on friendly terms with the United States.

According to Kaspersky Labs, China and countries formerly part of the Soviet Union are home to several organized hacker gangs. This may also explain the growing sophistication of attacks, such as those targeting mobile platforms and social networking sites.

Social networking sites "are becoming cybercriminals' platform of choice to expand and propagate destructive botnets," Trustwave reported. And mobile devices "offer cybercriminals an open door to corporate authentication credentials, sensitive data and trade secrets."

Nicholas Cucci, Director of Marketing for Network Merchants Inc. and a Certified Fraud Examiner, describes social networking websites as a boon to phishing (where fraudsters masquerade as trustworthy parties to con consumers out of sensitive information, like account numbers and passwords).

He suggested that consumers put themselves at risk if they reveal too much personal information on social

networking sites, including their birthplaces and high schools, two common challenge questions used by credit card companies.

One result is that NMI has stepped up efforts to ferret out potentially fraudulent transactions. It does this using advanced technologies like data mining and geo-tagging (pinpointing, geographically where an order is originating), Cucci said.

### Mobile vulnerabilities are a concern

Concerns over vulnerabilities posed by mobile payments have taken on added urgency, as evidenced by the November 2010 decision by the PCI Security Standards Council to not approve any mobile payment applications as PCI DSS compliant until it had more time to study the situation.

Much of the concern over mobile payments stems from the lack of uniformity among operating systems that support mobile devices. "The Android is completely different from the iPhone, and BlackBerrys are different from both," Malko said. There's also scant oversight of application developers. "With mobile, anybody with \$100 and a little time can create their own application," Malko added. "It's scary."

Merchant Warehouse had been ready to introduce a new mobile payment product that had already passed initial compliance testing when the PCI SSC issued its edict, which sent the company back to the drawing board.

What it came up with was a mobile payment web page that serves as a stand-in terminal for mobile and web transactions and is hosted at the company's PCI DSS-certified server, thereby eliminating the merchant's PCI compliance burden.

The addition of MerchantWARE TransPort.Mobile and a companion solution for web merchants makes it possible for application developers to remove card processing functions from their software while retaining full functionality, the company explained in an announcement. "This is a huge step for compliance," Malko said. "It keeps data off the device."

NMI has taken a slightly different approach, rolling out a mobile payment application that uses geo-tagging, encryption and other advanced tools to support secure mobile transactions anywhere a merchant can find a Wi-Fi connection.

"You're going to see more companies doing things like this," Cucci said. "That's how we're going to be combating fraud going forward the next 12 to 18 months."

Both Merchant Warehouse and NMI aim to achieve the same end: secure mobile payments.

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## CoverStory

### Skimming is a huge problem


Terminal manufacturer VeriFone Inc. also has concerns about mobile payment security, in particular a new miniature card-reading device developed for smart phones and called Square. In an open letter to the public, VeriFone CEO, Douglas G. Bergeron suggested Square is poised to become a card-skimmer's dream tool, an allegation that Square Inc. disputed.

Skimming is one of the oldest types of fraud involving credit and debit cards. It entails the capturing of mag stripe data from legitimate cards (typically during the checkout process) and using that data to create counterfeit cards or to ring-up charges at online stores. (A slightly more sophisticated and increas-

ingly more common form of skimming targets ATMs and employs miniature cameras to capture PINs.)

The Better Business Bureau reported that losses from credit and debit card skimming now top \$1 billion a year. Javelin Strategy & Research estimated one in five credit/debit cardholders have been victims of card skimming. Skimming is often the work of criminal gangs employing ever more sophisticated technologies. Here are just some of the stories news organizations were following in March 2011.

- The indictment of three men by a grand jury in Hawaii who are accused of skimming card data from self-serve gas pumps at four Aloha Island Mini-Mart locations. The stolen data was used to make counterfeit cards that were then used in California to defraud more than 150 cardholders at six Hawaiian financial institutions, according to a report in the *Honolulu Star Advertiser*.
- The arrest of two California men accused of skimming more than 3,600 card numbers from pumps at three gas stations in the San Francisco Bay Area during a two-week period in December 2010.
- The discovery by police in Vancouver, British Columbia, of an ATM skimmer and miniature camera at a local credit union.
- The seizure of 189 hand-held skimmers and 36 ATM-mounted devices in Australia last year.
- The arrest by Thai police of members of an international criminal organization believed to be responsible for skimming thousands of ATM cards at machines around Europe and Asia and creating clone cards, according to Thai press reports.

Stunning technological advances continue to open new frontiers for payment professionals, particularly in the e-commerce and mobile payment spheres. Let's get the jump on data thieves, so we stop them in their tracks before they have a chance to do the same to us. 



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## B2B payment fraud

**A**lthough the majority of business-to-business (B2B) payments are made by check, the high rate of fraud in the world of paper-based payments is starting to convince businesses they should consider electronic transactions. The following data, from the *2011 AFP Payments Fraud and Control Survey* by the Association for Financial Professionals, points to why the shift is occurring. Approximately 337 financial professionals from 15 different sectors, including manufacturing, retail, government, energy, banking and financial services, and others, responded. ■

### Prevalence of B2B payment fraud by payment method

(Percent of organizations subject to attempted or actual payment fraud in 2010)

	All respondents	Revenues under \$1billion	Revenues over \$1billion
Checks	93%	84%	95%
ACH debits	25	26	26
Consumer credit/debit cards	23	19	20
Corporate/commercial purchasing cards	15	19	18
ACH credits	4	<1	11
Wire transfers	4	2	2

### Payment method subject to the greatest financial loss resulting from fraud in 2010

(Percentage distribution of organizations that suffered financial loss from payments fraud in 2010)

	All respondents	Revenues under \$1billion	Revenues over \$1billion
Checks	53%	46%	55%
Consumer credit/debit cards	23	21	22
Corporate/commercial purchasing cards	14	18	15
ACH debits	8	11	8
ACH credits	1	4	<1
Wire transfers	1	<1	<1

### Actions taken as a result of controlling B2B payment fraud and the importance of such actions

(Percentage distribution of organizations taking particular action)

	Important	Somewhat important	Not important at all
Increased use of electronic payments to employees (payroll cards, stored-value cards, direct deposits to employee accts.)	52%	34%	14%
Increased use of electronic payments for B2B transactions	51	38	11
Restricted use of online data communication	49	31	20
Increased use of electronic payments for non-payroll B2C transactions	45	35	20
Stopped giving payment instructions by phone or fax	44	33	28
Reduced the number of bank accounts	40	33	28
Did not provide my bank account number to payors for electronic payments	33	39	29
Outsourced accounts payable	16	28	6





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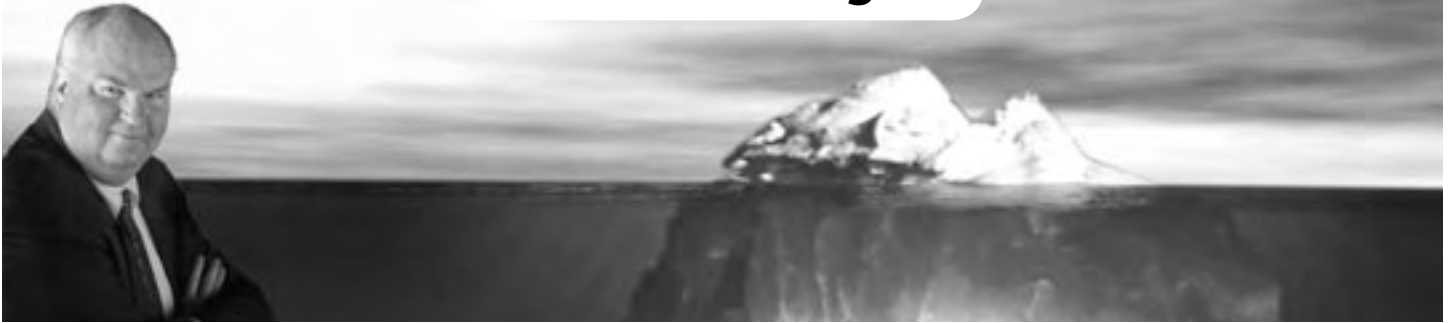


# Education

# StreetSmarts<sup>SM</sup>

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## Straight talk on professional certification

### Bill Pirtle

MPCT Publishing Co.

*Editor's note: The Green Sheet is delighted to welcome Bill Pirtle, author of Navigating Through the Risks of Credit Card Processing, as the new Street Smarts columnist. Throughout the coming year he'll be asking members of GS Online's MLS Forum for input as he pens articles of interest to our industry's feet on the street. As you will see from his inaugural article, he is off to a very good start.*

**T**he Electronic Transactions Association recently revealed plans to certify payments industry professionals through its Certified Payments Professional program. (For details, see "ETA to launch certification program," *The Green Sheet*, March 14, 2011, issue 11:03:01, as well as the ETA's website, [www.electran.org](http://www.electran.org).) The announcement brought a flurry of comments in the MLS Forum, and I started a new thread to ask forum members for opinions.

Responses indicated ISOs seemed to be accepting of the concept.

### Divergent views

**STEVE NORELL** said, "If used correctly and universally, I believe [certification] can be a great tool, advantage and benefit. ... Merchants, in general, will believe just about anything you tell them, no matter how outlandish. At least this program has some credibility to it."

**CLEARENT** disagreed, stating, "I do not believe that anything short of government intervention or a serious, and active, involvement of the card associations can make anything mandatory. And I do not see that happening."

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More insight was given by **CARDPLAYER**, who wrote, "As I've said in the past, this is the key first step to cleaning up the industry. Going into 2012, the ETA needs to launch an ad campaign aimed directly at merchants, appearing in the various industry trade rags in key vertical markets, such as retail, restaurant and hospitality.

"The ads should say, 'Shopping for merchant services? Be sure to only deal with a representative who has the CPP designation on his/her business card.'" He then added, "Once the brand gains visibility, it will begin to shape behavior in the industry. When was the last time you bought a lamp or appliance without a UL tag on it?"

The merchant level salesperson (MLS) community was more in opposition: "Who needs the ETA for that," **MAKETELINC** posted. "Make up your own gibberish [and] call it what you want. Certified by Congress of Credit Card."

**SDSORENSEN** agreed, stating, "It appears to me this is about some ISOs trying to regulate the MLSs to help keep rogue agents from taking advantage of merchants. The reality is the MLSs are not the problem. The problem is the ISOs that train the rogue agents to lie, cheat and steal. So, while certifying agents seems like a noble cause, it: 1.

**"The 'brands' don't enforce the rules that they have now. If they did, there wouldn't be any need for a 'Certified Payment Provider' program."**

Forum Member **JDECKARD**

Doesn't solve the problem; 2. Will be another hoop to jump through for honest agents; and 3. Will end up being a money grab for somebody. Figure out a way to keep ISOs in line and your MLS 'problem' will go away. If you want to take care of something, cut off the head, not the finger."

**JDECKARD** added, "The 'brands' don't enforce the rules that they have now. If they did, there wouldn't be any need for a 'Certified Payment Provider' program."

### The ETA's perspective

I researched the ETA on LinkedIn and found the ETA's Director of Education, Rori Ferensic. I asked her four questions about the CPP initiative. First, I asked if MLSs must be ETA members to take the exam or receive the designation. Ferensic replied, "Eligibility for the certification exam will not be contingent upon ETA membership, but there will be eligibility requirements." One such requirement might be industry experience.

When I asked about the expected cost of the exam, she stated that the ETA was "still finalizing the costs, but [it is expected to be] in the \$300 to \$500 range, with member and nonmember pricing."

I posed another question often asked by forum members. I asked whether there are plans to create a process to handle complaints or "decertify" agents or ISOs that do not meet established professional standards. "There will be some sort of disciplinary process, but the ETA will not be policing the profession," Ferensic answered. The final question I asked was, "Will the exam be different for ISOs and processors than for MLSs?" Her response was, "No. Everyone will take the same exam and, upon successful completion, will be awarded the CPP credential."

Before closing the conversation and I posting Ferensic's answers on the forum, I informed her that the biggest concerns among the industry's feet on the street seemed to be the costs and the appearance that the ETA is trying to police the industry without the card brands' involvement.

"That's why I want to make sure only the correct information gets out," she replied. "A certification program (in any industry) is not a license to practice, nor does it serve the purpose of policing a profession. While we definitely want the support of the ISOs and the card brands, we want that support so that they, in turn, support their employees to sit for and pass the exam."

### Reactions from the forum

Did these responses make a difference to the forum?

**MTY MSI** stated what most MLSs seemed to think. "In my honest opinion, \$300 to \$500 is too expensive, especially considering the value (more aptly put, lack thereof) at least initially to a MLS," **MTY MSI** posted. "I would be interested at around \$100 but would not consider spending \$300 to \$500 unless certification was mandated by the card companies.

"I'm guessing that the \$300 [for certification] is for ETA members and the \$500 for nonmembers. Count me out at those prices. Not sure what the ETA's thought process was in pricing this, but obviously it wasn't to encourage participation. I can't imagine that the actual cost of developing and administering this program is anywhere near that expensive."



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**"If there is no full disclosure of terms and fees, certifying someone means squat because craigslist is and will always be full of recruiters to hire in the masses to sell the same [stuff] that merchants have complained [about] the most."**

Forum Member **ALEXPHER**

**SCAINE** countered, "I still think this is a good start, but without some type of mandatory registration, licensing, etc., for all entities selling acquiring services, this really won't change much. The unethical ISOs will continue unabated while the ethical folks get certified. Sort of like gun control laws. Only the law abiding citizens follow them. Criminals don't care."

**THECREDITCARDMAN** said, "[The] \$400 price tag will reduce the pool of 'somewhat interested' and greatly increase the 'not interested.' ... While the basic idea is a step forward, I now think the ETA has even more questions about their role than they have answers. It seems to me that they have not thought out the details. It's like building a house and starting at the roof."

"I am out till I see a reason to be in. I understand it will take years and tens of millions of dollars to get a merchant

to ask, 'Are you qualified?' ... if that ever happens. ... Might I suggest that the forum and the ETA have a direct dialog? Do they even know we exist?"

While most responses were against the expected range of cost, there were a few individuals who liked it because of the cost. **COACH BOB** commented, "Here is why I like the high price. First, ... those [questionable] ISOs will not pay just to churn numbers. Second, short-timers and rogues won't make the investment. Two birds. One stone."

### Reasons to certify

There are good reasons for certification or registration in this industry, including:

- Creating a barrier to entry by requiring training and registration fees for new agents
- Creating a standard for industry practices and providing training and testing
- Establishing a code of ethics with teeth to remove individuals or ISOs for cause

On its face, the ETA's CPP designation does none of these. If the CPP is only available to established agents, if it has no infrastructure to provide training, and if it has no teeth for enforcement of its code of ethics, I do not see much chance that it will succeed in its current form.

MLS Forum members have seen all kinds of devious and deceptive practices in the industry. For example, forum member **ALEXPHER**, stated, "Now you can be CPP certified, but it does not change where it hurts the most. The MPA (merchant processing agreements) and lease agreements are what the merchants are bound to – if only they were standardized in clear human language with the help of Visa and MasterCard, many of the problems may disappear.

"Bill back, enhanced bill back, evergreen MPA, early termination fees, PCI compliance fees, IRS fees, absence of rescission period and the rights to add fees at any time during the contract to fund a new Bentley are some of the key problems that need to be addressed prior to certifying anyone.

"If there is no full disclosure of terms and fees, certifying someone means squat because craigslist is and will always be full of recruiters to hire in the masses to sell the same [stuff] that merchants have complained [about] the most."

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The Better Business Bureau has recently seen its reputation damaged by allowing paying members to have higher rankings than nonmembers, even wiping away complaints from their records. Some processing agents wonder whether ETA member organizations might receive the same benefit.

I believe the disposition of the the forum since I became a member has been that nothing we do will make a difference. That idea is baloney. It reminds me of the Edmund Burke quote, "All that is necessary for the triumph of evil is that good men do nothing."


### Suggested actions

History is filled with single people or groups that changed history. We need to take actions we believe in. Once our actions gain traction, the card brands or government will be moved to get involved.

Until we can show that we want change, the brands will be content to keep the status quo. The CPP designation is a good first step. If we do not put our own house in order, it is only a matter of time before Congress or the states try to do it for us. Perhaps if enough of us work with the ETA or other efforts, the card brands will take note and lend their support.

I have five suggestions for the ETA:

1. Start a dialogue with the MLSs.
2. Create or find educational materials you can endorse (both for ISOs and MLSs).
3. Propose programs with teeth to clean up our industry.
4. Propose entry-level barriers, such as training requirements or some sort of registration fee.
5. Create an advertising program aimed at business owners to encourage them to seek out CPPs.

Forum members disagree in many areas, but we all want to see the "bad" agents and ISOs go away. Most just do not see the CPP designation as the vehicle to accomplish this goal unless the ETA can acquire the card brands' backing and there is an effort to educate business owners to only deal with Certified Payments Professionals. 

*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](http://www.creditcardprocessingbook.com), and his email address is [billpirtle@yahoo.com](mailto:billpirtle@yahoo.com). He welcomes all connections on Facebook and LinkedIn.*

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## Leads, leads, leads - Part 3: Lead nurturing

By Peggy Bekavac Olson

*Strategic Marketing*

**T**his is the last article in a three-part series dedicated to the important topic of leads. February's article, "Leads, leads, leads – Part 1: Lead generation," *Feb. 14, 2011, issue 11:02:01*, focused on inbound and outbound lead generation techniques. Last month's article, "Leads, leads, leads – Part 2: Lead management," *Mar. 14, 2011, issue 11:03:01*, emphasized effective lead management using a central repository for leads; it also set forth how to turn inquiries into qualified leads and then into sales.

I hope you've been working hard to generate new leads and entering them into a centralized database. I also hope you've begun mapping out each step of the buying cycle.

**Lead nurturing starts by understanding that sales doesn't really care about leads. They want real, winnable opportunities. They want quality more than quantity. Leads must be nurtured through the steps required to make them customers.**

Next up is to think about leads in terms of buyer readiness and how to nurture them through the buying cycle so that you have the best opportunity for them to become customers. This is the topic of this final article in the series.

### The problem: leads not ready to engage

If you've expended effort on lead generation, you know firsthand how expensive, time-intensive and challenging it can be to make the most out of every lead. Many companies do a good job at generating leads by attracting prospects to their website or tradeshow booth, or by cold calling, buying lists and more.

The problem is that most new leads are not yet ready to engage. RainToday.com, a top sales resource, reports that less than 25 percent of new leads generated are receptive for sales contact.

Far too many firms push leads directly to sales once information is captured without paying attention to buyer readiness. When sales makes contact too early in the buying cycle, prospects are likely to be alienated by inappropriately timed budget, authority, need and timing questions.

All prospects are interested in at this point is gathering information for a future purchase. Thus, pushing leads to sales too soon and without qualification is not a good use of personnel resources and certainly not a good way to build rapport with prospects.

Sales people are also notoriously impatient and want "hot" leads. When the leads you feed them aren't hot, they're still likely to make their pitch and if they don't get the sale, move on, casting what may be valid leads for future sales by the wayside, never to be followed up on again. While some of these leads are truly unqualified, as many as 70 percent of prospects eventually buy, said Brian Carroll, author of *Lead Generation for the Complex Sale*.

So, unless you have a good process for recycling leads, a prospect that never hears from you again will most likely

end up buying from a competitor. Sales productivity suffers and frustration grows when you pass leads along that are not sales-ready. When that happens, lead generation efforts are viewed as ineffective, which can result in sales ignoring, by some reports, up to 80 percent of all leads received.

That's throwing away a lot of marketing dollars and effort. So what can you do to make more of your leads viable and sales-ready? Fortunately, there is a remedy – lead nurturing.

### The solution: lead nurturing

Lead nurturing builds relationships through an informative dialog with qualified prospects that are not yet ready to buy, with the goal of earning their business when they are ready. The process also includes ensuring a clean hand-off to sales at the right time.

Lead nurturing starts by understanding that sales doesn't really care about leads. They want real, winnable opportunities. They want quality more than quantity. Leads must be nurtured through the steps required to make them customers.

Not all prospects are immediately ready to buy, making lead nurturing campaigns imperative for transforming prospects into sales-ready opportunities. It's up to you to have a process in place that keeps your company top of mind as well as actively engaged with prospects when they're ready to make a buying decision.

Lead nurturing builds a stronger connection with buyers by providing the information they want and need and the appropriate amount of contact from your company at each point in the buying cycle.

It's the act of maintaining mindshare and creating solid relationships. Nurturing a lead into a successful sale is more than just "checking-in" via a phone call or visit every few months. It's about becoming useful to prospective clients.

Merchants have a buying cycle for payment processing. Notice I said merchant buying cycle, and not your company's sales cycle. Sometimes the merchant buying cycle is short because of immediate need, but typically, it takes place over time.

You need to think in terms of your buyers who are merchants. Take a walk in their shoes. Consider what must go through their minds as they make decisions about buying merchant services.

Some questions that merchants have that come to mind include:

- How will your solutions help my company solve my problems?
- We're doing OK today, so do I really need your services?
- Is there a better or cheaper solution or vendor out there?
- Am I dealing with a credible, reliable and secure company?
- Can I afford doing business with you?

Staying in contact and providing valuable information builds trust and credibility. So when you take care of leads over time, they can answer these questions for themselves in your favor.

### Lead nurturing inspires trust

A key aspect of lead nurturing is the ability to become a trusted advisor. How do you do this? Well, typical lead nurturing programs include meaningful letters, emails, phone calls, voicemails, case studies, success stories, articles, events, white papers, webinars and more, rolled out at appropriate times to merchant prospects in the buying cycle based on a defined process.

When you do this, your company becomes a resource. You don't sell; you don't make pitches. Instead, you provide insight and solutions, all within the realm of your payments expertise, becoming the company merchants call when there's a need. With trust built by nurturing leads, you may even find that your business no longer has to compete on price and that selling time is reduced.

The value of lead nurturing can be significant. The e-media publication *DemandGen Report* indicates that

nurtured leads, on average, produce a 20 percent increase in sales opportunities versus those that are not nurtured. Marketing automation software companies and lead generation consulting firms report even greater results, stating that lead nurturing can yield anywhere from a 15 percent to 200 percent increase in additional, new qualified leads.

Whatever the numbers, lead nurturing programs can produce stronger sales pipelines, better qualified leads, higher close ratios, shorter sales cycles, increased sales amounts, greater sales productivity and enhanced brand recognition, image and reputation. These are all pluses for your business.

I hope you've found this series of articles on leads to be fruitful, and that you continue to generate, capture and make the most out of all your leads. Remember, hard work and diligence really pay off in the end, with a higher sales volume. 📈

*Peggy Bekavac Olson founded Strategic Marketing, a full-service marketing and communications firm specializing in financial services and electronic payment companies, after serving as Vice President of Marketing and Communications for TSYS. She can be reached at 480-706-0816 or peggyolson@smktg.com. Information about Strategic Marketing can be found at [www.smktg.com](http://www.smktg.com).*

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# Coach your way to a stronger organization

By Vicki M. Daughdrill

*Small Business Resources LLC*

**W**ikipedia defines coaching as "a method of personal development or human resource development ... an excellent way to attain a certain work behavior that will improve leadership, employee accountability, teamwork, sales, communication, goal setting, strategic planning and more."

In his book *The Manager as Coach and Mentor*, author Eric Parsloe defines coaching as "a process that enables learning and development to occur and thus performance to improve. To be a successful Coach requires knowledge and understanding of process as well as the variety of styles, skills and techniques that are appropriate to the context in which the coaching takes place."

## Why coaching matters

As a business owner or manager, your responsibility is to make sure your team is performing effectively. And for the team to perform effectively, each team member must contribute and work efficiently. Coaching employees is one of the best strategies an owner or manager can utilize for developing better employee relationships resulting in higher productivity, increased morale, skill development and improved performance.

Managers and business owners coach to build knowledge and skills and provide training that is in addition to any formal or on-the-job training programs offered by the company and can be structured or informal. Coaching can also be part of an ongoing program to develop employees for higher levels of responsibility within the company. Many companies evaluate potential leaders on the criteria of how well they coach and develop other employees and their replacements.

The old adage that you cannot move to the next level on the ladder until you have groomed your successor holds true today. Many managers feel territorial toward their jobs and knowledge and fail to prepare for succession. In this case, the company suffers when they leave and no one is prepared to step in and assume their responsibilities.

What can coaching and developing employees do for the company? It can help to:

- provide a process for identifying employees' present goals and skills, evaluating future plans and

directions for further development, and designing a career path that includes life balance and

- produce employees who are productive, engaged in their work, who advance quickly, and who remain with the company for longer periods of time.

As we all know, businesses today remain under tremendous pressure to do more with less and to become streamlined, efficient and effective in the face of growing global competition. Business owners and managers must retain committed employees in an increasingly competitive marketplace.

One way to achieve this goal is for owners or managers to transform into coaches rather than remain supervisors or controllers. Like many management skills, coaching employees is a technique and a process that requires an investment of time and energy to achieve success.

Each coaching opportunity is unique and requires an understanding of the individuals involved. No two coaching situations are the same, as no two individuals have the same goals and skills.

Surveys tell us that employees remain with organizations when:

- they find the work interesting, challenging and satisfying
- they are well informed about the company's goals and direction
- they are recognized for good performance
- they see opportunities for professional development and continued growth

## What skills are required

Coaching creates an environment that helps ensure that these factors exist in the workplace while the consequences of failing to provide top-quality coaching are low morale and high turnover.

What skill sets do you need to provide successful coaching? Following is a list to help you assess your abilities.

- Think of employees as individuals who need to be guided, not controlled: Acknowledge that you must learn to trust your employees to know their jobs and to perform their jobs.

If you do not trust people to do their jobs, you must recognize that you either have the wrong person for the job, you haven't trained them sufficiently, or you failed to allow them to do their jobs.

- Learn to listen: Active listening is one of the most critical skills a manager can learn (for more



information, see "To listen actively," by Vicki M. Daughdrill, *The Green Sheet*, Aug. 25, 2008, issue 08:08:02). For the coaching process to work, the coach must be both willing and able to listen carefully, respond appropriately and take necessary actions.

- Focus on the positive: Every individual has both strengths and weaknesses. By focusing on the strengths, people experience growth and improvement resulting in greater enthusiasm and effectiveness. While it may be necessary to deal with a shortcoming or inadequate performance, the coaching sessions should primarily focus on the positive.
- Develop strengths instead of managing for results: Several years ago, management styles included management by objective, management by responsibility and management by outcome.

By focusing on developing the individual, top notch results will follow – assuming you have the proper person in the position. And remember, one size does not fit all. Employees learn by different methods, therefore, the coaching sessions must be customized to fit the needs of each individual employee.

- Allow employees to resolve problems: Many managers today want to make all of the decisions and solve all of the problems, thinking it is easier and faster. However, to truly develop employees, managers must allow others to make decisions and solve problems. A good way to begin learning this skill is to ask "What do you want to do about this situation?"
- Create a positive environment: Create an environment where people want to work with you and feel valued and respected. Make it clear to your employees what they are responsible for, but give them the latitude to go about it in their own way. In short, treat them the way you would want to be treated.
- Coach with compassion: How you deliver your message, either positive or negative, is just as important as what you say. Learn to think before you speak. Ask yourself "How would I feel if I received this message?"

### How to do it

Coaching sessions can be long or short, formal or informal, structured or unstructured based on the manager's style and the material to be covered. For the greatest potential outcome, take time to prepare for each session. Here are some steps to help you begin the coaching process with your employees.

#### Set the stage

- Determine the time and place for the coaching session so the employee will feel at ease.
- Be sure both participants understand the purpose of the coaching session, and emphasize the need for two-way communication.
- Keep the coaching sessions confidential so the employee feels able to learn in a non-threatening environment.
- Understand that this is a professional coaching session and is not a time for joking or gossiping.
- Ask the employee to prepare for the session by answering several questions: What are my career objectives? What are my professional strengths and weaknesses? What type of assignments do I enjoy the most and feel best qualified to complete? What would I like to focus on during the upcoming coaching session?

#### Conduct the coaching session

- Find a starting point by discussing what the employee already knows.
- Identify the topic or information to be covered in the coaching session.
- Provide specific information or demonstrate the new skill in an entertaining way.
- Ask open-ended questions to evaluate understanding of the new task or skill.


#### Evaluate

- Review the employee's demonstration of the new task or skill.
- Provide constructive, positive feedback and correct as needed while evaluating your participation in the process.
- Repeat the coaching session as needed.

#### Reward

- And, finally, offer praise or other rewards for learning and employing the new task or skill.

Former General Electric Chief Executive Officer Jack Welch said, "If there is anything I would like to be remembered for it is that I helped people understand that leadership is helping other people grow and succeed. To repeat myself, leadership is not just about you. It's about them."

Managers are rarely fired because of poor technical skills; however, many management careers fail because of an inability to deal with the human resources issues required in today's business climate. Take time to coach your employees and remember . . . it's about them. 

*Vicki M. Daughdrill is the Managing Member of Small Business Resources LLC, a management consulting company. Email her at vickid@netdoor.com or call her at 601-310-3594.*

# Projecting confidence, inspiring trust

By Jeff Fortney

*Clearant LLC*

**T**he conversation began like any other conversation. The merchant level salesperson (MLS) was asking for help reviewing a complicated statement. As we were finishing up, the agent asked a straightforward question that is asked quite often by those in the payments world: "How are others like me doing today? It seems as if I'm struggling to close deals."

I told him that results vary and asked him why he thought he was struggling. His response spoke volumes. "I just don't have the confidence I think I need," he said. "I don't know the answers to all their questions, so I'm afraid to push too hard. I'm doing all the right things, but I just don't see the results."

## Having the right resources

This MLS is like many others in this profession. They take the opportunity to be trained on all the sales skills and try to execute all the right behaviors, yet they present an air of uncertainty during presentations to merchants.

We often forget that body language communicates as powerfully as our words. If our posture or mannerisms project insecurity, the merchant may not trust that we can deliver on the services we are offering. That doubt leads to concern, and that concern leads to lost sales.

The most successful MLSs follow this basic principle: Confidence isn't knowing all the answers. It's knowing when you don't have all the answers and need to seek assistance from other resources.

This business is ever evolving. As such, it's almost impossible to have all the answers. The key is to have someone available to ask when a situation arises in which you need further information. Having access to that assistance is what drives confidence.

As an MLS, it's important to understand the traps that can sabotage your success.

## Analysis paralysis

When reviewing a statement, the confident MLS knows where to look and what items merit the most attention. The hesitant MLS spends time poring over and analyzing every line, needing to know what each item represents so as not to miss something important.

Meanwhile, the confident MLS has already discussed the opportunity and likely signed the merchant, while the uncertain MLS is still analyzing.

It's not wrong to ask questions, but if you allow yourself to get caught up in the minutia, the merchant will become impatient with your overzealousness and your opportunity will be gone. Don't overthink. Ask your ISO partner, mentor or your trusted adviser for assistance. Ask this individual to show you how he or she does it, not tell you the results.

## Assumptions

The most dangerous word in the English language for salespeople is "assume." Never assume. If you find yourself thinking, "They won't sign with me if I offer them this program," or "I know they won't be happy if I save them only this amount," you're assuming a response before it happens. Every time you do this you build a mental hurdle blocking your sales success. Second-guessing yourself just creates indecision.

Remember, people buy for their reasons, not yours. If you make assumptions about a response, your assumptions are most likely based on your objections or your reasons. Your merchant doesn't need to tell you no – you're doing it for him or her.

Eliminate all negative opinions from your thoughts and your approaches. Eliminate assumptions. Once you accomplish this, your confidence will rise.

## False confidence

Merchants don't expect you to be perfect or to know everything. They respect those who have the answers and those who will admit they don't – equally. Some of the best salespeople aren't necessarily good at thinking on their feet. And they know they aren't, so they become good at saying, "Good question; let me make a quick call."

Yet many less skilled MLSs will take information learned during a specific situation and "translate" that knowledge to fit the question. As a result, the answer is at best wrong and at worst costs them the deal because the merchant feels misled. If you're not sure, say so.

## Fear as a factor

Selling can be scary. We have all thought this at one time or another. It isn't always comfortable to walk into a merchant's store asking for business. Some of them respond angrily or in a demeaning fashion. If you sell merchant services long enough you will literally get thrown out of a merchant's store at some point for no fault of your own.

Yes, fear is a factor. It will be there, but how you control it will define its impact on your confidence. Remember, should an uncomfortable situation arise and a prospect

**Like any growing garden, confidence must be tended, and that tending is best done with an experienced gardener. You must have a trusted adviser willing to answer your questions when they arise.**

shows anger or another negative response, it may be temporarily directed toward you, but the emotion is about the situation, not you.

So use that fear. You can say, "I certainly hear your concern, and in fact, it's a concern of mine as well. Could you tell me what has caused this?" Be on the merchant's side. Sympathize, or even better, empathize. Find common ground. Don't let the response put you on the defensive.

### **You are more than a role**

When you are selling, you are on stage. You are playing a role, that of a salesperson. Anything that is said or done that might damage your confidence is not being said or done against you; it's against your role.

Remember, no one can be a better you than you. Your confidence is found in who you are, not by the role you play. That confidence permeates from role to role, from

salesperson to parent, from child to spouse. All these are roles we play. All you can do is your best, knowing that, as an individual, you are unique and irreplaceable.

Like any growing garden, confidence must be tended, and that tending is best done with an experienced gardener. You must have a trusted adviser willing to answer your questions when they arise. That adviser must also offer help and training. In turn, you must take advantage of such opportunities. No, you don't need to know everything, but you must develop a firm base.

Confidence is the final differentiator between the successful MLS and the unsuccessful MLS. Be confident in your actions, and your sales will grow. ■

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

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# How to reboot a stalled PCI program

By Tim Cranny

*Panoptic Security Inc.*

**A**s ISOs, merchant level salespeople, processors and banks become more comfortable with the Payment Card Industry (PCI) Data Security Standard (DSS), some old pains and problems are becoming more manageable. But newer issues are coming to the fore. The biggest issue is a growing number of ISOs who have invested time and effort into their PCI programs, only to find a year or so later that too few merchants are compliant, and the numbers are not improving. Their PCI programs have stalled.

This article will talk about how to avoid that fate, as well as how to escape from it if you find yourself already stuck there.

## The stumbling blocks

There are two main stumbling blocks to a thriving PCI program that need to be solved (since there's not much payoff in getting past one obstacle just to stall again a little further down the road).

The first stumbling block is the more obvious one. It occurs when merchants need expert assistance with their Self-Assessment Questionnaires (SAQs) because the requirements are full of jargon and technical details they haven't encountered before.

A range of vendors can help in this regard (some more than others), and the key is to remember that putting the SAQ online doesn't achieve anything by itself; it's only useful if the online tool gives merchants additional expert guidance and assistance.

The information provided online needs to be more than a FAQ and glossary. It should include intelligent software that takes one simple fact (such as the identification of which terminal a given merchant is using) and, based on that data, automatically pre-answers a whole slew of questions for the merchant. For example, it could answer whether the merchant is connected to the Internet, whether the merchant stores cardholder information post-authorization and whether cardholder data communications are encrypted.

The second, and probably more significant, stumbling block occurs at the aggregator level, such as the ISO, processor or bank. Hard experience has proven that successful PCI programs don't just happen. Someone who has the right tools, resources and insights at his or her fingertips needs to make them happen. So all these organizations need to make sure qualified individuals are identified and taking responsibility for their PCI programs.

## The tools for success

To make your PCI program a success, or to reboot a stalled program, you need:

- Always-available and instant insight into what is going on in the portfolio at every level of detail. This means you must be able to see, at a moment's notice, the answer to questions such as: Where, specifically, in the whole process are my merchants stalling?

**Someone who has the right tools, resources and insights at his or her fingertips needs to make them happen. So all these organizations need to make sure qualified individuals are identified and taking responsibility for their PCI programs.**

Based on today's latest data, what percentage of my merchants has failed Milestone 3? or What is the trend-line on completion rates over time?

It is also surprisingly useful to be able to cross-reference and combine these queries, and get quick answers to questions such as: How many of my merchants in California are SAQ C and thus need scans and are falling behind on their remediation plan? (SAQ C is a questionnaire for merchants with payment application systems

connected to the Internet, but who don't store cardholder data.)

- The ability to drill down from these high-level views to seeing every real-time detail on a specific merchant. Experience shows this is an invaluable tool for support and merchant assistance, regardless of whether that support is done in-house or by a PCI compliance vendor.
- Tools that facilitate active portfolio management by enabling tasks like adding merchants in bulk to a portfolio, deleting merchants, categorizing them into groups or conducting detailed search-and-filter analyses of merchant subgroups.
- The ability to communicate directly with exactly the right subgroups of merchants, at exactly the right time. Without this ability, analysis and insight tools cannot inform or empower anyone. If the

news is bad, it can feel a bit like watching a house slowly burn down for lack of a firehose. Insights only really come to life when tools are at hand to turn them into solutions.

### The right message

In reaching out to various merchant subgroups, it is important to use email, phone, and regular mail because no one method is right for every merchant in every circumstance.

You need the flexibility to be able to send one type of message, with exactly the right wording, when targeting merchants who have been slow to start their program and another type of message, with different language and tone, when targeting merchants who have almost finished the process but have forgotten a few minor procedural steps. Similarly, merchants who are struggling with the process need to be treated differently again.

When you combine detailed insights and targeting with the ability to effectively reach out to merchants, you have the ingredients needed to make your PCI program an active success.

At that point, an ISO with these tools is in a far better position than 95 percent of the ISOs out there. The only real stumbling block left is that many ISOs simply aren't PCI experts and don't feel confident about giving advice to their merchants on these issues.

### The need for assistance

It's critical to remember that a successful PCI program is not going to be built by technology alone. A successful program requires an in-house team of PCI experts or the right partnerships. We know of a very small number of ISOs and banks with the resources to do this sort of work in-house.

For most organizations, the answer lies in partnering with a specialist PCI provider that can provide the necessary tools and work closely with in-house staff to cover the whole spectrum of technology, security, customer support and program management issues.

I regularly see failed or stalled PCI programs where the portfolio owners thought the problem would simply go away if they bought a product, and who are now seeing that they need the right combination of products, services and partnerships to get their PCI program back on its feet and moving forward. ■

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

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## A brief on prospecting

By Jeffrey Shavitz

Charge Card Systems Inc.

In writing for *The Green Sheet*, I am sharing prospecting and sales techniques I have encountered over my years in the payments space, as well as in companies I had previously founded that focused on sales and marketing. In this article, I address direct mail, email and online marketing companies.

**Direct mail:** Does it or doesn't it work? We all get a lot of it and sometimes refer to it as "junk mail," but the response rate for a flat piece is 0.03 to 2.56 percent, and dimensional mail (any piece that isn't flat) is significantly higher, with a response rate of 0.5 to 4.25 percent. From my perspective as a recipient of mailings, several factors are critical for this medium to be effective, including creativity, whether it's in the form of humor or a dimensional piece that entices the recipient to open it; continuity of message through multiple mailings to the same recipient; and follow up. Direct mail with no follow up is a waste of money. A carefully timed phone call within 24 to 48 hours following delivery is very effective in helping to close a prospective merchant. Have you ever tried a direct mail campaign to a unique vertical market? Although postage can get expensive, it may be worth the effort and expense.

**Email and online:** As a layman with limited knowledge of email and online marketing campaigns, I will state some statistics gleaned from expert sources. Click-through and conversion rates for various types of online marketing are: email messages – 0.10 to 1.73 percent (2.9 average conversion rate); online advertising via search engine – 3 to 5 percent (10 to 15 percent conversion); banner ads – 0.20 to 1.11 percent (6 to 10 percent conversion); and email sponsorships – 0.10 to 0.27 percent (8 to 12 percent conversion).

I recommend meeting with experts in these fields to acquire more knowledge before undertaking one of these types of campaigns. Keep in mind that marketing experts always recommend an integrated marketing approach because no single marketing message can accomplish all your goals. ■

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

# 10 years ago in The Green Sheet



## Welcome to VeriTown

At the 2001 Electronic Transaction Association's Annual Meeting & Expo, VeriFone Inc. created a booth presentation based on the movie Pleasantville. The booth environment was transformed into VeriTown, complete with a newspaper, The VeriTown News. The "talk of the town" was the Omni 3600 e-payment terminal.

## Kudos for GS Online

Jim Marchese of IRN Payment Systems said its advertisement on The Green Sheet website was "clearly helping IRN's business grow." Of the 3,772 hits on IRN's own website in one month, 60 percent were due to click-throughs from the button on [www.greensheet.com](http://www.greensheet.com), Marchese said.

## Checks on the rise

According to the Federal Reserve, 18 billion checks were written annually in the United States for goods and services at the POS, and 74 percent of all noncash transactions were made by check. Check writing was expected to increase by 2 to 3 percent in the next few years.

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# NewProduct

## A CRM solution for MLSs

### Product: Powerhouse Sales Agent CRM

Company: *Powerhouse Payments LLC*

**T**oday's merchant level salespeople (MLSs) face a difficult challenge: how to manage all facets of their businesses cohesively. Powerhouse Payments LLC has devised a remedy: Powerhouse Sales Agent CRM, a web-based customer relationship management portal designed to increase office efficiency by tracking agent, customer and prospect activities all in one location.

"What we wanted was something that our agents could use, not only with Powerhouse but with everyone that they're doing business with," said Allan Lacoste, Chief Executive Officer at Powerhouse.

"Something we've noticed is that agents will typically tip their deals to various ISOs, so they don't have one centralized software program that will allow them to manage all of those relationships.

"With ours, like the residual reporting feature, for example, they can upload their residual reports from multiple ISOs into our software, merge them all into one and pay out all of their subagents from one general report versus trying to break down a Global [Payments] platform or First Data," Lacoste said.

### Finely tuned tracking

Powerhouse CRM can be set up to pay residuals up to eight levels deep. "For example, if I'm an agent and I go out and recruit you, and then you go out and recruit someone else, we can set it up so that you get an override and that your recruit gets an override," Lacoste said.

"Your recruit would also have the ability to log into the CRM and see only their business. Every time your recruit logs in, you will get a report that says, 'Your subagent logged in, and here's what they did today.'"

According to Powerhouse, all essential sales office functions can be tracked, including merchant boarding, equipment inventory, staff recruitment, merchant promotions and sales activities. Detailed reporting provides statistical information on residuals, leases, buybacks, and profit and cost analysis of merchant statements as well as projected residual income.

### Features of Powerhouse Sales Agent CRM include:


- Residual reporting up to eight levels deep
- Account activity managed in one central location
- Real-time sales leads provided free to agents
- Integrated tools to facilitate recruitment and sales
- Over 80 training videos available on CRM portal

### Power in your hands

With Powerhouse, recruitment searches can be conducted directly through the CRM software, the company reported. "If you wanted to recruit agents out of Rohnert Park, [Calif.], and you wanted to advertise on craigslist, from the CRM you can build a campaign and push out that campaign directly to craigslist right from your CRM," Lacoste said. Recruiting leads and resumes are automatically uploaded to the portal for staff review.

Lacoste recommends the Action Pages for targeting local merchants. "On the fly, you can build a full-blown campaign that's linked to a domain name that you choose," he said. "Two minutes from now you can have that website up with a streaming video, all the information about you and your company that you represent, along with an online application where they can either apply or set an appointment."

Powerhouse indicated it provides free sales leads that contain detailed data on targeted merchants. "We've created a system that allows us to pull DBAs in real time," Lacoste said. "If someone were to go down to the county clerk in San Diego today and register for a business license, 48 hours from now I know about it, and it's available on our system."

Lacoste pointed out that to become registered CRM users, MLSs simply need to call and register as Powerhouse agents. "They don't have to be exclusive," he said. "They just have to pass a background check, and within minutes of getting their agent ID, they'll receive a welcome email with a user name and password to get into the CRM." 

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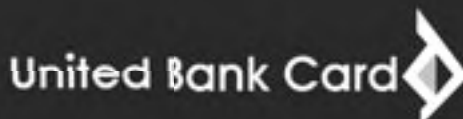
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\* To receive a Harbortouch POS system as part of this program, merchant must sign a credit card processing agreement and equipment service contract. Other charges may apply.

UBC1461 10/2010

For more information, contact:

Brian Jones, EVP Sales and Marketing: 800-201-0461 x 136  
Jonathan Brandon, National Sales Manager East: 800-201-0461 x 145  
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United Bank Card



# Innovations in check scanners

By David Peterson

*RemoteDepositCapture.com*

*Editor's note: This article was published by RemoteDepositCapture.com Feb. 8, 2011; reprinted with permission. © RemoteDepositCapture.com. All rights reserved.*

**I** was recently at the Jaguar Reseller meeting in Indianapolis, Ind. For those that might not be familiar with Jaguar, they are likely the best-kept secret in check imaging. They have a full suite of item processing, remittance, lockbox and remote deposit products.

They can provision remote capture on the desktop, through a web service and a mobile device, and give managers control over the deposits regardless of the mode of capture. They are an amazing company with smart, innovative leaders and loyal customers.

I was asked to make a presentation at this meeting on "Strategically Planning for the Future." I also listened in as several vendors made presentations. Here are a few items I feel are worth sharing:

1. **Panini wi:Deal Scanner:** Based on the i:Deal check scanner, the wi:Deal (pronounced "why deal") allows for documents other than checks to be scanned. Most impressive is that the scanner can handle "thick" items such as an ID. Steve Creviston of CSoft (which sells and services scanner hardware) scanned his hotel keycard with the wi:Deal with no issues. Pretty cool!

With the number of checks continuing to decline, it is important to seek applications that will go beyond traditional check capture and address the bigger issues facing small companies with respect to scanning and capturing documents of all types. This scanner will be released soon; I expect it to be popular.

2. **Canon P150 (Scantini):** I fell in love with this scanner when I first saw it at the RemoteDepositCapture.com Summit last September. It is compact, would easily fit into a briefcase (or even a jacket pocket), and opens up to scan full-page documents as well as checks. No MICR read capability, but the quality of the OCR seems to be high.

As more and more capture gets distributed to smaller and smaller volumes, scanners like the Scantini will continue to get a bigger market share.

3. **SEAC Orion with MICR Destruction:** I was very impressed with the new option for the Orion scanner to render the MICR line unreadable after a successful scan. This is the first scanner that I feel specifically addresses issues related to Federal Financial Institutions Examination Council guidance.

OK, I am not a big fan of the FFIEC guidance. I think it is misguided and has caused financial institutions (FIs) to slow the pace of merchant capture adoption, mainly due to an emphasis on risk that is not present in the RDC service.

However, it is the official guide for examiners, and there are specific issues to which FIs should pay close attention. One is the security of source documents.

What happens to checks after they are scanned at merchants? Thrown in the trash? Hopefully not, but no one debates that they are much less secure than if they were presented at the FI. The new feature of the SEAC Orion allows for physical destruction of the MICR information.

When scanned, the check is held in the scanner. Once the software acknowledges successful image and MICR capture, the add-on module punches holes in the MICR line.

This does two things: first it renders the information useless; you cannot see the data for what it is, satisfying the requirement to protect non-public information. Second, it renders the MICR line unusable; therefore if the item were to be presented at any FI (or through merchant capture), it would be rejected.

This also addresses concerns over duplicates. The scanner works as a single feed for obvious reasons, so using this feature would be tedious in high volume situations. Nevertheless, I applaud SEAC for creating a product that is focused on the security features needed to address FFIEC guidance issues.

Scanner manufacturers continue to innovate. As fewer checks enter the clearing system, volumes drop and, as such, demand for smaller, more nimble check scanners will dominate future RDC deployments. However, the need for scanning documents of all kinds will continue to be high.

So expect more examples of combination scanners focused on checks and documents such as those I have documented above. These manufacturers have started thinking "outside the MICR lines." You should also. I'm just sayin' 📷

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## Payments Source

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.paymentsource.com/conferences/cfe11/index.html](http://www.paymentsource.com/conferences/cfe11/index.html)



## Smart Card Alliance

2011 Annual Conference

**Highlights:** This annual event allows professionals in the payments and security markets to share best practices, meet vendors in the large exhibit hall, witness live demonstrations, network with industry peers and more.

This year, the focus will be on Europay/MasterCard/Visa (EMV) payments and secure identification. May 3 will feature keynote speakers and plenary sessions with experts in EMV payments, government regulation, national cyber-security strategies, and the Canadian payments market.

Attendees will learn about the forces driving EMV adoption and mobile payments globally in addition to shaping the national strategy for trusted identities in the workplace and on the Internet.

The remainder of the conference program will be divided into two tracks – Payments, and ID and Security – that will cover the requirements and technology approaches for secure payment and identity applications. On May 2, attendees can choose to attend one of the three pre-conference workshops: OTA Email Authentication Academy, Mobile and Contactless Payments or EMV Implementation Roadmap for the U.S.

**When:** May 2 – 5, 2011

**Where:** The Hyatt Regency McCormick Place, Chicago

**Registration:** [www.smartcardalliance.org/pages/activities-next-conference](http://www.smartcardalliance.org/pages/activities-next-conference)



## Women Networking in Electronic Transactions

Super LINC Annual Event

**Highlights:** Women Networking in Electronic Transactions (W.net) will host its annual Super Local Interest Network Circle (LINC) event with the theme "Next Gen Leaders: Navigating the Road to the 'Corner Office'."

The event will feature a panel discussion with Angela Brown of MasterCard Worldwide, Beth Paul of TrustCommerce and Nancy Gross of Heartland Payment Systems Inc., as well as an interactive networking session and reception.

W.net's LINC meetings occur periodically throughout the United States and provide a forum for women in the payments industry to empower and inspire each other through networking opportunities.

Upcoming LINC meetings are scheduled in Atlanta; Scottsdale, Ariz.; and Purchase, New York. For more information on these, go to <http://w-net.biz/news>.

**When:** May 9, 2 to 5 p.m.

**Where:** Hilton San Diego Bayfront hotel, San Diego

**Registration:** <http://w-net.biz/pagedisplay.asp?p1=7834>



## Electronic Transactions Association

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 hotel, San Diego

**Registration:** [www.electran.org/content/category/6/35/118/](http://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@greensheel.com](mailto:press@greensheel.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
TowerGroup Annual Conference & Exhibition	April 13 - 15	Boston	<a href="http://www.towergroup.com/research/events/conferences.htm">www.towergroup.com/research/events/conferences.htm</a>
Glenbrook Partners, Payments Boot Camp	April 13 - 14	New York	<a href="http://paymentsessentials.com/?page_id=46">http://paymentsessentials.com/?page_id=46</a>
Epcor Payments Conference, Spring 2011	April 19 - 21	Columbus, OH	<a href="http://www.epcor.org/IMIS15/EPCCOR">www.epcor.org/IMIS15/EPCCOR</a>
Payment Source, 23rd Annual Card Forum & Expo	April 27 - 29	Miami Beach, FL	<a href="http://www.paymentsource.com/conferences/cfr11/index.html">www.paymentsource.com/conferences/cfr11/index.html</a>
JDEvents, Customer Engagement Technology World	April 27 - 28	San Francisco	<a href="http://www.cetworld.com/register.asp">www.cetworld.com/register.asp</a>
Smart Card Alliance Annual Conference	May 2 - 5	Chicago	<a href="http://www.smartcardalliance.org/pages/activities-next-conference">www.smartcardalliance.org/pages/activities-next-conference</a>
TAWPI, IAPP, IARP and NAPP, Fusion 2011	May 8 - 12	Orlando, FL	<a href="http://www.tawpi.org/Events.aspx">www.tawpi.org/Events.aspx</a>
W.net, 2011 Super LINC	May 9	San Diego	<a href="http://w-net.biz/pageDisplay.asp?pl=7834">w-net.biz/pageDisplay.asp?pl=7834</a>
ETA 2011 Annual Meeting & Expo	May 10 - 12	San Diego	<a href="http://www.electran.org/content/category/6/35/118">www.electran.org/content/category/6/35/118</a>
Glenbrook Partners, Payments Boot Camp	May 18 - 19	San Francisco	<a href="http://www.glenbrook.com/bookcamp-merchant.html">www.glenbrook.com/bookcamp-merchant.html</a>
Federal Reserve Bank of Chicago, Annual Payments Conference	May 19 - 20	Chicago	<a href="http://www.chicagofed.org/webpages/events5thAnnualMobile">www.chicagofed.org/webpages/events5thAnnualMobile</a>
Banking & Emerging Applications Summit	June 5 - 7	New Orleans	<a href="http://www.americanbanker.com/conferences/mobile11">www.americanbanker.com/conferences/mobile11</a>
NACHA, Global Payments Strategies Conference	June 7 - 8	San Francisco	<a href="http://www.nacha.org">www.nacha.org</a>
CSFI, 6th Annual Underbanked Financial Services Forum	June 8 - 10	New Orleans	<a href="http://cfinnovation.com/events/article/440652">http://cfinnovation.com/events/article/440652</a>
W.net, LINC Northern California	June 14	San Mateo, CA	<a href="http://w-net.biz/PageDisplay.asp?pl=7965">http://w-net.biz/PageDisplay.asp?pl=7965</a>
IGPC, 5th Prepaid Cards and Mobile Payments Conference	June 20 - 22	Denver	<a href="http://www.prepaidcardsevent.com/Event.aspx?Id=482550">www.prepaidcardsevent.com/Event.aspx?Id=482550</a>
ACI, 4th Annual Forum on Prepaid Card Compliance	June 23 - 24	Washington	<a href="http://www.americanconference.com">www.americanconference.com</a>
MWAA 9th Annual Conference	July 27 - 29	Oak Brook, IL	<a href="http://www.midwestacquirers.com/latest_news.php">www.midwestacquirers.com/latest_news.php</a>
W.net, Career & Leadership Summit	Sept. 12 - 13	Atlanta	<a href="http://w-net.biz/PageDisplay.asp?pl=8607">http://w-net.biz/PageDisplay.asp?pl=8607</a>
WSAA 2011 Annual Conference	Sept. 21 - 22	Burlingame, CA	<a href="http://www.westernstatesacquirers.com">www.westernstatesacquirers.com</a>
GACHA, Solutions 2011	Sept. 21 - 23	Atlanta	<a href="http://www.gochasolutions.org">www.gochasolutions.org</a>
BAI Retail Delivery	Oct. 11 - 13	Chicago	<a href="http://www.bai.org">www.bai.org</a>
Payments Authority, Concepts 2011	Oct. 12 - 14	Mt. Pleasant, MI	<a href="http://www.paymentsource.com/conferences/atmdebit/Epcor">www.paymentsource.com/conferences/atmdebit/Epcor</a>
Epcor Payments Conference, Fall 2011	Oct. 25 - 27	Kansas City, MO	<a href="http://www.epcor.org/imis15/epcor">www.epcor.org/imis15/epcor</a>
Payments Source, 19th Annual ATM, Debit & Prepaid Forum	Nov. 2 - 4	Las Vegas	<a href="http://www.sourcemedia.com/events">www.sourcemedia.com/events</a>
AFP Annual Conference	Nov. 6 - 9	Boston	<a href="http://www.tradeshowregistrar.com/regsystem18/?event=AFP2011">www.tradeshowregistrar.com/regsystem18/?event=AFP2011</a>



# Inspiration

**WaterCoolerWisdom:**

**Honesty is the first chapter in the book of wisdom.**

- Thomas Jefferson

## Stick with the truth

**T**he *Honest Woodcutter*, one of Aesop's fables, tells the story of how a woodsman is richly rewarded for telling the truth to a friendly water spirit. You might recall the tale from your childhood. Here's how it goes: a woodsman accidentally drops his ax into a deep pond. The man is deeply distressed because he depends on the ax for his livelihood.

A water spirit appears, learns of the man's plight, dives into the water and emerges with first, an ax made of silver and, subsequently, one of gold. He inquires whether each, in turn, belongs to the woodsman.

The man claims neither. The spirit dives back into the pond and emerges with the plain wooden ax the woodsman had lost. The man affirms the plain ax is indeed his implement.

The spirit not only returns his ax, but also gives him the golden and silver axes in appreciation of his truth-telling.

### Truth telling as a factor in success

A single act of truth-telling doesn't qualify you as an honest person, of course.

Integrity must underlie every interaction you undertake. And honesty practiced consistently over time cultivates trust, an important ingredient in successful relationships, whether personal or professional.

In business, long-lasting relationships translate into enhanced profitability, a truism not lost on savvy merchant level salespeople (MLSs).

A few "bad apples" who don't practice the "honesty is

the best policy" approach to business have created negative stereotypes that upstanding MLSs, who are in the majority, must overcome. But this is not a truly significant obstacle for MLSs who act honorably; it is only a career killer for the ones who offer false promises in an effort to make quick deals. Another part to the woodcutter's story illustrates this point:

On the way home, the woodcutter meets another woodsman to whom he tells his tale of good fortune. After hearing the story, the second woodsman, coveting the axes of silver and gold, runs to the pond and drops his ax into its depths.

When the spirit appears with a silver ax, the less-than-honest woodsman quickly claims it as his own.

How does the story end? The spirit disappears, and the second woodsman's own ax remains at the bottom of the pond.

### Operating from altruism

Was the first woodsman in the fable honest? Given that he told the truth simply because it was the right thing to do, not because he anticipated some type of personal gain for his candor, he probably was an honest person. His motivation stemmed from a set of principles.

In the end, when it comes to your career, it's not how many deals you've done, but how many you've done the right way.



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The joint venture's performance has exceeded our highest expectations, and TSYS' move to acquire 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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


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## Inserts

AlphaCard Services  
North American Bancard  
Total Merchant Services

## Cover Wrap

North American Bancard  
**Business Reply Card**  
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THERE WAS AN AD THAT HAD A GUY HOLDING A TERMINAL AND HE WAS WEARING A SPORT COAT AND THE PRICE WAS LIKE \$199 OR SOMETHING AND IT WAS BACK IN THE SUMMER. WHAT WAS THE COMPANY'S PHONE NUMBER ON THAT AD?

FREE PDF ARCHIVES OF ISSUES BACK TO OCTOBER 2001 (ISSUE 01:10:01). LOCATE PREVIOUS ADS, OR RESEARCH YOUR COMPANY'S AD HISTORY.

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## **Honesty is our Everyday Policy**

At Total Merchant Services, you'll find no compliance fee trickery and zero surprises. We believe in being up front, honest and ethical in all of our business dealings. We will not use bait and switch tricks or surprises to get over on merchants or sales partners. We know that doing anything less would be a recipe for disaster—not growth.

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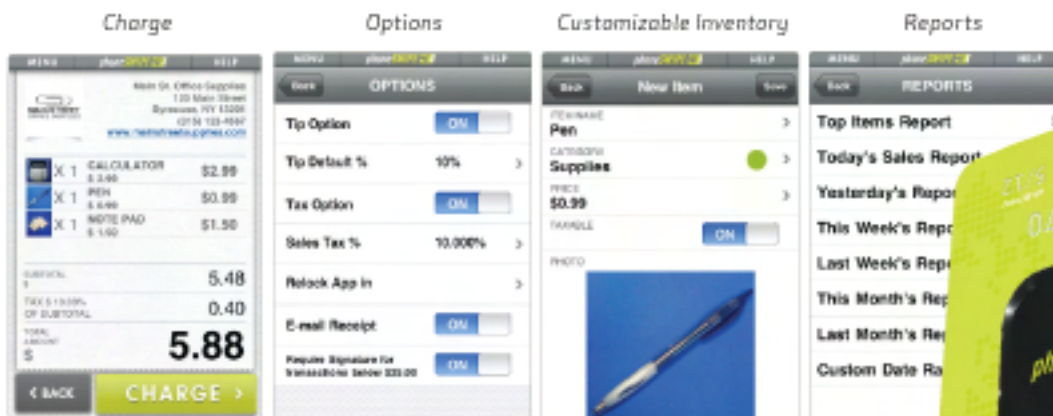
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