



The Green Sheet

The Financial Services Industry Source for Education, Inspiration and Actionable Advice

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New Association's Aspiration: Pave the Way to Street Savvy

An idea whose time seems to have arrived might finally turn idle talk into something tangible. The first meeting to discuss the formation of an association specifically for independent sales contractors in the financial services industry is scheduled for Feb. 24, 2003 in Tampa, Fla.

Organizers behind this initial planning session said there were several factors coming into play that make now the right time for an association geared toward independent agents. They also agree that they'll have their work cut out for them, but the possible results for the industry will outweigh the blood, sweat and tears that may be shed in the process of getting an organization going from the ground up.



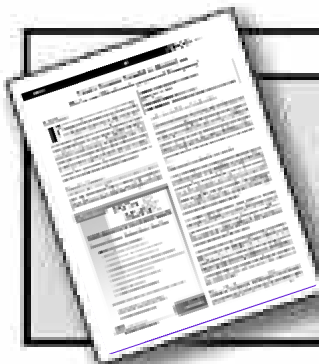
In an industry where there is fierce competition for accounts and, often, little training provided, the independent agents are most likely under-informed, living from paycheck to paycheck, and, as independent contractors, at a disadvantage when it comes to going toe-to-toe with the big guys.

See ASSOCIATION on Page 6

Notable Quote:

To get a sense of what Visa has in mind, listen to this quote from Visa USA President Carl Pascarella: "Credit is boring. It's yesterday's news. Our goal now is to displace cash and checks. We're not a credit card company, we're an electronic-payment company."

See Story on Page 26



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Hooking into Another Revenue Stream

Hi, Paul,

I've been in the credit card industry for years, and I work with convenience stores that rely on me for many of their services (ATMs, credit card processing, check guarantee, etc.). Many want to be set up to take money orders, and I would like to know if you know of anyone I can hook up with to sell for them. Please help me find this out.

Best regards,
Tom Griffith
Merchant Payment Services

Tom:

We don't have any information on hand regarding this service. We will publish your letter in the Forum in The Green Sheet to see if our readers have any information for you. We also suggest that you post this to the ISO Forum online: www.greensheet.com/forum/

Good Selling!
The Green Sheet Staff

Getting the Right Price

Hi, Paul,

In GSQ vol. 5, no. 4 (November 2002), you mention that The Green Sheet has decided not to publish pricing information on the terminal population. I for one am very interested in finding out this type of



information. I need to be able to gauge if I am paying the "fair market value" for terminals and peripherals, especially when dealing with wireless terminals. Can you help?

James

James:

Your best bet for verifying your pricing is to post a question to the ISO Forum at Green Sheet Online (www.greensheet.com/forum/). This Internet space, sponsored by The Green Sheet, is specifically for ISOs in the payment-processing industry to share information.

Good Selling!
The Green Sheet Staff

What Qualifies?

How can I get a copy of requirements and qualifications to become an ISO/MSP? I have heard so many different stories I do not know what to believe.

Thanks for being a great source of industry news and information.

Budd Midkiff
Piedmont Financial Solutions

Budd:

Thanks for the positive feedback. Please check out our Industry FAQs for information on how to get started in this industry (www.greensheet.com/industryfaq.html), including information on registration requirements with the bankcard associations. Also, be sure to check out "Knowledge is Power," written by Bob Carr. This series currently is being updated in The Green Sheet; however, the archived series has a great deal of relevant information.

Good Selling!
The Green Sheet Staff



"Better educated reps will make a better industry. This movement is based solely on and driven by education. Right now, these agents are not gaining the knowledge they need; sometimes they get only half-right answers. We want to get these agents trained and give them the skills set they need."

– Brett Mansdorf
Mansdorf Marketing Associates

ASSOCIATION from Page 1

Green Sheet Advisory Board member Steve Norell of U.S. Merchant Services and Brett Mansdorf of Mansdorf Marketing Associates have been working with others, including Elbert Enrique of Bridgeview Payment Solutions, to plan the conference, scheduled to be at the Sheraton Suites Tampa Airport. Norell and Mansdorf said they're hoping to improve the way these agents work and in the process, add more credibility and professionalism to the industry.

They said motivation for forming the new association includes the need for better education among independent contractors and setting industry standards for certification and ethical practices. All of the benefits attached to membership in a professional organization – such as access to health and dental insurance, legal assistance and

providing members with a cohesive voice – will only add to the value of the association.

Mansdorf estimates there are between "24,000 and 28,000 reps on the street, working for themselves. They're doing work on piece rate or by an agreed-on dollar amount. They have no control. They have no contractual ownership of anything. We want to give them a voice."

Norell said, "There are definitely inequities out there. These are the guys out there working the leather off their shoes."

The vision is to create an independent, contractor-only association that's affordable for the agents. "They're living on a wing and a prayer," Norell said.

Affordability is only one attribute that organizers say will give independent agents reason to join the new association. Participation should have some intrinsic value for people, Norell said; otherwise, they won't join. What planners are hoping to outline at the Feb. 24 conference will create a foundation of training and standards that, in the long run, will have far-reaching, positive results.

According to Norell and Mansdorf, trust is a vital part of doing business in any industry, and many times that's missing in financial services. Merchants soon will discover, though, that they can trust well-informed reps. Because they're the ones on the street, making the calls and contact with merchants, when bad information and bad customer service happen, "the independent contractors get the blame," Mansdorf said.

"Better educated reps will make a better industry. This movement is based solely on and driven by education," he said. "Right now, these agents are not gaining the knowledge they need; sometimes they get only half-right answers. We want to get these agents trained and give them the skills set they need."

Norell said that often the reps don't fully understand the business and services they're selling to merchants and end up passing along bad information. "They do what they're told and what to say. Sometimes what they're told is probably egregious, if not fraudulent."

The lack of training and certification in the industry has been a topic of conversation for a while. It also has caused a negative perception of independent sales agents among merchants. "That's why we're in this dilemma," Norell said.



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"The more credibility we can establish in what we do, the better," he said. "The information we take from merchants is highly sensitive. Right now there's no licensing required, no testing, nothing. Real estate agents and air conditioning repair people are tested and licensed. [These agents] should have to meet some standards, not given a book and kicked out the door."

Norell said the Certified Merchant Services case helped expedite the move to organize an association. By self-policing and setting industry standards for themselves, he said they will avoid government interaction and regulation.

The new association will have benefits for vendors, too. While the focus is on independent contractors, involvement from all facets of the industry is essential. Mansdorf said they are expecting participation from "a good cross-section – mostly independent contractors, some ISOs, VARs, leasing companies, people who see this as a value. We're looking to form partnerships."

The direct contact between agents and vendors that organizers are envisioning happening through the new association will only benefit the industry overall, they say. "Vendors want to talk to the guy on the street, not to

each other," Norell said.

Mansdorf agreed. "Vendors will want to talk about interchange or technology," he said, adding that the agent learns directly from the manufacturer or vendor and can pass that information on to merchants. "If I can give a guy knowledge that he can turn into sales dollars, he'll respect me and then listen to my sales pitch. Merchants see where your heart lies. They buy from who they trust."

Some of the benefits Norell and Mansdorf said they are hoping the association will be able to offer members include access to group health and dental plans, retirement plans such as IRAs or 401(k)s, and legal advice. Norell also mentioned that association membership will add validity to a rep's merchant presentations; when the merchants begin to understand the requirements of belonging to the association, such as having a license and no complaints on record, they will prefer to deal with those reps who are members.

Norell said that so far most of the confirmations they've received are from people who live outside Florida, including Texas, Michigan and New Jersey. They're expecting anywhere from 25 to 100 or more to attend.

Lofty goals are great, but it could be a different story getting this thing off the ground and making it fly. This initial meeting will be a litmus test – Norell and Mansdorf said that getting everyone to agree and then finding the seed money to back it up might be problematic. "It's going to take a few bucks to get this going, maybe \$50,000 to \$100,000," Norell said.

"Getting the idea sold will be the challenge. Everyone has a different idea of what this should be," Mansdorf said. "There has to be a foundation before we can come to a consensus." That will come after a lot of written documentation and building a foundation of clearly defined by-laws; he'll have a copy of Robert's Rules of Order tucked under his arm when he arrives at the meeting, he said. "This will be a meeting of the minds – with some order."

Important decisions that need to be made early on include choosing a name of the new association, defining an overall mission and electing a board of directors. Down the road, though, issues such as regulations for licensing/credentialing, writing training manuals, testing and meeting logistics are all items for future discussion.

The conference is scheduled to begin at 9 a.m. Feb. 24. The Sheraton Suites Tampa is located at 4400 West Cypress Street, two miles from the Tampa airport. Anyone interested in attending the conference should contact Norell at 772-220-0386 or Mansdorf at 330-352-4590. Their e-mail addresses are steven@us-merchantservices.com and mansdorf@msn.com.

Catch up on current discussions about the association by visiting The Green Sheet's online ISO Forum at

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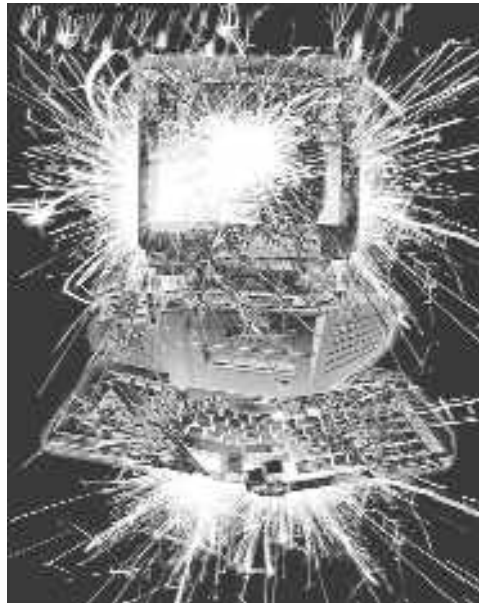
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Computer Worm Reveals Flaw in Financial Networks

"Attack of the Worm" could be the name of a "B" horror movie, but many businesses around the world experienced the real thing during the weekend of Jan. 25-26, 2003. The latest Internet worm, called "SQL Slammer," struck global Web networks carrying data, Web pages and e-mails. The ambush clogged Internet traffic and hindered hundreds of thousands of computers and ATM machines. Many were left wondering how this could have happened and what might be next.



Internet and services such as banking, emergency dispatchers and health care – believed by many to be

impervious from such attacks. The worm struck at 12:30 a.m. Jan. 25, burrowing aggressively into networks and making 200,000 to 300,000 attacks per hour on computers in North America, Asia and Europe (a worm is a computer program that propagates itself over a network, reproducing along the way). Businesses running Microsoft SQL Server 2000, a popular database software that has sold more than 1 million copies, were targets although more proved to be victims.

In July 2002, a British researcher reported a flaw in the SQL Server 2000 software, making it vulnerable to hackers. In response, Microsoft Corp. released a "patch" in July 2002 that would enable companies to protect their

Disruptions caused by the computer virus-like program were more troublesome than damaging, but the assault revealed a vulnerability in the interdependence of the

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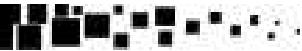
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servers; however, many were not prepared when the worm struck. Users attempting to download the patch over the weekend were blocked from doing so by Internet congestion caused by the worm.

Many financial institutions suffered from the cyber assault. Service was disrupted at a majority of Bank of America Corp.'s 13,000 ATMs. Customers could not use the machines, and customer-service representatives could not access customer information. Bank of America said that no damage was done to customers' funds or personal information.

Customers of the Canadian Imperial Bank of Commerce in Toronto also were unable to withdraw money from the bank's cash-dispensing machines. American Express Co. said customers couldn't reach its Web site to check credit statements

and account balances during parts of the weekend.

The worm interrupted service at several thousand of Seattle-based Washington Mutual Inc.'s ATMs across the United States. In addition, customers were unable to pay certain bills online or transfer funds over the telephone, the Seattle Post-Intelligencer reported.

The White House and Canadian defense officials are investigating how the worm affected ATM banking networks that should remain immune from traditional Internet outages. One of President Bush's cyber-security advisors, Howard Schmidt, said early reports suggested private ATM networks overlapped with parts of the public Internet.

"This is one of the things we've been talking about for a long time, getting

a handle on interdependencies and cascading effects," Schmidt was quoted as saying.

Non-financial institutions also were hit, such as The Boeing Co., and police and fire officials in Seattle lost access to their computerized 911 emergency dispatcher services. Even Microsoft Corp. was attacked when the worm dug into its own servers that had not yet received the patch.

Most businesses were able to isolate and fix the problem within a few hours, slowly decreasing Internet congestion from the attack over the weekend. Much of it was cleared up by Monday. Microsoft reported that the number of users downloading its patch reached 6,800 per hour on Monday.

So far, the origins of "Slammer" remain a mystery. ■

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Show Me the Money!

Get out your calculator because you will need to follow the money trail, and it isn't intuitive to the casual observer. In this article we are going to look at "the big picture" – the macro financial dynamics of the acquiring business in the U.S.



- Interchange discount per-transaction fees = \$1.7 billion
- Interchange of 1.50% = \$16.5 billion
- Dues and Assessments = \$947.232 million

Interchange of \$16.5 billion plus \$1.7 billion for discount per-transaction fees goes to the issuing banks. The dues and assessments go to Visa and MasterCard to run their not-for-profit association businesses.

Let's make the following assumptions about the acquiring marketplace based upon the best available facts to me. These are not precise figures in some cases, but they are close enough to make the arguments that follow.

- Gross Visa and MasterCard Sales = \$1.1 trillion annually
- Average Ticket = \$64.44
- Average Fees Collected from All Merchants = 2.06%
- Average Interchange = 1.50% + 10 cents discount fee per transaction
- Visa Assessments = .0084%
- MasterCard Dues = .009%
- Visa/MasterCard split of bankcard market = 64.8%/35.2%

Simple math tells us the following:

- # of Visa/MC tickets settled = 17.1 billion

Conclusion: The issuing banks receive \$18.2 billion and the associations receive about \$1 billion of the money collected from merchant processing for Visa and MasterCard transactions.

According to Marc Abbey's article "National Merchants Revisited" in the January 2003 issue of Card Management magazine, 60% of the industry's transactions are processed by the largest 230 merchants, with an average net revenue of 13 basis points. Abbey defines a large merchant to be one that processes more than 2 million transactions annually from all locations.

Net revenue is defined to be the fees collected by the acquirer in excess of interchange, dues and assessments. He also writes that the remaining 40% of the transactions generate 55-65 basis points of net revenue.

(All of these numbers are his best estimates, but I know of no one better to make these estimates than Marc Abbey. His company, First Annapolis, has the best merchant database in the industry.)

With the help of that calculator, this means that \$858 million of net revenue is earned by the acquirers who process the nation's largest merchants, and \$2.64 billion of net revenue is going to the rest of us for a total net revenue of about \$3.5 billion. This represents the total cash generated by all acquirers to operate all facets of the merchant acquiring business (excluding non-bankcard revenues).

In summary, here is the breakdown of where the discount fees paid by merchants for Visa and MasterCard processing are going:

- Issuing banks\$18.2 billion = 80.4%
- Associations\$0.95 billion = 4.2%
- Acquirers\$3.5 billion = 15.4%
- Total discount fees\$22.65 billion = 100%

Now let's check out where the \$3.5 billion is going. If you were following the bouncing ball from my last three articles, you can understand why I can estimate that:

- Processor Fees –
Average for top 230 merchants = 2.5 cents per transaction
- Processor Fees –
Average for all other merchants = 11 cents per transaction

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*Inc Magazine, October 15, 2002, ranking of top 500 privately-held companies.

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In my opinion, our industry desperately needs a healthy and vibrant processing entity such as Vital to be a home to those who do not want to be forced to compete with their outsource business partners, such as First Data, Concord, NPC, U.S. Bank/NOVA and Global.

This means that a total of \$256 million is going to the processing companies for the top 230 merchants and another \$751 million is going to the processing companies for the rest of the nation's 4 million merchants.

This totals about \$1 billion for the processing activities of authorization, draft capture, settlement, bank sponsorship and related services of the major processing companies and sponsor banks.

According to Abbey, four processors control 85% of the large-merchant segment – the First Data/Chase Alliance, National Processing, Fifth Third Payment Systems and Paymentech. Each of these entities is also a major merchant acquirer.

The large companies with platforms available to ISOs are:

- First Data Corp.

- First Data's Alliances
- First Data's Paymentech (venture with Bank One)
- Vital
- Concord EFS
- Global Payments
- National Processing
- U.S. Bank (NOVA)

Except for Vital, each of these entities also is a large-merchant acquirer in addition to being a major transaction processor. This means that Vital is the only company listed above that does not compete with its own clients for acquiring business!

Vital, of course, is a 50-50 venture between Visa and Total Systems. Vital is the Switzerland of the transaction-processing world, and Visa apparently intends to keep it that way. In my opinion, our industry desperately needs a healthy and vibrant processing entity such as Vital to be a home to those who do not want to be forced to compete with their outsource business partners, such as First Data, Concord, NPC, U.S. Bank/NOVA and Global.

Other large acquirers (those with annual bankcard transactions in excess of 250 million transactions) operate processing platforms that are available primarily (or exclusively) for their own merchant portfolios. These are:

- Bank of America
- Fifth Third Payment Systems
- First National Bank of Omaha
- Heartland Payment Systems

These bankcard transaction processors split the bulk of the \$1 billion. Of course, First Data dominates this list with more than 40% of the market.

Very few ISOs not named above have their own processing capabilities, and I can't think of anyone else that processes more than a quarter-billion bankcard transactions per year in this country.

Most of the acquiring net revenues from the nation's top 230 merchants are shared by First Data, National Processing and Fifth Third. The net revenue after processing fees for these merchants is about \$528 million (\$858 million minus \$330 million).

To summarize, of the \$3.5 billion of acquiring net revenues available, about \$1 billion goes to the processors and about a half-billion goes for acquiring the top 230

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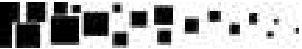
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Every dime is important to every size business, but \$55 per month (for merchant processing) is not the primary decision point for a businessperson who must be paid reliably for his \$110,000 of bankcard transactions to keep the business going without getting jerked around!

merchants, leaving \$2 billion for those of us who compete for the bulk of the business.

To What Extent Is Merchant Acquiring a Scale Business?

Now we have laid out enough facts to get to the nub of an important question: What is the role of scale (size) in the acquiring industry for small to medium-size merchants? Clearly, the facts are in. Scale clearly drives the ability to compete for the top 230 merchants but is not the driving factor in competing for the vast majority of the rest of the nation's 4 million merchants.

Acquiring has been described as a commodity business, but let's look at this "commodity" in the eyes of a small to medium-size business owner. If 40% of the transactions are processed by the 4 million merchants in this segment, then the average merchant processes \$110,000 per year of

bankcard transactions.

The January 2003 issue of GSQ reported the 2002 processing results of merchant acquirers. Look carefully at the processing volume of each acquirer and the number of merchants they claim to process. Divide these two figures to get the average volume per merchant for each acquirer. You quickly will find this to be an interesting experience.

With 60 basis points of net revenue per small-medium merchant processing an average of \$110,000 annually, the average merchant generates \$660 of annual net revenue. Again, using the averages defined in this article, this means the average merchant processes 1,707 transactions per year at a cost of \$188 for transaction processing. This leaves a net revenue after processing fees of \$472.

The marketplace of small to medium-size merchants has most decidedly spoken over the past few years with a consistent answer. These merchants have demonstrated a willingness to pay about \$55 per month for merchant processing above and beyond what goes to the issuers and associations. Every dime is important to every size business, but \$55 per month is not the primary decision point for a businessperson who must be paid reliably for his \$110,000 of bankcard transactions to keep the business going without getting jerked around!

What drives the decision to go with Acquirer A vs. Acquirer B? Is the decision really driven by a commodity called transaction processing?

Let's suppose Acquirer A is one of the national acquirers with a processing cost of 2.5 cents per transaction vs. Acquirer B, who has a transaction-processing cost of 11 cents, for example. Acquirer A's cost to process the 1,707 transactions at 2.5 cents is \$43 while Acquirer B's cost to process the same transactions at 11 cents is \$188. In other words, the difference is \$145 per year.

Does this difference in "scale" of \$145 cause a merchant processing \$110,000 of Visa and MasterCard to select Acquirer A? The answer is NO.

It is true that First Data is the big-scale player in our industry, but First Data does not have 40% of the business because of its scale. It has 40% of the business because merchants like the safety of dealing with their bank partners – Chase, Bank One, Wells Fargo, etc. Their customers like the superior products and services of Paymentech and PayPoint. Their merchants like whatever benefits the

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The vast majority of the 4 million merchants in America do not make their decision to process with one ISO or processor or acquirer because of the scale/size of the ISO or processor. They make it based upon trust and service and reducing their pain.

First Data ISOs are offering.

Its "scale" is not what causes merchants to select First Data as their transaction processor. ISOs and acquirers are turning themselves inside out to get their piece of the \$2 billion pie. ISOs can afford to (and do) pay 11 cents if they provide value to offset the commodity guy with a 2.5-cent cost. That isn't very tough to do in this era of willful statement obfuscation, arbitrary price increases and financial engineering.

Of course, transaction-processing costs are important, especially to the largest of the medium-size merchants. But the vast majority of the 4 million merchants in America do not make their decision to process with one ISO or processor or acquirer because of the scale/size of the ISO or processor. They make it based upon trust and service and reducing their pain.

Finally, a short update on the First Data countersuit against Visa: The court has set a trial date of April 4, 2005, and a new judge has been assigned to the case. If the cal-

endar holds, the Motion to Dismiss will be heard on March 12, 2003. ■

Bob Carr is the Founder, CEO and Chairman of Heartland Payment Systems, the nation's largest privately owned merchant acquirer and ninth largest overall, with annual revenues exceeding \$300,000,000. Heartland was recognized by INC Magazine as the 57th fastest-growing private company in America and is one of the 10 largest INC 500 companies. Bob was a Founder and Vice President from 1988 to '90 of the Bankcard Services Association, which has since become the ETA.

Before entering the bankcard industry in 1986, he developed computer software systems for unattended fuel pumps and created the first integrated accounting applications for PCs. He also started the computer department at the Bank of Illinois and served as the Director of the Computer Center and as a mathematics instructor for Parkland College. He earned degrees in mathematics and computer science from the University of Illinois in 1966 and 1967.

To learn more about Heartland, visit www.hpsteammates.com or www.heartlandpaymentsystems.com, or e-mail Bob at Bob.Carr@e-hps.com.

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Check Volume is Checking Out!

By Richard Crone
and Ed Bachelder

Paper checks were supposed to be replaced by electronic payments years ago, and they weren't. Are those companies eager to develop electronic payment strategies worrying over nothing?

Not likely.

The recent landmark study by the Federal Reserve shows that checks are way down. Last year the general consensus was that about 68 billion were written per year in the United States. But the Fed put annual volume at 42.5 billion as of 2000, much less than expected.

Financial companies must adjust to the reality that check volume will steadily decline for the foreseeable future, along with check-based revenue. Lurking underneath this downward trend is an ominous implication that the checking cornerstone may be at risk as customers switch to providers with better electronic payment services.

If the adoption of electronic payments continues in this decade as it did in the 1990s, paper check volume probably will fall by one billion checks per year, to 28 billion to 32 billion in 2010.

Our payment-migration models indicate that paper checks will account for no more than 25% of noncash payments made by businesses and consumers in 2010; in 1990, they accounted for about 60%. Electronic payments will exceed check payments within the next 18 months, and debit card payments alone will eclipse total check payments in less than five years.

Where did the checks go? There are many possible explanations, but most would agree that two types of e-payments are the primary culprits: debit and credit cards. Plastic is now leading the pack at the point-of-sale on the basis of card base growth, merchant acceptance and perceived convenience by consumers.

The change in volume mix will present challenges and

Not So Fast: There's Still a Lot of Life Left in Checks

By Patti Murphy

To rework a well-known historical quote, reports of the death of checks have been greatly exaggerated. True, after decades of increasing dependence, Americans are beginning to curb their check writing. But let's not forget that we're still papering the economy with nearly 40 billion paper checks a year. All of the available electronic options for payments, combined, add up to only three-fourths of that amount (at about 30 billion credit card, debit card and ACH transactions last year). It will take many years before the scales tip proportionately to the other side, with electronic transactions dominating the payments system.

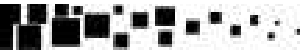
The more likely outcome, in my mind, is "hybridization," where consumer checks (tendered as paper) clear the interbank payments system as electronic transactions. (I'll limit the discussion to consumer payments because there's little compelling evidence that corporate payables departments readily will embrace payment hybridization. Besides, the latest Federal Reserve data suggests consumers write the most checks: 51% of the total number written.)

Hybrid checks make sense for consumers and for payment processing. After an initial burst of enthusiasm over debit cards (especially the Visa- and MasterCard-branded offline, or signature, cards), consumers are beginning to rethink their debit card usage. Hybrid checks had a rough start (e.g., POS check-ACH conversion), but newer iterations show real promise.

For example, there's SafeCHECK, which uses ATM networks in support of POS check verification and conversion. With SafeCHECK, the paper check effectively becomes a single-use debit card and is returned to the consumer on the spot. SafeCHECK claims its check conversion totals have been increasing at a rate of 6% a month. If the pace continues, SafeCHECK eventually could eclipse POS check-ACH conversions.

Visa offers a POS check conversion service, too.





opportunities for financial companies on at least three fronts:

- **Customers.** Financial companies are discovering the power of auto-pay in reducing customer churn by encouraging multiple preauthorized debit automated clearinghouse transactions (ACH) and promoting debit and credit for bill payment. They should leverage their wholesale bank relationships to maximize adoption of recurring payments for bills such as rent, utilities, automotive leases and mortgages. Those that ignore these trends will steadily lose the battle for vital retail deposits.

- **Cost.** As check volumes dip and electronic payments grow, flatfooted companies will find that their unit costs for check processing rise inexorably as overhead costs are spread across an ever-declining volume base. They will have few options other than to outsource.

- **Growth.** Companies can pursue new-fee business by coordinating how retail and wholesale organizations go to market with cash management services. Billers that can suppress paper statements stand to save billions.



There also are benefits from promoting the autopay services to both retail and commercial customers. Recognizing the opportunity to take costs out of check processing, companies have the chance to convert costs into revenues through offline debit or credit card transactions to billers that their customers would have paid by check. Since most consumers do not balance their checkbooks, companies that provide value-added reporting will have a strong advantage.

Successful companies will take advantage of the ongoing migration of checks to electronic payments by entrenching themselves into customers' POS and recurring-payment needs. Those that develop a well-honed electronic payment strategy will be able to benefit from the decline of paper check volume. ■

Richard Crone is a Vice President and Ed Bachelder is a Director at Dove Consulting.

Expect additional refinements and providers of POS check conversion services once federal legislation sanctioning check truncation is approved. That legislation is on fast track and could be enacted as early as this year.

Some recent iterations of check-ACH conversion are beginning to make sense to consumers, too. The most promising is ARC, a new ACH transaction that converts check remittances sent to lockboxes. Bill payments are the most prevalent reason for checks in today's economy; according to the Fed's data, more than one-fourth of all checks written are remittances. Billers using ARC disclose on the bill statement that checks tendered by billpayers will be converted to electronic payments, and they provide an alternative address to which consumers can send remittances if they'd prefer their checks were not converted.

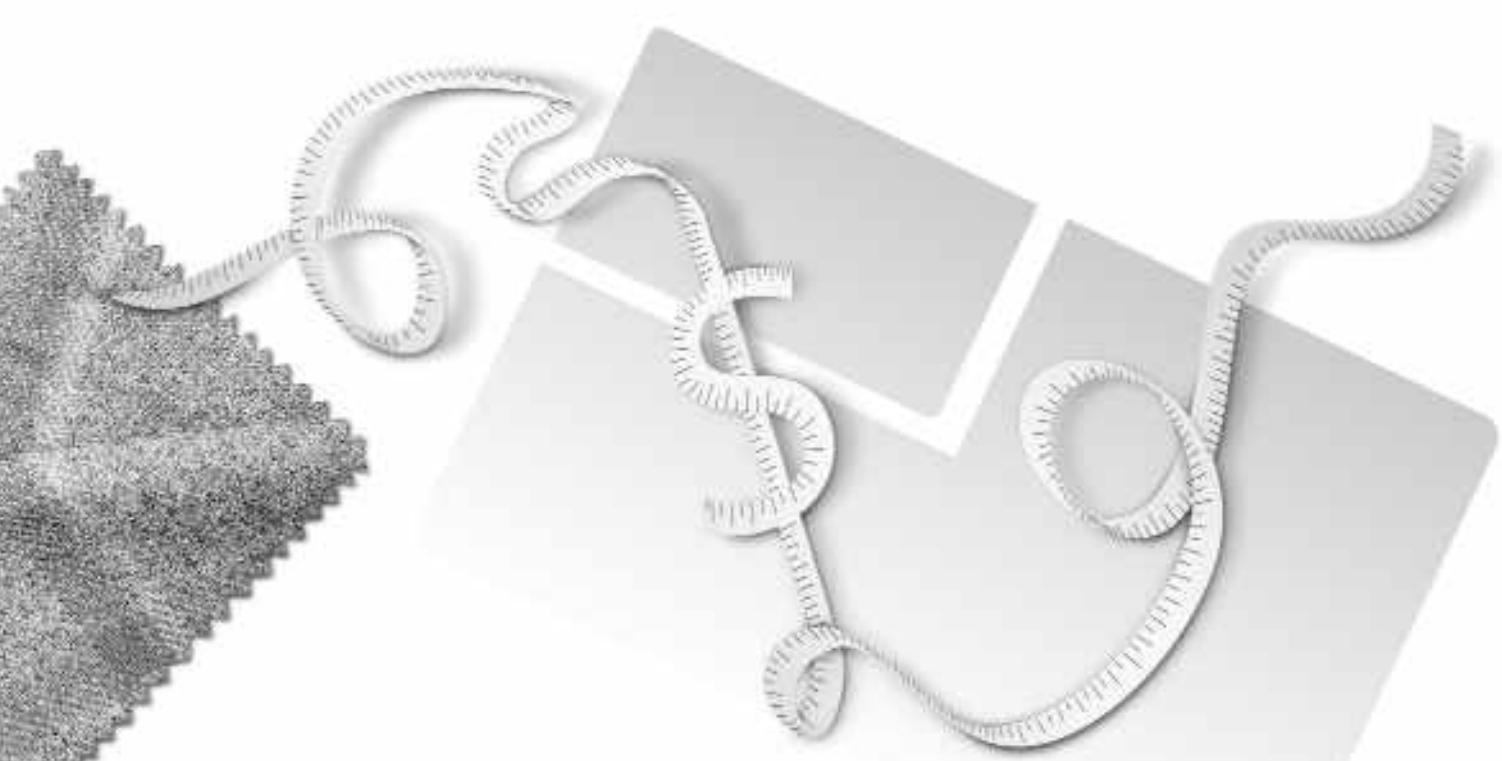
Several credit card issuers have been using ARC, with great satisfaction, American Express and Wells Fargo among them. Consumer acceptance has been phenomenal, with some billers reporting that fewer than 5% of notified customers are opting out of ARC.



Americans like checks because checks provide a paper trail; disputes can be resolved readily with copies of canceled checks. With ARC, the consumer still writes checks to pay bills and, under ACH rules, has access to copies of those paper checks (imaged front and back) for up to two years. The biller benefits from faster clearing times.

Successful financial services companies will (and should) entrench themselves as providers of payment services. But don't give up on checks yet. Banks and other service providers will need to integrate paper and electronic payments processes for many years to come. A well-honed payments strategy (for at least the next decade) will need to incorporate support for electronic, check and hybrid payments. ■

Patti Murphy is Contributing Editor of The Green Sheet and President of Takoma Group. She can be reached at patti@greensheet.com



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Visa's Vision: 'Credit is Boring ... We're an Electronic-payment Company'

By Eric Thomson

Forbes recently commissioned a major investigative lead article on where Visa is placing its bets on the future of payments in this country and around the world. According to this article, Visa is in the final phases of a \$200 million upgrade to its payment infrastructure. To get a sense of what Visa has in mind, listen to this quote from Visa USA President Carl Pascarella: "Credit is boring. It's yesterday's news. Our goal now is to displace cash and checks. We're not a credit card company, we're an electronic-payment company." In case you missed this important article, the rest of this column will summarize the highlights of what Visa is serving up as the future of electronic payments.

Executive Summary

VisaNet is the secure global communications network that Visa International uses to perform some amazing things that most of us take for granted. To make that point, the Forbes article starts with a description of a Visa

Author: Forbes Magazine – Daniel Lyons

Date: Sept. 16, 2002

Size: 8 pages

Relevance Rating: Medium to high

Web Address: www.forbes.com/forbes/2002/0916/078.html

card swipe at a Sydney, Australia retailer.

The terminal captures the 16-digit card number, encrypts it in a secure message and sends it to the merchant's bank, where it is immediately routed under the Pacific Ocean to a data center outside Tokyo and routed on to California and into the issuer's bank in Delaware, where it is authorized and routed back in its 24,000-mile round-trip journey that involves five stops plus various calculations of how much to charge the merchant in fees and how to share those fees among the banks associated with the transaction.

This process is completed in two seconds.

This is the network that is being virtually replaced with a much more robust set of capabilities to ensure that Visa's dominant position in the payment industry is not only maintained but vastly expanded. One of those capabilities is the authorization and settlement of commercial purchases of up to \$10 million to be processed in the same stream as the \$20 gas card purchase. The business-to-business (B2B) market is huge – estimated at \$11.5 TRILION in the U.S. alone – and today 86% of those payments are made with paper checks.

To convert these transactions from paper to VisaNet transactions, Visa had to commission the programming of more than 1.5 million lines of computer code and upgrade the network of 25 massive IBM mainframes linked to 32 Sun superservers while installing the latest routers to handle the more complex transaction sets, their altered process sequence and fee structure.

Visa member banks are assuming that large corporations are not going to pay that same 2% being collected on the \$20 gas purchase to settle \$10 million transactions. In fact, they believe those B2B transactions will be settled using a flat fee. Another dimension of difference in the B2B transaction is that the funds authorization process is reversed. The buyer needs to authorize the transfer as opposed to the traditional credit card transaction that originates at the seller's location.

This new Visa Commerce program will have many more differences. For example, the transitional Visa authorization message is 150 bytes in length. The purchasing cards that Visa and MasterCard now offer have messages four

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times larger. The new VisaNet is being designed to handle transactions of up to 100,000 bytes. These "deep data" transactions are required to address the complexity of B2B transactions. It is estimated that 30% of these B2B transactions are disputed, compared with the 1/10th of 1% of traditional bankcard transactions that end up as a chargebacks.

The intelligent network that Visa is building anticipates this complexity and is designed to intelligently identify discrepancies and provide trading partners with windows of time to correct mistakes before funds flow. Beyond the network capabilities, the Visa Commerce services dictate changes in the association rules and regulations to handle the increased risk and liability among banks representing the different trading partners.

According to this article, bringing the large-dollar transactions into the Visa fold is not nearly as important as replacing coin and currency in the "Visa Vision" – largely because other players are working on this same objective and have a head start on Visa.

For example, eBay and its new subsidiary, PayPal, have signed up 18 million members and are adding 28,000 more each day. Half of PayPal's 300,000 daily transactions are made via ACH transfers, thus avoiding the bankcard fees that Visa uses to fund its network.

Citigroup has a person-to-person (P2P) alternative to PayPal called C2IT that is designed to allow people to pay each other for free over the Internet. A similar program, called Certapay, is being developed by MasterCard and the four largest Canadian banks.

While these P2P alternatives seem to be growing rapidly, plastic still accounts for more than 90% of online purchase made over the Internet. Visa handles 55% of all Web transactions compared with 27% for MasterCard.

This is not the only front on which Visa faces competition. Its core business appears to have matured and may be entering an era of erosion. The limits of credit extension may have been reached, and debit cards are rapidly moving ahead in the bankcard industry. In the past five years, credit has grown at a 7% annual rate compared to a 42% rate for debit cards. The last quarter was the first in the history of Visa's reporting that debit card transactions exceeded credit card transactions.

Another challenge that Visa faces is the legal attack that major retailers have waged against both card associations for their policy of forced acceptance of both debit and credit at any location that decides to accept one or the other. Retailers see this as an antitrust violation and price fixing.

No one is debating that the annual take by bankers in the form of interchange and merchant deposit fees is more than \$30 billion – fees that the Forbes article describes as the price banks charge to "let consumers spend their own money." It is this same fee structure that is driving upstarts such as PayPal into more and more merchant payment options.

This \$30 billion figure is placed in another dimension within this article. This figure is larger than the annual profit the Federal Reserve makes by printing currency each year (\$28 billion) – the value of what U.S. consumers are prepared to accept as legal tender and keep in the form of cash in their pockets, safety deposit boxes or under their mattresses. Cash also remains the preferred method of transacting business by the underground economy – criminals, drug dealers and tax-evaders.

Another interesting point made in the article is how often we notice the cashier holding up a \$20 bill to detect a counterfeit; compare that with the two-second time Visa uses to turnaround an authorization. This authorization process also includes fraud screening, a highly effective process that has been refined to a stage where only seven cents in every hundred dollars of Visa card transactions is charged off to fraud.

With all of Visa's past accomplishments, it still has a lot of growing room in the payment business. According to the article, Visa handles only 12% of all U.S. consumer spending, double the share of its nearest rival MasterCard. Last year, consumer payments in the U.S. totaled \$5.5 TRIL-

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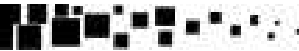
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LION, and almost two-thirds of that figure was done with cash and checks.

Digitizing that over \$3 trillion in payments represents a major business opportunity. The check component alone is thought to be worth more than \$8 billion in annual new revenue to the acquirers/ISOs and card issuers who enable these transactions to be made electronically.

Another target for Visa is to gain control over the payroll market. The article reports that major employers, such as FedEx and ManPower, have converted their entire employee base to Visa Pay cards – forgoing the costs of creating and reconciling paper checks and eliminating the fraud risk of duplicate paychecks.

This is a very new product, with less than 1% of the \$916 billion in payments that Visa handled in the U.S. last year. But the potential is huge – especially as it relates to bringing in the un-banked segment of our society.

Visa says 25 million people in the U.S. make more than \$20,000 but don't have a bank account into which these checks can be deposited. That is \$500 billion in cash that Visa plans to move under its umbrella with its PayCard offering. Other products are being rolled out to serve the apartment renter and all recurring payments, not to mention stored-value gift cards ... and, of course, smart cards – Visa still believes we all will be carrying one soon if only for the loyalty and incentive rewards that can be stored and redeemed on these intelligent pieces of plastic. ■

Web Site for More Information on Visa

<http://usa.visa.com/index.html>

Eric Thomson is Executive Vice President of Profit Source Advisors. He can be reached at etprosc@attbi.com.

MasterCard, Visa Raise Interchange Rates

ISOs, your merchants might not like this news: MasterCard International and Visa announced interchange rate increases for many credit and/or debit categories effective April 2003. The buzz on the street is "enough is enough." Many ISOs are still working with their clients on last year's changes.

The associations' rate increases are becoming more frequent and often confounding. In October 2001, Visa announced a steep hike in merchant fees for transactions processed on Interlink, its PIN-based network. Wal-Mart and other major retailers threatened to drop the service. In response, Visa backed down and postponed increases until March 2002 along with the offer of volume discounts to "qualifying" merchants. Then Visa announced it would not raise interchange rates on credit card transactions until October 2002. MasterCard also raised its rates in 2002.

"The nickel-and-diming of the American merchant by the issuing banks is creating growing and serious demand for alternative payment systems," said Bob Carr, Founder, CEO and Chairman of Heartland Payment Systems. "The issuers are applying excessive pressure on the management teams of Visa and MasterCard. They may be getting close to killing the golden goose." ■

MasterCard's consumer category rate changes:

- Consumer Standard will increase 11 bps* from 2.54% + \$0.10 to 2.65% + \$0.10
- Merit III will increase 2 bps from 1.38% + \$0.10 to 1.40% + \$0.10
- Supermarket will increase 5 bps from 1.15% + \$0.00 to 1.20% + \$0.00
- Public Sector (new), 1.50% + \$0.10

MasterCard's corporate category rate changes:

- Corporate Standard will increase 11 bps from 2.54% + \$0.10 to 2.65% + \$0.10
- Corporate T&E II will increase 5 bps from 2.05% + \$0.10 to 2.10% + \$0.10
- Corporate T&E III (new), 2.00% + \$0.10
- Corporate Data Rate I will increase 10 bps from 2.35% + \$0.10 to 2.45% + \$0.10
- Corporate Data Rate II will increase 15 bps from 1.75% + \$0.00 to 1.90% + \$0.00
- Corporate Data Rate III will decrease 5 bps from 1.50% + \$0.00 to 1.45% + \$0.00
- Corporate Face to Face will increase 2 bps from 1.38% + \$0.10 to 1.40% + \$0.10

Visa's consumer category rate changes:

- CPS/Retail will increase 2 bps from 1.37% + \$0.10 to 1.39% + \$0.10
- Consumer Electronic will increase 14 bps from 2.00% + \$0.10 to 2.14% + \$0.10
- Signature Electronic will increase 4 bps from 2.10% + \$0.10 to 2.14% + \$0.10
- Consumer Standard will increase 19 bps from 2.30% + \$0.10 to 2.49% + \$0.10
- Signature Standard will increase 28 bps from 2.35% + \$0.10 to 2.63% + \$0.10

Visa's commercial category rate changes:

- Commercial Electronic will increase 4 bps from 2.10% + \$0.10 to 2.14% + \$0.10
- Commercial Standard will increase 13 bps from 2.50% + \$0.10 to 2.63% + \$0.10

Changes to credit voucher reimbursement fees in the merchant category:

- All Passenger Transport will increase 3 bps from 1.91% to 1.94%
- Non-Passenger Transport Consumer will increase 1 bp from 1.59% to 1.60%
- Non-Passenger Transport Commercial will increase 5 bps from 2.16% to 2.21%
- Select MO/TO and e-Commerce Consumer will increase 1 bp from 1.95% to 1.96%

*bps: basis point(s)

Web Sites for Billion Dollar Bankcard Acquirers

A listing of Web sites on Page 30 of the January 2003 issue of GSQ (vol. 6, no. 1) inadvertently listed the "dba" rather than the proper name of each acquirer. Here is the correct version:

Acquirer	Web Site	Acquirer	Web Site
Alliance Data Systems	www.alliancedatasystems.com	iPayment, Inc.	www.ipaymentinc.com
Branch Banking & Trust Co.	www.bbandt.com	J.P. Morgan Chase Co.	www.chase.com
Banknorth, N.A.	www.banknorth.com	Lynk Systems	www.lynksystems.com
Bank One	www.paymentech.net	Merchant Services Inc. (N.Y.)	www.gotmsi.com
Commerce Bank	www.commercebank.com	Marshall & Ilsley Bank	www.mibank.com
Concord EFS	www.ceft.com	Moneris Solutions	www.monerischargeit.com
Fifth Third Bank	www.53.com	National Bank of the Redwoods	www.nbronline.com
First American Payment Systems	www.first-american.net	National Processing, Inc.	www.npc.net
First Data Corp.	www.firstdata.com	PNC Bank	www.pncmerchant.com
First National Bank of Omaha	www.foomp.com	Provident Bank	www.providentbank.com
First Tennessee Bank	www.fhmsi.com	SunTrust Banks	www.suntrust.com
FleetBoston Financial	www.fleet.com	TransFirst	www.transfirst.net
Global Payments Inc.	www.globalpaymentsinc.com	Union Bank of California	www.uboc.com
Heartland Payment Systems	www.heartlandpaymentsystems.com	U.S. Bancorp	www.usbank.com
Humboldt Bancorp	http://merchant.humboldtbank.com	Verus Financial Management	www.eftnet.com
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COMPANY PROFILE ◀ ◀ ◀



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Kevin Smith, Sr. VP/ISO Sales
Phone: 770-618-6382
E-mail: ksmith@neteps.com

Company address:

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Memphis, TN 38133
Phone: 800-238-7675
Fax: 901-381-5575
Web site: www.concordefs.com

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- Suite of products is comprehensive and custom capable.
- Great buy rate.
- Excellent training and customer support.

It's Concrete at Concord

As one of the industry's leading vertically integrated electronic transaction processors, Concord EFS, Inc. is a prominent solutions provider, offering transaction authorization, data capture, settlement and fund-transfer services to financial institutions, supermarkets, petroleum retailers, convenience stores, restaurants and other independent retailers. Concord evolved to its major-player status from a more humble initial position.

In 1982, five employees of Union Planters Bank in Memphis, Tenn., came together under the creative vision of Dan Palmer and formed a separate division focused on a credit card product for the trucking industry that was electronically authorized and settled. The company was named EFS, Inc., and one year later it expanded its offerings to include electronic authorization and settlement of Visa, MasterCard and other credit cards in the retail space.

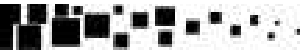
Guiding his company forward, Palmer attracted not only strong customers but qualified industry professionals such as Edward A. Labry III, who joined EFS in 1984 and is currently President and CEO-elect of Concord. In 1985, EFS merged with Concord Computing Corp., a 15-year-old check authorization and POS terminal manufacturer. The newly formed company was renamed Concord EFS, and Palmer was named CEO in 1990. A year later, Palmer assumed the additional title of Chairman.

"Dan and I have been together for 18 years," says Labry. "There are a few more zeros on the revenue line, but we've always had a philosophy of serving customers, making money and growing the company at a conservative rate. We've created a great currency in stock with strategic acquisitions, but we never wanted our successes to be highly visible. We are real close with our employees. It is employees as well as customers who make the company."

In 1992, under Palmer's leadership, EFS was converted into a national bank, which produced operating efficiencies through direct connections and memberships in credit card associations and regional networks. This strategic move paved the way for debit card and ATM processing, which were important catalysts for Concord's growth – a growth that was keenly observed by the business community.

In 1996, Concord was named by the Wall Street Journal as the highest-performing company for the 10-year period 1986 to 1996, based on average annual returns of 60.6%. In 2001, Concord was again listed on the Journal's Shareholder Scoreboard "50 Best Performers," based on 10-year average annual returns of 47.2% for the 1991-2001 period.

"We built a self-sufficient company, concentrating on our own authorization systems and direct connections to networks," says Labry. "We didn't want to use any third party whatsoever, so we formed our own bank. You control your destiny by keeping everything in house, and we are a complete vertically inte-



grated in-house shop."

According to Labry, for the first 15 years of Concord's existence it specialized in payment services for the independent retail markets, supermarkets, oil and gas. Over the last three years, it has been concentrating on networks and PIN-based operations.

"We've become a service provider to over 6,200 banks and every third-party processor in the U.S.," says Labry. "Our core now is both processing directly to the merchant community as well as providing services for third-party processors and financial institutions."

Concord provides those services in a highly competitive market. On the one side, it vies for business alongside such other industry leaders as First Data and NPC. On the merchant side, it competes with every other independent sales organization. Neither seems to threaten Concord's resolve.

"If you look at our primary market, which is highly concentrated in processing, the faster-growing segments are supermarkets and oil and gas," says Labry. "We are the leader in integrated systems for pay-at-the-pump and supermarket services. Our connectivity and technology keep us in the forefront."

Labry sees that connectivity and technology as the biggest differentiator in the retail space.

"What's driving the differentiation between processors and ISOs is PIN-based debit," he says. "Major retailers like Wal-Mart are rolling out PIN-based programs while the ISO community traditionally focuses on credit because they received their highest revenue from those transactions. As transactions migrate to electronic payments, the differentiation can be great. Look at us. We had over 67,000 merchants join our network during the first nine months of 2002."

While Labry admits the buzzwords around the industry may be gift card and loyalty, he believes some of the smaller retailers still have a wait-and-see attitude. Because of that, Concord wisely already has included those services in all its terminals and stands at the ready to capture those value-added services for both the ISO community and its bank merchants. Check truncation is also an important item on its solutions menu.

Concord's suite of products is not only comprehensive but also custom capable. Programs can be bundled together or incorporated separately. Either way, merchants from every area of the retail marketplace can pick and choose. Concord's target market is across the board in size and volume.

"We are dedicated in every category, from the smallest mom-and-pop to the very large and very successful ISOs," says Labry. "There are over one million locations that touch

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Concord systems. We processed over 9.5 billion transactions in 2001 and are looking to do 10.6 billion transactions this year. It's big."

While Concord relies on an in-house sales force that services the top retailers in the U.S., it is intimately joined with the ISO community ... and very committed to that channel.

"Our program for the ISO community is strong," says Labry. "We have a great buy rate. ISOs enjoy great profitability with Concord. We have the most front-end applications for any type of terminal. All generations are available. We offer any kind of combination of our products. We'll let ISOs sell under their own name and brand statements under their own name as well. Because we are a vertically integrated processor, all the ISO has to do is sell."

Another appealing aspect to Concord's solutions is a sophisticated system called Client Line. From the merchant's PC, all account data

can be fed automatically into Concord's system, and within a two-hour turnaround time the merchant is up and running.

"We're loading about 4,000 merchant apps each month," says Labry. "We're rolling this system out now to the ISO community. It's the most sophisticated and strongest in the market."

Hand in hand with Concord's focus on technology is its commitment to customer support. A24/7 call center that boasts two separate departments – tech support and customer support – is standard operating procedure at Concord. This center is manned by specialists from all areas of retail.

As for its ISO partners, Concord has a dedicated group based out of New York whose sole responsibility is keeping Concord's ISO channel running smoothly and efficiently.

What does Concord strive for in an

ISO relationship? "Since we are ultimately responsible for the relationship, we ally with ISOs who are good businesspeople and want to process ABC type of paper," says Labry. "We want ISOs who are interested in growing their business. The end game shouldn't be that they put all their business with us, get our package and then turn around and shop for someone else. We look for long-term relationships."

Long-term relationships also are a primary component of Concord's alliances with its other partners. In addition to its longstanding pairing with EFS National Bank (a subsidiary since 1992), Concord has established alliances with many major players in the payment-processing space, such as Hypercom, VeriFone, Ingenico and most recently Certegy.

"From a business standpoint, the number one thing a partner has to do is add value," says Labry. "It's one thing to just take a portfolio and

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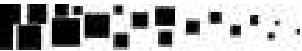
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process it. It's more important to expand that relationship with sales and marketing that's good for both sides."

With the recent market trend toward megamergers and acquisitions, choosing the right alliance might not be as easy as it has been in the past for Concord. Labry sees the gobbling as good – sometimes.

"We're seeing a resurfacing of mergers and acquisitions," says Labry. "There probably is a place for it, but I think it involves a little bit more now. This time around, there's a tremendous amount of discipline regarding acquisition prices and ISOs and sub-ISOs going forward. In the past, it got a little wild with the prices paid for premiums. It's toned down now. I think it is better for our industry to have fewer quality players than too many players."

Concord measures its quality not in one single accomplishment but in a

culmination of events and acquisitions. "Making the decision to become a big player in the supermarket industry in the early '90s was key to our success," says Labry. "We would get thrown out by supermarkets saying they'd never accept credit cards, but we were frontrunners and look at the industry now. It's all about location, being at the right place at the right time."

Labry says the next event was taking advantage of ATM-driven business with a platform put in place before anyone else. The third major event was Concord's decision to become a large player in the oil and gas arena with pay at the pump.

"At first, locations felt they made the highest margins with people coming into the store and were worried about customers not walking in," says Labry. "Our advice to those merchants – don't worry about them coming into your store, worry about them driving out of your parking lot

because you don't have pay at the pump."

However, according to Labry, from Concord's perspective, the most respected accomplishment to date was Concord's consolidation of PIN-based networks with the acquisitions of the MAC, Cash Station and STAR ATM networks. "We saw the importance of PIN-based debit and really focused on it in the '90s," says Labry. "It surprised the industry when we rolled it out."

With all of its accomplishments, has Concord experienced any failures? "I think this company has created a culture that hates to lose," says Labry. "From the standpoint of implementing our plans and systems; we have been very successful. There has not been any one failure that has slowed us down. I think we can always do a better job. Any company can always do a better job with its customers and employees. We are always striving to do better."



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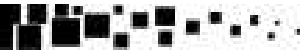
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Concord also is faced with the challenge of finding the balance between the retail and the financial community, Labry says.

"As we rolled up the debit networks and established relationships with banks, the challenges came in the network side of the business," says Labry. "There has to be a balance between financial institutions and the retail community. We strive to create this balance of acceptance and issuance. We look at it from the standpoint of a company who's not going to be successful if retailers don't accept a STAR card and banks don't issue them."

In regard to the industry in general, Labry sees the economy as being a major obstacle. "We are in an industry that has recurring revenue and a competitive landscape, and the big players are fighting for transactions," says Labry. "With price compression and the current economic

environment, we've got to look for new distribution channels. We've got to find new areas of revenues and promote the development of emerging payment types out there."

Labry sees convergence as key to the future of the industry. "I see traditional cash and check payments moving to some type of electronic format," says Labry. "As I mentioned before, stored value and gift cards are huge buzzwords in the industry, and they've done well in big box retailer environments. As it filters down to the independent retail community, it may not be as successful there.

"There needs to be an education process for acceptance. Controlling the destiny of these transactions as they move from cash to check to electronics requires education. Merchants need to be educated on how to control their costs at the point-of-sale with these programs."

Concord is planning on doing just that, but another important part of Concord's plan lies in its leadership. It recently was announced that Labry will succeed Palmer as CEO of Concord in May 2003.

Palmer will continue as a member of the Executive Management Group, Chairman of Concord's Board of Directors and Chairman of EFS National Bank, Concord's wholly owned bank subsidiary. Why make the announcement now and delay the actual transition until 2003?

"People like successful plans, most times," says Labry. "We are a little different in that we do announcements of plans in advance. We see it as the polite thing to do. It's not all that different.

"Dan and I are going to continue to work together as we have for so many years in the past."



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Let BLUE Take You into the Black

There is no doubt in Masih Madani's mind where the payment-processing industry is headed, and the CEO of HMSBLUE is just as convinced that his company will be one of the survivors. Madani believes the industry will continue to consolidate, and the card issuers will opt for more control.

"Visa and MasterCard are trying to get control of the environment and tightening up loopholes. They are trying to get a handle on mom-and-pop agents," he says. "I think we'll wind up with about 100-150 total ISOs across the board.

"Those that are left are going to have to get sophisticated. Some just don't have the infrastructure and are just selling. The ones that will survive will be the ones who will have value adds, and that is the reason we started heavy in technology. The ISOs and merchants who come to us have no reason to go anywhere else."

HMSBLUE is a technology-driven solutions provider of comprehensive merchant authorization, settlement and accounting systems as well as a broad range of point-of-sale products and services.

Focused on both brick and click merchants and the ISO channel that services them, HMSBLUE offers a myriad of benefits to its independent sales agents and organizations. They include:

- Increased cash flow through continuous residual income for every iPG transaction.

- Processed retention of 100% of all proceeds collected above buy rates.
- Immediate eligibility for residual income from day one.
- The ability to private-label iPG for any ISO.
- Around-the-clock, dedicated technical support.
- Positioning alongside a technology leader and innovator of the payment industry.

A key component of HMSBLUE's technology is its Internet payment gateway, certified with First Data, Vital Processing, CardSystems and a number of foreign banks. It boasts Web-based, real-time credit card authorizations, online ACH, access to real-time account information and various account-activity reports, state-of-the-art fraud prevention, intricate chargeback controls, a negative database to minimize abuse, a secure environment through SSL encryption and quick and easy integration.

Just how did HMSBLUE evolve to this impressive place in payment processing? It started in 1996 when Madani decided to find a viable solution to better handle credit card transactions and combat fraud.

The transaction arena was not new to Madani. His parents owned gas stations for 30 years, and Madani was well versed in card transactions, data capture, pay at the pump, chargebacks and fraud issues.

"My background is also in software



"It literally takes less than one day to integrate with our system. We publish all integration specifications online. Everything is online. There are no secrets at HMS."

**— Masih Madani
CEO, HMSBLUE**

development," says Madani. "I never looked at one particular brand or particular area that everything had to conform to. I've always looked at what is the most proper methodology to solve a problem, and then I'll get whatever component necessary to solve it."

That mission guided Madani to a small start-up out of his home. In a relatively short time, he brought two partners aboard. The original moniker was Blue Banana because Madani thought something exotic would garner attention. Unfortunately, it garnered the wrong attention since many thought it was an X-rated type of business.

Using the initials of Madani and his two partners, they changed the name to HMSBLUE in 2000. They moved to a 5,000-square-foot office space and never looked back at bananas.

"Our value-add is that we have a rapid-development environment," says Madani. "We offer very customized

solutions in a matter of days through our own certified gateway, where other companies take weeks.

"What is so unique about our gateway is that it's in three pieces. The front end is universal, meaning it doesn't matter who your processor is on the back end. In the middle we have a unified messaging system that takes data in the front end and stores it. Our back end is modular, so we can send it to any processor. We can add on, whether it be NPC or Global. A merchant may have many banking relationships and multiple processors. We are their single front end. We make their lives very easy.

"It literally takes less than one day to integrate with our system. We publish all integration specifications online. Everything is online. There are no secrets at HMS."

With its core solidly based in e-commerce, HMSBLUE targets retail merchants across the board who deal in volume. More than 500 merchants take advantage of HMS solutions.

"We typically tend to work with midsize to large merchants simply because there is a greater return on our time and efforts," says Madani. "Our pricing is very competitive, and we even provide gateway access free of charge if we are providing the merchant account."

While HMS bills itself primarily as an MSP, it also is a licensed ISO with JP Morgan Chase Bank and, therefore, has the ability to provide both technology and merchant account services. In addition to JP Morgan Chase, HMSBLUE is partnered with Humboldt Bank as well as the aforementioned processors – First Data, Vital, CardSystems and others. Paramount to all of HMSBLUE's alliances is communication.

"This is essential," says Madani. "Without communication, you can't do anything. Also, the product the partner brings to the table has to have value-add in our marketplace, especially customer service. That is important. We want to be able to support our customer base efficiently and communicate effectively in those relationships back and forth in a timely fashion."

What does HMSBLUE require of its ISOs? In a word, integrity. "Above all, we want honesty," says Madani. "There have been lots of issues in the industry in the past, so we pick and choose carefully. We've seen lots of problems out there. The agents want to make quick money, and we try to educate them that there is another way in long-term relationships. It's all about building a revenue

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"Whether it be retail or e-commerce merchants, we educate our agents thoroughly. We generally focus on the revenue-share program. Once the ISO understands how it works and that it's a long-term deal that truly is better, they usually choose that one."

– Madani

stream rather than just a quick sale or a quick lease or a quick piece of equipment."

Part of that education is centered around HMS's training program. Online-based ISOs get access to a repository of data and documentation that HMS makes available through protected passwords. ISOs review the documents that educate them on many issues, from underwriting to online account maintenance.

"Whether it be retail or e-commerce merchants, we educate our agents thoroughly," says Madani. "I personally meet with agents and talk with them. They all have my number and can call me directly. They also can pick and choose the residual program that works for them, either buy rate or share arrangement. We generally focus on the revenue-share program. Once the ISO understands how it works and that it's a long-term deal that truly is better, they usually choose that one."

Choice is also a challenge for HMSBLUE – as in choosing the next project. "We have a lot of projects on our table and just not enough manpower," says Madani. "We'd like to add more processors and banks to our back end – and that takes time."

Madani sees consolidation and shakeout of the industry as other challenges to be reckoned with.

"Just about anybody and anyone can become an ISO, and that has created a lot of problems," says Madani. "We need to go back to picking and choosing career-oriented people. Consider the dot.com world. Everyone was trying to get into that, and look what happened."

"Everyone trying to sell merchant accounts is not a healthy environment. It has not helped our industry. A lot of companies have gone belly up. Others have been acquired. It's created a harsher financial environment. We need to get away from that and look at this industry as a financial product rather than a gadget industry that anyone can sell."

Madani hopes the payment-processing industry will take a lesson from other industries.

"When you get too big, it becomes problematic and you can't control your environment," he says. "You're spread too far and too thin. The same thing happens in our industry – big companies like First Data are sometimes slower in certain areas. I'd rather see smaller companies stay afloat because they have the ability to provide more

personal service and more innovative products.

"I greatly appreciate First Data being as big as they are, but I can do things that they can't do and support customers they can't. In some ways I am happy the big companies are big and slow."

HMSBLUE is counting on retention and loyalty to steer it through rough waters.

"We intend to grow steadily," says Madani. "We are not going to jump all over the place. We are also not interested in being acquired. I like staying in control of my environment. I like staying small. We have a great product, different from what others are doing. There is no pressure on us or any reason for us to sell. The products we offer allow us a very decent margin. We are not dependent on merchant accounts themselves for revenue. It's all about the services we provide." ☑

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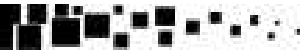
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Bah Humbug for the Euro's First Christmas?

Christmas cost more in some European countries in 2002. In Italy, Christmas trees and decorations as well as traditional holiday treats such as panettone sponge cake, tortellini, sparkling wine and chocolate all cost at least 10% more than the year before. Some people are blaming the euro.



Christmas; consumers were said to be worried about the economy and unemployment and irritated at perceived euro-related inflation.

While there have been price increases, European economists said that actual inflation is not as high as what consumers perceive it to be. Estimates say the changeover raised prices by 0.2%. In January 2002, merchants in all 12 countries had to translate prices from the old ones, and many gave themselves a generous cushion in the process, nudging prices upward. Those prices have not come down since.

The one currency for common use was adopted by 12 nations last January ("Smart Solutions or Smart Marketing?", The Green Sheet, issue 02:01:01), and on its first anniversary its success was being debated. For the most part, the conversion to the euro has met expectations and is working, but some problems remain with implementing the switchover and are being felt throughout the participating countries.

In Germany, holiday spending was expected to drop 0.6%. In Italy, spending was expected to grow by only 0.2%, France's growth was estimated to be 1.9% and Spain's 2%. By comparison, holiday spending growth estimates in the U.S. were between 2% and 3%.

The euro has been a success at easing cross-border business transactions and saving travelers time and the expense of changing money. Many objections to the euro come from consumers using it to pay for everyday items, such as food. According to the Wall Street Journal, many Europeans curtailed their holiday spending this

Britain was one country that did not adopt the euro. Its economy fared better in 2002 than others in Europe. In fact, retailers there were expecting to end the year with a solid holiday season and consumer spending up at least 4.1%. ■

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NEW PRODUCTS ◀◀◀

A Nice Touch for C-Stores

Pinnacle Palm POS

The Pinnacle Corp.

With so many convenience and petroleum stores located in proximity to each other, competition is fierce. Customers want to make purchases quickly and be on their way, so every second counts when it comes to transactions. Pinnacle Corp.'s point-of-sale system, the Pinnacle Palm POS, was designed specifically for meeting the industry's speedy transaction requirements.

The Palm POS is a flexible in-store touch-screen technology that can interface with other industry-standard hardware and POS peripherals such as coin changers, fuel pumps, gas island card readers, scanners, card swipe devices and printers.



The system operates using true graphics and an intuitive interface, so employees learning to use the system catch on quickly. Its 32-bit software runs on Windows '95, '98, 2000 and NT, the fastest in the industry, and credit authorizations are processed using telecommunica-

tion companies' 950 numbers, VSAT satellite and WAN-TCP/IP.

Here's a nice feature for clerks and store owners: The system flags certain types of merchandise that require age identification, such as tobacco and alcohol products.

Pinnacle's system received honors in the 2001 Microsoft Retail Application Developer judging for Best Retail In-Store Applications.

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or unsolicited e-mails. Rather, it offers a permission-based e-mail marketing solution: Subscribers sign up on your Web site to receive information about your business through e-mail such as new product and services offerings.

For those of you who have been sending text-only e-mails to customers, maybe now is a good time to wow them with colorful Web-based messages. These e-mails look just like a Web page, complete with colors and graphics.

The Constant Contact solution is really three products in one. An e-mail List Builder allows you to build a customer list by adding a "join my list" tag to your Web site with a customized sign-up form. Once someone signs up, they will receive the e-mails from you.


The Newsletter and Promotion Builder component helps you build colorful, branded, HTML-based newsletters. You can customize your own newsletter using a variety of colors, fonts and graphics, or you can choose from more than 50 templates.

Constant Contact's Campaign Manager serves as your e-mail "command center" where you track results from your e-mail promotions with reports and stats. Campaign manager allows you to track subscriber count, find out how many subscribers opened your e-mails, see which customers clicked on each link and learn which e-mails

result in the most visits to your site.

The software was designed for small to medium-size businesses, so the pricing reflects this. Users pay by the number of subscribers to their e-mail list. For instance, the software is free to those with 0-50 subscriber names. It costs \$10 per month for 51-250 subscribers, \$25 for 251-2,500; \$50 for 2,501-5,000 and so on.

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 NEWS

Amex Profit Doubles

American Express Co. announced its fourth quarter 2002 profit more than doubled from last year. Attributing its growth largely to higher card spending and more new cardholders, Amex earned \$683 million, or 52 cents a share, in Q4 2002 compared with \$297 million, or 22 cents, in the same period last year. American Express' revenues in Q4 rose 6% to \$6.196 billion, and for the year its profit rose to \$2.67 billion from \$1.31 billion in 2001.

Sales Pay to Improve in 2003?

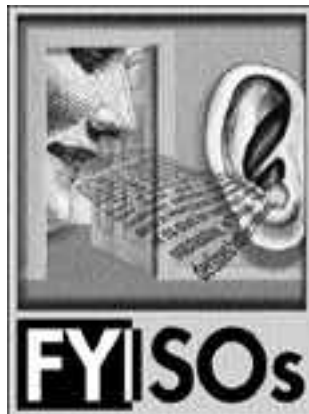
Looking for better pay? Here's something you can use for leverage: A survey of more than 580 corporate sales and marketing executives shows that sales compensation likely will improve in 2003 compared with 2002. **The Alexander Group, Inc.** and **Sales and Marketing Management magazine** conducted the survey in December 2002. Of the companies surveyed, 47% said they anticipate providing higher pay for salespeople, which might be based on the anticipation of a better economy in 2003 (82.7% of those surveyed expect positive growth). Of the 580 respondents, the following are areas in which they plan to improve:

- Performance Measures: 67.1%
- Pay Mix (Target Pay vs. Incentives): 43%
- Ramps/Accelerators: 28.5%
- Formula Type: 27.1%
- Thresholds/Caps: 22.7%

For information, visit: www.alexandergroupinc.com/salescomptrends/execsum.asp

Bank of America Mini Check Card Available

Bank of America released a check card version of its Visa-branded Bank of America mini card. Customers can attach the mini cards to their key chains and use them at point-of-sale terminals with magnetic stripe readers



where the Visa logo appears. For fraud protection, Bank of America places the cardholder's picture on the front of the card and offers zero liability and guaranteed credit by the end of the next business day if an unauthorized transaction occurs.

Cards Used More for Purchases than at ATMs

Americans use their ATM and debit cards to make purchases at supermarkets, gas stations and other retail locations at least twice as often as they use them to withdraw cash from ATMs, according to a national study of 1,000 debit card holders in November and December 2002. Those surveyed used their cards an average of 10.92 times during a three-week period: 7.81 times to make a purchase at a retail location compared with 3.11 times to withdraw cash at an ATM. Of these 7.81 transactions, 4.06 were PIN-based and 3.75 were signature-based. The study was commissioned by **PULSE EFT Association** and conducted by **Analytica, Inc.**

 ANNOUNCEMENTS

MasterCard Backs Up in Missouri

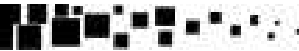
MasterCard International is replacing its backup data center in a New York City suburb with a new data center in Kansas City, Mo. MasterCard said it estimates the cost of the site, which will be staffed by 30 technical employees, to be \$50 million. The new location was chosen because of its close proximity to MasterCard's largest office in the world, its \$130 million main data center in St. Louis with a staff of almost 2,200.

Discover Joins NACHA

Discover Bank of Delaware, issuer of the Discover Card and a unit of Discover Financial Services, joined **NACHA-The Electronic Payments Association** as a financial institution member. Discover Bank becomes the



- **Convenience store industry sales** will decline through 2006, growing at an annual rate of only 3.8% (much slower than the 11.3% growth per year for the last five years), predicts Retail Forward Inc, a management consulting and market research firm, in its recently released Convenience Stores Industry Outlook.
- **McDonald's Corp.** posted a quarterly net loss, its first ever, of \$343.8 million on Jan. 23, 2003. As a result, the company will close 517 restaurants in the U.S. and Japan.
- **Wherehouse Entertainment Inc.** filed for Chapter 11 and will close 120 stores. **Best Buy, Inc.** will close 110 Musicland stores, which includes 90 Sam Goody stores and 20 Suncoast video stores, citing a sharp decline in music sales and low mall traffic.
- **Super retailers such as Wal-Mart, Target and The Home Depot** are opening smaller, more scaled-down versions of their stores across the U.S., the New York Times reported. The companies are catering to time-pressed customers who do not have time to shop at a 200,000-square-foot store.



15th financial institution member of NACHA, which includes 21 payment associations.



U.S. Government Converting Paper Checks

The U.S. Treasury partnered with Waterloo, Ontario-based RDM Corp. to provide a paper check conversion program (PCC) to the many branches of the U.S. government. The program uses RDM's digital imaging solutions to convert paper checks into electronic funds transfer debit transactions. The Department of Defense is the first government branch to use the new check conversion program.

VeriFone Partners for QSR Business

VeriFone, Inc. and Delphi Display Systems, Inc. have joined forces and technologies to provide quick service restaurants (QSR) with an all-in-one solution for the drive-thru. Delphi is integrating its order confirmation system and sunlight-readable LCD panels with VeriFone's outdoor payment processing terminals so customers can swipe their debit or credit cards, confirm their order on a display monitor and pay for their food before reaching the pickup window.

Ezic Adds 2nd FDMS Certification

First Data Merchant Services (FDMS), a subsidiary of First Data Corp., certified Ezic, Inc. to process digital transactions via its Nashville platform. Ezic also processes on FDMS' Omaha platform. Ezic also is certified by Vital Processing Services and NOVA Information Systems.

Cynergy Has Golden Opportunity

Golden Eagle Leasing, a wholly owned subsidiary of Hypercom Corp. and a lessor of credit card authorization equipment, won a contract with Cynergy Data. Golden Eagle expects this new partnership to generate several thousand new leases per year. Cynergy Data said it will benefit by offering its ISOs and reps an equipment lease option.

ERA Selects e-Check Processor

The Electronic Retailing Association (ERA) selected Data Processors International (DPI) as its e-check processing provider. DPI is a wholly owned subsidiary of TransFirst, Inc. Through DPI, ERA members will receive e-commerce, credit card and e-check processing services with volume discounts on transaction fees, no upfront deposits and low reserve rates. DPI has been a provider of merchant services for the ERA since 2000. The ERA has more than 500 member companies worldwide that sell directly to consumers via television, radio and the Internet.

NPC Wins Two Retailers

National Processing Co. (NPC) will process credit and debit cards for Dollar Tree Stores, Inc. In addition, NPC and Factory 2-U Stores, Inc. renewed their processing agreement. Factory 2-U discount stores sell apparel and home merchandise in 13 western states.

DAS Has Two New Partners

Diversified Acquiring Solutions (DAS) entered into merchant referral programs with United Bank of Philadelphia and Polson, Mont.-based 1st Citizens Bank. United Bank and 1st Citizens Bank will refer new merchant business to DAS, which then will handle the sale, setup and servicing of the processing relationships. Among other benefits, DAS' two new partners will receive a referral fee for each referred and approved merchant account.

CrossCheck Gets Sweeter

CrossCheck, Inc. will provide customized check guarantee services to 95 U.S. Sweet Factory locations in shopping centers, convenience stores, department stores, airports and railway stations. The Sweet Factory is a retailer of "pick 'n' mix" candy and sweets. CrossCheck also announced it will provide Worldwide Golf Enterprises, Inc. with check guarantee services. Worldwide Golf runs three chains of golf supermarkets: Roger Dunn Golf Shops (www.rdgolf.com), The Golf Mart (www.thegolfmart.com) and Van's Pro Shop (www.vansgolf.com).

Alliance Data Renews with Catalog Retailer

Alliance Data Systems Corp. signed a 10-year contract extension with Brylane, Inc. Alliance Data, a provider of transaction, marketing and credit services, will continue providing private-label credit services to Brylane's catalog brands: Chadwick's of Boston, Lane Bryant Catalog, Roaman's, Brylane Home, Brylane Home Kitchen, Lerner Catalog, King Size, Jessica London and La Redoute.



First Horizon Gets Ski Industry

Travel industry-focused credit card processor First Horizon Merchant Services, Inc. acquired Merchant Card Management Systems (MCMS). MCMS is the largest provider of card-based processing services to the United States ski industry (more than 50 ski resorts) and also has clients in entertainment and general retail.

Certegy Completes Netzee Acquisition

With Netzee, Inc. shareholder approval, Certegy, Inc. completed the purchase of all of the assets of Netzee for \$10.4 million in cash on December 31, 2002.



APPOINTMENTS

Retriever Promotes Sales Exec

Retriever Payment Systems promoted **Russ J. Goebel** to Vice President of Sales. Goebel, a 10-year industry veteran, joined Retriever in 2002. His background includes several sales and management positions at eFunds Corp, Heartland Payment Systems and First Data Merchant Services.

Concord Expands Board with Two

Dr. Shirley C. Raines and **Arthur N. Seessel III** have been elected to serve on **Concord EFS, Inc.**'s Board of Directors. Raines is President of the University of Memphis, and Seessel is a management consultant to the supermarket industry.

Ronald V. Congemi, Concord SVP and President of Network Services, has resigned from the board. Congemi will continue to provide counsel to the board as a Senior Management Advisor. Concord EFS now has 10 members on its Board of Directors.

Vital Brings in Marketing Veteran

Vital Processing Services hired **Charles M. Bruney** as Senior Vice President of Marketing and Communications. Bruney has more than 25 years of experience in financial services marketing.

He most recently served as Executive Vice President and a board member at Speer & Associates, Inc. where he spent 15 years. Bruney has also worked at Mellon Bank, Barnett Banks of Florida, Girard Bank and the First National Bank of Atlanta.

Hengesbach Adds Sales to Duties

Alice Ann Hengesbach was promoted to Director of Sales and Marketing at **WRG Services, Inc.**, an ATM manufacturer and service provider. Hengesbach previously served as Director of Marketing at the company. In her new position, Hengesbach supports client development, inside sales, leasing and corporate accounts.

SafeCHECK Hires Sales Manager

Daniel Wellhoefer joined the **SafeCHECK** sales team as National Sales Manager. Wellhoefer has 20 years of experience in sales, primarily in the retail segment of the electronic payment industry.

eFunds Appoints Gupta


eFunds Corp. hired **Rahul Gupta** as Senior Vice President, Division Executive, responsible for eFunds' Risk Management Division. Gupta, who has years of

experience in financial services transaction processing, B2B payment processing, database management and marketing, software marketing and management consulting, previously served as Vice President, Network/ASP Services at i2 Technologies, Inc. and also served as CEO of Financial Settlement Matrix (FSMx). Before FSMx, he was President and Chief Operating Officer for Summit Marketing Group.

CrossCheck CFO Promoted

CrossCheck, Inc. promoted Vice President/Chief Financial Officer **Gayle Peña** to Senior Vice President. Peña was hired by CrossCheck in 1992 as a Cost Accountant. She then was promoted to Accounting Manager and Company Controller, and in 1995 Peña was appointed Vice President and Chief Financial Officer.

Datawire Appoints AT&T Vet to Chairman

Datawire Communication Networks Inc. appointed **James Meenan** to the position of Chairman of the Board of Directors. Meenan worked with AT&T Corp. in the United States for 30 years; as President and CEO, he established AT&T's presence in Canada in 1995. He served in this role until 2000. Meenan continues to serve on the Board of Directors of AT&T Canada and as Chairman of Castek, Inc. 



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"As we enter our 20th year of business, we'd like to say thanks to the sales professionals that have contributed to our success."

J. David Siembieda, President and CEO



When CrossCheck was founded in 1983, the payment industry was on the eve of a revolution. Bankcard services, previously available only through financial institutions, were starting to be sold by independent agents. Huge opportunities became available as new equipment and services were introduced to retailers nationwide. With an eye towards the future, CrossCheck's founders embraced the energy, excitement and challenges of this new marketplace and, with a group of ISOs, grew a successful and profitable check guarantee company.

It's the "feet on the street" that have helped make CrossCheck the nation's largest privately-held guarantee company and the

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Today, many of our original ISOs are still with us, reaping the benefits of our lifetime residuals and partnership programs. In addition, we've offered innovative sales programs, sales support, free supplies, and private-label opportunities unique to our industry.

We're looking forward to the next twenty years and think they'll be as exciting and challenging as the past. New services for conversion, wireless and Internet applications will take payment processing in directions we couldn't have imagined years ago.

If you are currently selling our services, thank you, and

get ready to make money as we take on the industry. Not yet selling CrossCheck's services? Then join us now. The opportunities are bigger and better than ever and we guarantee it'll be an interesting ride!



Best Wishes,
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"It is amazing what can be accomplished when you don't care who gets the credit."

– John Wooden

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In such a competitive arena as payment processing sales, it helps to be part of a winning team. Teams increase productivity. Teams improve an organization's customer service level. By bringing professionals together as one group, their collective strengths, abilities and experience can be leveraged successfully. A team broadens any company's skill base and specialization. A team fosters greater innovation.

Despite good intentions, not all teams become superstars. There are many reasons why teams fail, starting with the selection process – matching players to appropriate positions. Strategic planning in the formation stage is critical. And even if a solid team is brought together, it won't make it to the playoffs without a strong captain who possesses effective management and leadership skills.

Another reason for failure is lack of collaboration within the team. It could result from poor communication, hidden agendas or ineffective conflict resolution. If you're in the process of forming a sales team, joining a sales team or revamping an existing one, consider the following as you hand out uniforms:

- **Style of Working.** Style can range from early risers to midnight-oil burners. It could be multitasking versus completing a project one step at a time. It can involve a quiet environment as opposed to lots of hustle and bustle. Whatever the style, pairing like with like translates to stylish sales.
- **Preferences at Work.** Find out which activities your potential teammates enjoy and which they dislike. Does one member enjoy setting up the weekly team meeting? Does another like to organize the supply room? If people like what they do, they'll do it well.
- **Work Values.** It's all about ethics, making a connection between personal and professional values. A team doesn't stand a chance without basic honesty, integrity, respect and trust.
- **Abilities.** Some people have amazing technological aptitude. Some can put together a marketing plan in minutes. Others are fabulous numbers-crunchers. It's all about putting the right technician with the right task.
- **Strengths.** It could be courage. It could be diplomacy. It

INSPIRATION ◀ ◀ ◀

could be intuitiveness. It could be superior communication skills. Whatever the attribute, find each teammate's personal strength and implement it. A chain is only as strong as each of its links.

Maintaining the Team

We've discussed how important a team is to sales success. We've offered guidelines to putting the right team together for the right job. Now it's time to talk about keeping that team in play.

The following guidelines may not be the definitive golden rules of teamwork, but they surely will support a win-

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Western Payments Alliance The Fundamentals of Check Processing

Highlights: If your job involves item-processing operations, centralized operations, branch operations, audit/compliance, new employees or other management tasks, these one-day workshops will provide the fundamentals of check processing. Learn how checks are processed, converted and paid, the rights and obligations of all parties involved and how to balance the interests of securely conducting business with giving good customer service.

Where and When:

- Portland, Ore., Feb. 18, 2003
- Pasadena, Calif., Feb. 19, 2003
- Sacramento, Calif., Feb. 20, 2003

Registration Fees: Vary by membership status.

How to sign up: Visit www.wespay.org or phone 415-433-1230.

New ISO Association Planning Conference

Highlights: Organizers think the time is right for an association geared toward independent contractors in the financial services industry. There are a lot of people out there without a cohesive voice, and that's one thing they're hoping to change. This will be an organization built from the ground up, with input from anyone who would like to participate in forming an association for the betterment of the industry. At the first meeting, they hope to discuss the nuts and bolts – choose a name, decide on a mission, where to hold meetings, pick a board of directors. Down the road, issues will include education and training for ISOs for standardization and certification within the industry, and access to group health and dental insurance and retirement plans.

When: Feb. 24, 2003, starts at 9 a.m.

Where: Sheraton Suites Tampa Airport, Tampa, Fla., 813-873-8675

How to sign up: Attendance at the conference is free; attendees need to make their own hotel reservations.

RSVP for the conference to:

- Steve Norell: phone 772-220-0386 or e-mail steven@us-merchantservices.com
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ning strategy:

- **Do every task with enthusiasm.** Why? Because enthusiasm is contagious.
- **Help each member be right, not wrong.**
- **Look for ways to make new ideas work** rather than reasons why they won't.
- **If in doubt, check it out.** Try not to make negative assumptions about each other.
- **Support teammates in their victories.** Take pride in the collective group's achievements. It's "We," "Us" and "Ours" – not "They," "Them" and "Theirs."
- **Speak in positive terms** about each other and maintain a positive mental attitude no matter the circumstance.
- **Whatever you want, give it away** – respect, recognition, compassion and power.
- **Act with initiative and courage.** Courage is not the absence of fear. It's recognizing there's something more important and much more effective than fear.
- **Don't lose faith in the team.** Never give up on each other.

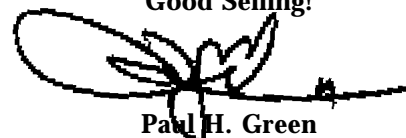
Just One More

No matter what arena you're training in, the mantra that makes the difference is "just one more." Just one more situp, just one more lap ... just one more cold call. Unfortunately, sales professionals don't have a gravelly voiced coach in their face, barking commands. They have to be their own taskmasters to get out of a slump and back on the successful selling track.

When you are feeling the burn from a difficult day, take a deep breath and put "just one more" to the test. The results may surprise you. At the very least, they'll raise your selling endorphins!

- **Read just one more article** about new technology. Then take that knowledge to your existing merchants. It could translate to a value-added sale.
- **Send just one more e-mail.** The response could be a request for more information about your product and services.
- **Dial just one more phone number.** That call could be the one that closes the sale.
- **Walk into just one more new business.** That simple action could create a positive chain reaction.
- **Ask just one more question** during your presentation. The answer could open the door to understanding your prospect's special needs.

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Paul H. Green

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