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June 11, 2012 • Issue 12:06:01

# Join the race to prepaid



**T**he building of a bridge arises out of a desire to connect one physical location to another. Once built, the bridge allows people to travel more quickly and efficiently between two points. In the digital world, data replaces the physical transportation of people over bridges. But it's the same urge that drives the development of new technology.

In the payments industry, the pace of new bridge building has accelerated. Physical POS networks once connected over phone lines were replaced by networks that linked to the Internet, then wirelessly to the Internet, and now to mobile devices in a vast array of configurations. What all these new bridges have in common is they connect to prepaid card accounts, or various kinds of stored-value or transaction accounts.

Network operators and application developers realize that, along with a growing consumer demand for prepaid both domestically and around the world, the accounts can be more flexible payment tools than either credit or debit accounts. Banks and other businesses outside of the prepaid card industry are thus clamoring to enter the space. ISOs and merchant level salespeople locked into traditional credit and debit card processing may want to take the trip, too.

### Pioneer moves to prepaid

The Western Union Co. made the move for good in 2009. Michael Hafer, Vice President, Global Cards, The Americas, at Western Union, said the money transfer specialist dabbled in the space in 2005 but only got serious four years later when it recognized its customers were demanding it.

"We do a lot of consumer research before we build and develop anything," Hafer said. "And it's all based on [asking]: What are consumers looking for? What are they not seeing in the market that they want? And how can we meet those needs? And do we think we can be successful meeting those needs?"

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## NotableQuote

**Have you ever wondered how some agents are able to put a couple of seemingly random applications in over the weekend? Many agents can feel like they are working just as hard comparably, but the deals just aren't dropping as consistently.**

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# Forum

## Sell, lease or place equipment?

Is there a consensus among payment pros about whether it's best for merchants to own their POS terminals or systems, lease them or accept them "free" with strings attached?

Ralph Cordoway  
Cordoway Enterprises

Ralph,

Equipment leasing was once the lifeblood of merchant level salespeople (MLSs), who relied on the monthly income from leasing contracts while building their residual streams. With the advent of free terminals several years ago, the landscape changed, and equipment leasing became far less prevalent. Now, entire POS systems are offered for free, with accompanying service contracts.

Leasing hasn't gone away, and neither have equipment and system sales. It appears there is no consensus on which option is best. The feet on the street are selling, leasing and placing free POS equipment and systems, depending on merchants' individual business needs, as well as on what offerings their ISO partners provide.

When he authored our Street Smarts<sup>SM</sup> column, Eureka Payments LLC President Ken Musante addressed the issue of leasing in a two-part series, "Will leasing make a comeback?, Parts 1 and 2, published Jan. 10 and Jan. 25, 2011, in issues 11:01:01 and 11:01:02, respectively. The articles contain quotes from members of GS Online's MLS Forum that represent a range of viewpoints on the topic of leasing. A few opinions of note (remember, these are just opinions):

- Banks offering accounts to merchants push equipment leasing more than ISOs.
- ISOs with employees, not independent agents, emphasize leasing so they can be assured of steady income to cover salaries.
- A business owner can write off the full value of a lease as an expense, but if the owner buys a terminal, he or she must depreciate the value of the terminal.

There is also a May 2012 thread titled "Pros & cons of subscribing vs. owning POS systems" in the MLS Forum. Forum members voiced differing opinions about whether it makes sense to accept free equipment and pay a fixed monthly fee for service and support, or whether it's best to purchase equipment and pay for service and support as needed.

For example, **JEH1003** said businesses make purchase versus lease decisions every day on everything from "kitchen equipment to computers. ... I think it depends completely on the individual client. In my opinion, a restaurant running \$30k a month or more should generally purchase a system outright if their cash flow allows it. I'm not a fan of leasing or renting anything if it can be avoided."

**NWBC** endorsed participation in free POS placement programs, stating, "I've got the numbers, and over the long term of operating and maintaining a system, the overall cost is less to a merchant through a placement program and not an ownership program. ... What's really being argued here is whether or not an agent should have a business outlook that is short-term or long-term."

Another issue brought up was the difficulty of assessing the relative value of selling, leasing or placing POS systems of varying quality that offer different combinations of features. It's probably best to follow forum member **BER**'s advice: no matter what the situation is, research your options.

Thank you for your question, and best of luck to you.

Editor

## Who are you following?

We've started following Zig Ziglar, @TheZigZiglar, and Tom Hopkins, @TomHopkinsSales, on Twitter because several members of our team find their messages to be highly motivational. Whose tweets are you enjoying. Why? Is following a particular person helping you in your business? How? Let us know. Our Twitter handle is @the\_green\_sheet. So give us a tweet. You can also reach us via email at green-sheet@greensheet.com or by phone at 800-747-4441.



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# QSGS

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

Cover Story

1

## Join the race to prepaid

Along with enjoying increased popularity with consumers both domestically and around the world, prepaid card products can be more flexible payment tools than credit or debit accounts. Thus, banks and other businesses outside of the prepaid card industry are clamoring to enter the space. ISOs and merchant level salespeople may want to take the trip too.

News

28

## Hactivists nab and leak 1.7 gigabytes of sensitive data

A group called UGNazi claimed responsibility for breaching online software and services provider WHMCS Ltd. on May 21, 2012. UGNazi stole hundreds of thousands of customer records, as well as took over WHMCS' Twitter account. UGNazi also deleted all files from the WHMCS server and launched a distributed denial of service attack.

News

24

## PayPal aims for ubiquity with new partnerships

PayPal Inc. intends to provide its payment options everywhere – online, in the mobile arena and, now, offline. PayPal senior executives made this clear during a May 2012 press event at company headquarters in San Jose, Calif., where they indicated PayPal is nearing critical mass in the payments space.

News

30

## PCI SSC issues mobile help, calls for SIG topics

The PCI Security Standards Council recently issued mobile payment security guidance and called for topic suggestions for its special interest groups. Its two-page fact sheet, *At a Glance: Mobile Payment Acceptance Security*, was created by the council's Mobile Working Group with input from merchants, vendors and mobile payment organizations.

News

26

## MasterCard's EMV push, introduction of mobile POS

MasterCard Worldwide is encouraging adoption of Europay/MasterCard/Visa (EMV) technology and working to ensure its payment rails are included as an option in the latest mobile devices. MasterCard is also forming a multi-industry group to help foster EMV implementation in the United States.

Feature

33

## Repeal of N.J. gift card law advances

In May 2012, the New Jersey Senate Budget and Appropriations Committee approved a bill that would repeal the gift card provisions of the state's updated abandoned property law. The bill would reverse changes made to the law in 2010, including removing stored-value (gift) cards from the ranks of escheatable property the state could seize after a dormancy period had elapsed.

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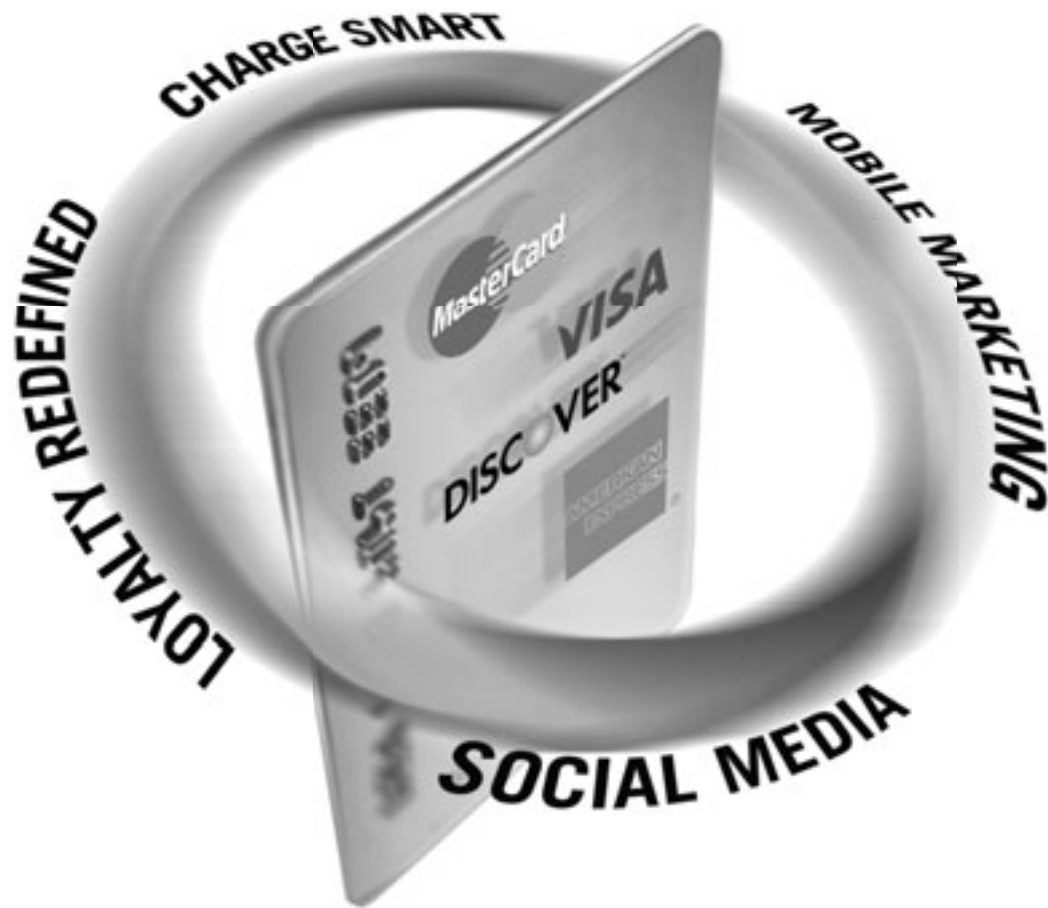
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Feature

35

### CFPB takes first steps to regulate prepaid

The Consumer Financial Protection Bureau began research to determine how to regulate the general purpose reloadable prepaid card market at the federal level. The CFPB issued a call for input about how the market should be regulated to ensure the funds of prepaid card users are protected and that consumers are given appropriate information about card terms and fees.

Feature

40

### Motorola explores mobile POS readiness

A Motorola Solutions Inc. survey of retail, hospitality and field services merchants in North America and Europe revealed 66 percent of retail respondents are interested in mobile POS solutions; 42 percent either currently use or plan to pilot mobile POS solutions within the next three years. Do you have a mobile strategy in place to meet expected demand?

Education

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Street Smarts<sup>SM</sup>

### Do your best and move on - no matter what

It can be said that the best advice is shared by people who have learned from their own experiences - people who have "been there, done that." One morsel of advice many successful people have shared in various guises is to always do your best, then move on and never, ever look back in regret.

Education

64

### A sense of urgency

Just about every ISO pays some sort of signing bonus or conversion bonus. Some are large, some are small, but they all pay an upfront bonus. Why not take all or part of your bonus and give it to the merchant as long as he or she signs right now? This is just one of many ways to create a sense of urgency that will drive merchants to sign with you.

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Education

66

### **The shifting ground of pricing**

One purpose of an ISO agreement is to plan for unforeseen fees. ISOs, merchant level salespeople and processors owe each other the extra thinking required to allow for future implementation of such fees. This article proposes a paradigm that could be seen as reasonably acceptable to both parties to an agreement and that penalizes neither.

Education

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### **Marketing your business with YouTube**

YouTube, the world's most popular video sharing site, is a great tool for businesses, both large and small: it's free, easy to use and has broad market reach and appeal. It's only natural for companies in the payments industry to think about leveraging YouTube for business success. So get out that video camera; it's time for you to reap the benefits of this creative opportunity.

Education

70

### **What is the most productive thing you've done today?**

When trying to replicate the success of industry leaders, it is easy to become intimidated by the order of magnitude in which they operate. However, at the core of their successful processes are simply relationships that have been established for the mutual benefit of all involved. Specific actions can help you build your own relationships and grow them to be just as strong.

Inspiration

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### **Each sale is a new tent to pitch**

As summer approaches, camping and outdoor activities are top of mind for many of us. Rummaging through dusty backpacks, tents, and fishing gear to assess their condition and determine what other items are needed can be a painstaking process, but it sets the tone for the experience that lies ahead. The same holds true for pitching new merchant accounts.



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# IndustryUpdate

## NEWS

### Bill offered to stop ATM nuisance suits

A bill introduced in the U.S. Senate in May 2012 would end nuisance lawsuits filed over some ATM operators' failure to comply with a federal requirement to display a fee notice on the cash dispensary machines.

**Sen. Michael Johanns**, R-Neb., ranking member of the Senate Banking Subcommittee on Security, International Trade and Finance, introduced S3204. The bill resembles legislation introduced in the House, HR4367, calling for an end to the requirement that a fee notice be physically attached to ATMs.

Johanns' Press Secretary, Paul Donahue, said the problem is current law requires a fee disclosure notice on ATMs and an electronic disclosure on ATM screens. "ATM operators have been faced with expensive, frivolous lawsuits by users who remove the physical placard and then sue for noncompliance," he said. "Sen. Johanns' bill would eliminate the duplicative requirement of the physical placard."

Donahue said the bill is supported by the American Bankers Association, Independent Community Bankers of America, the Credit Union National Association and the National Association of Convenience Stores.

### MasterCard to appeal EU interchange ruling

**MasterCard Europe** promised it will appeal the European Union General Court's May 24, 2012, decision upholding the European Commission's ban on

MasterCard's cross-border interchange fees. The prohibition was imposed by the EC in December 2007 and then suspended in March 2008 when the card company appealed the EC's decision.

MasterCard Europe President Javier Perez said his company believes everyone involved in a transaction should pay a fair share of the benefits received. "[This] ruling, if it stands, would upset that sharing and tip the balance decidedly against consumers," he said. "It would also threaten the continued delivery of the most advanced electronic payment technologies in Europe which, in turn, are essential to facilitating business and driving economic growth."

The EC said the decision confirms its judgment that MasterCard banks restricted competition by "agreeing on certain charges to the detriment of consumers." The EC noted MasterCard agreed in 2009 to reduce cross-border merchant interchange fees for debit and credit cards and adopt transparency measures. The EC said that agreement has expired.

### Swift Exchange champions global response

**Richard Postrel**, Chief Executive Officer and founder of loyalty program provider **Swift Exchange**, called for an internationally coordinated response to cyber attacks. His call to action followed recent discussions held by the United States and China on the growing threat of such attacks. Global police network Interpol estimated cyber crime will cost Europe alone more than \$977 billion annually by 2014.

In a May 21, 2012, statement, Postrel referred to remarks

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LINES

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WORLD

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- The **U.S. Department of Commerce** reported e-commerce sales totaled \$50.27 billion in the first quarter of 2012, making it the first time outside the fourth quarter of any year that e-commerce sales have topped \$50 billion.
- **Research and Markets'** *Luggage and Leather Goods: Global Industry Guide* predicted global luggage and leather goods sales will reach \$90.7 billion in 2016, up from \$69.7 billion in 2011. Bags, wallets and purses are expected to comprise 61.3 percent of all sales.
- A recent **First Research** *Computer & Software Stores Industry Profile* of 10,000 stores with combined annual revenue of \$16 billion revealed computers and peripherals accounted for 60 percent of sales; software, 10 percent; video recorders, cameras and electronic game devices, 5 percent.

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## Industry Update

he made at his company's Cyber Security Forum in Washington in April 2012. He noted at the forum that countries such as Iran, China, Russia, North Korea and others are "hard at work recruiting legions of cyber terrorists capable of launching all-out war." It is for this reason he is now calling for "heightened" international cooperation to deter cyber crime.

Postrel said participants in the Cyber Security Forum included representatives from the U.S. Department of State, the FBI's Cyber Division, the National Security Administration and other government agencies. The forum was co-sponsored by the global law firm DLA Piper.

### Bango agreements with Microsoft, Google, MC

Mobile payment and analytics company **Bango PLC** reported it has reached agreements with **Microsoft Corp.**, **Google Inc.** and **MasterCard Worldwide** to incorporate its payment services. Bango's software enables consumers to pay for apps, content and services from smart phones and tablets; it is designed to integrate with mobile network operators (MNOs) and other payment providers.

Bango's agreement with Google allows MNOs to use Bango's payment platform to connect their billing systems with the Google Play App Store for Android. The MasterCard agreement makes Bango a technology partner for MasterCard's PayPass mobile wallet. Bango said it is not yet clear how Microsoft will incorporate Bango payment services.

Bango provides payment services for Research In Motion Ltd.'s BlackBerry App World on 40 MNOs in 34 countries for more than 360 million subscribers. New integrations covering 900 million more subscribers are underway.

Bango CEO Ray Anderson said the company is encouraged by the adoption of Bango technology by payments industry leaders. He stated the company's focus is on delivering "services on a scale demanded by our app store payment provider and content provider customers."

### CNP Awards highlight industry accomplishment

Several payment companies were among the winners in the inaugural **Card-Not-Present (CNP) Awards** held at the 2012 CNP Expo hosted by CardNotPresent.com. The Expo occurred May 20 to 22 at the Buena Vista Resort in Orlando, Fla. The awards honor outstanding CNP companies, programs and solutions. Among the winners were:

- **Digital River Inc.:** Best e-Commerce Platform/Gateway and Best Processor

- **First Data Corp.:** Best in Category/Judge's Choice award for Best Processor and, with **Google**, Best Mobile Solution for Google Wallet
- **Kount Inc.:** Best Overall Fraud/Security Solution
- **mopay Inc.:** Best Direct Carrier Billing
- **OmniPay Ltd. (First Data's European payment processor):** Customer Choice award for Best Processor and Customer Choice award for Best Chargeback Management Solution

## ANNOUNCEMENTS

### ACI updates products

**ACI Worldwide Inc.**, an international provider of payment solutions, released the latest version of **ACI Acquirer**, its comprehensive multicurrency system for managing merchant accounts, histories and settlements. ACI also launched the newest version of **ACI Interchange**, the company's central monetary transaction manager for clearing card transactions.

### Apriva processes \$1.86 billion

**Apriva LLC** reported its wireless POS gateway processed more than \$1.86 billion in payment transactions in the first quarter of 2012, a 22 percent increase over the same period in 2011. The company recorded more than \$7 billion in wireless payment transactions in 2011.

### CPAY releases anti-fraud software

**Central Payment (CPAY)**, a national payment processor, released **CentralView**, its new anti-fraud software. **CentralView** identifies emerging risks in merchant processing activity and increases CPAY's fraud prevention capability. **CentralView** reportedly allows real-time data analysis and the ability to quickly identify risk or fraud through monitoring and reporting tools.

### Elavon rolls out MobileMerchant

U.S. Bancorp subsidiary **Elavon Inc.**, a global payment solutions provider, recently initiated the full production release of **MobileMerchant** after deeming the product's pilot project a success. According to Elavon, **MobileMerchant** is a complete payment solution that transforms mobile devices into payment terminals, allowing businesses to accept card payments quickly and securely anywhere, anytime, and without a major investment of money or effort.

### PayLeap offers \$1 million for developers

Payment platform provider **PayLeap** is setting aside \$1 million to help fund development of apps that connect to its payment gateway. The **PayLeap Preferred Partner Program** will help with the application development costs and with co-marketing and promotional costs for the app.

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## Industry Update

### SCA calls for papers

The **Smart Card Alliance** is soliciting ideas for new topics for its 11th Annual Government Conference. This year's theme is Smart Strategies for Secure Identity. The topics should be directed toward policy and infrastructure changes needed to enhance security in information technology. For guidelines on how to submit topic proposals, go to [www.govsmartid.com](http://www.govsmartid.com). The deadline is July 13, 2012.

### TSYS approves cash dividend

**Total System Services Inc.** (TSYS) disclosed that its board of directors approved a quarterly cash dividend of 10 cents per share on TSYS common stock, payable July 2, 2012, to TSYS shareholders of record as of the close of business on June 21.

### USA ePay releases new Android POS line

Gateway provider **USA ePay** released PaySaber Jack, a mag-stripe reader for Apple Inc. and Google Android mobile devices. The card reader reportedly includes end-to-end encryption and scans up to three tracks of information with a single swipe. The device will read credit cards, signature debit cards, gift cards, loyalty cards, driver's licenses and identification badges.

### WorldPay launches DMS platform

Payment processor **WorldPay US Inc.** released its Dispute Management System (DMS), a program that automatically monitors and processes requests for information and chargebacks. WorldPay said DMS will facilitate chargeback management, reduce issuer penalty fees and help prevent merchant online account suspension.

## PARTNERSHIPS

### Electronic Payments offers AmEx OnePoint

Payment processor **Electronic Payments Inc.** is now offering the **American Express Co.** credit card acceptance solution OnePoint. AmEx will handle participating merchants' acceptance contracts and establish merchant pricing. Electronic Payments will process OnePoint merchant front-end authorization platforms and back-end clearing and settlement platforms.

Michael Nardy, founder and CEO of Electronic Payments, said OnePoint "eliminates the inconvenience and complications that frequently arise when businesses accept multiple card brands and partner with multiple providers."

### Ingenico, Vantiv partner

Terminal manufacturer **Ingenico SA** and payment processing and technology provider **Vantiv Inc.** reached an agreement to allow Vantiv to market its point-to-point encryption solution with Ingenico's Telium POS products in the United States. The companies stated the agreement supports the migration to Europay/MasterCard/Visa and near field communication mobile payments in the United States.

### NPC, Strategic Payments' new agreement

Vantiv payment processing provider **National Processing Co.** signed a new long-term ISO contract with **ISO Strategic Payment Systems Inc.** for delivery of debit and credit card services to merchants. NPC will also provide long-term financing for SPS.

### Scoutmob, First Data team

Mobile location-related coupon provider **Scoutmob** is integrating its services with payment processor **First Data's** First DataSM OfferWiseSM solution. The two solutions connect through an application programming interface developed by payment infrastructure company **CardSpring Inc.**

In other news, Scoutmob said it received \$3.25 million in financing from a group that includes AOL Inc.'s AOL Ventures, Capitol Broadcasting Co., Cox Enterprises Inc. and New Atlantic Ventures, among others.

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## Industry Update

### TSYS signs Qatar National Bank

TSYS signed a licensing agreement with **Qatar National Bank** to allow the bank access to TSYS' card and merchant management solution Prime4. QNB has been a TSYS client since 1999. QNB will offer Prime4 in multiple countries, in multiple languages and in multiple currencies on a multi-institutional platform to promote cross-border expansion.

small to midsize merchant market. Intuit paid approximately \$423.5 million for Demandforce.

## APPOINTMENTS

### Baranera promoted at BlueStar

**Albert Baranera** was promoted from Vice President of Distribution for Latin America and Southern Europe to President and Managing Director of BlueStar EMEA. Baranera is responsible for growing BlueStar's European, Middle East and African business and overseeing all operations and development across BlueStar's EMEA network.

### CO-OP elects new officers

**Terry Laudick**, President and CEO of New Mexico Educators Federal Credit Union, was elected to a one-year term as Chairman of the Board of CO-OP Financial Services.

Another three of the 11-member board were elected to officer positions:

**Doug Ferraro**, President and CEO of Bellco CU, is the new Vice Chairman/Chairman Elect; **Jeff Napper**, President and Chief Financial Officer at LBS Financial CU, is the new Treasurer; and **Allan McMorris**, President and CEO at Oakland County CU, is the new Secretary.

### CorFire promotes, hires execs

Mobile technology solutions provider CorFire promoted Senior Vice President of Business Development and Strategy **Jon Squire** to Chief Marketing Officer. He will be responsible for guiding the company's marketing program. CorFire also hired former Aikon Consulting LLC President **Tom Zalewski** to be Vice President of Sales.

### Krieg new Merchant Link VP

**Geoffrey Krieg** is the new Vice President of Product Management at payment gateway and security solutions provider Merchant Link. Krieg worked the last four years as a European e-commerce consultant before rejoining Merchant Link, where he was hired as Director of Service Delivery in 2003. He is now charged with product development strategy.

### Turner hires on to CPP

**Sheena Turner** is the new Recruiting Assistant Manager at Certified Payment Processing LP. Turner formerly worked for Stream Energy and The Home Depot U.S.A. Inc. Turner will oversee CPP's recruiting department operations, including coaching and developing recruiters, enhancing the activity and productivity of the recruiting floor, and recruiting and hiring recruiters. ☐

## ACQUISITIONS

### Google acquires Motorola Mobility

Google Inc. closed its purchase of **Motorola Mobility Inc.** and replaced Motorola Mobility CEO Sanjay Jha with Dennis Woodside, who had been serving as Google's President of the Americas Region. Google paid \$12.9 billion for Motorola Mobility.

### Intuit completes Demandforce acquisition

Payment software manufacturer **Intuit Inc.** wrapped up its acquisition of **Demandforce**, a manufacturer of online marketing and communications tools for small to midsize retailers. Intuit said the acquisition accelerates expansion of its software-as-a-service business in the

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## PayPal aims for ubiquity with new partnerships

**P**ayPal Inc. intends to provide its payment options everywhere – online, in the mobile arena and, now, offline. PayPal President David Marcus and PayPal Vice President of Retail and Prepaid David Kingsborough made this clear during a May 24, 2012, press event at company headquarters in San Jose, Calif., where they indicated PayPal is nearing critical mass in the payments space.

The company now has agreements with all three major POS terminal manufacturers and four new POS software vendors to integrate PayPal payment software on their terminals and in their software. The agreements give PayPal access to 40 million terminals globally, making it a nearly universal option for customers of large and mid-size brick-and-mortar retailers, PayPal noted.

PayPal heralded new partnerships with terminal manufacturers VeriFone Inc. and Equinox Payments LLC, respectively the number one and number three terminal manufacturers in the world. These payment hardware providers agreed to include the entire PayPal payment suite on their consumer-facing terminals. PayPal already has a similar agreement with the world's number two terminal manufacturer Ingenico SA.

Consumers will be able to choose any of the PayPal payment options at retailers offering the service on their POS terminals – PayPal card and PIN, phone number and PIN, or, in the near future, near field communication (NFC) and PIN.

PayPal also touted new agreements with four POS software providers: Leapset Inc., a POS system for restaurants that allows customers to order, check in, earn rewards and pay – all before arriving at the restaurant; ShopKeep.com Inc., a software-as-a-service (SaaS) for the Apple Inc. Mac and iPad POS systems; Vend Ltd., an online POS and inventory management software provider; and Erply, a SaaS POS provider. These companies collectively offer access to 50,000 mid-market offline businesses using their software. PayPal additionally stated 15 new national retailers will install its payment software on their POS terminals.

### What the agreements mean

Marcus said retailers can adopt the PayPal solution without ripping out and replacing their current POS hardware, installing NFC devices or instituting terminal upgrades. He noted PayPal calculates that the potential for the offline market is 17 times greater than its online business and added that the company projects it will process more than \$7 billion in mobile payment volume this

year, not including its new offline processing business. "We are approaching ubiquity," Kingsborough said. "We will be everywhere the consumer wants to be."

Dwaine Kimmet, Treasurer and Vice President of Financial Services for PayPal partner The Home Depot U.S.A. Inc., said at the press conference that he believes PayPal is driving electronic wallet acceptance. "There is not another retail solution out there that keeps the customer at the forefront," he said, adding that PayPal provides the potential for adoption and ubiquity that NFC technology does not because "there is no standard for NFC at the moment."

### PayPal good for payment pros

Rick Oglesby, a Senior Analyst with the business technology research and advisory firm Aité Group LLC, said PayPal's move into the brick-and-mortar merchant realm represents "a big opportunity for the acquiring space." He told *The Green Sheet* PayPal's decision to focus on cloud-based POS providers that can turn on multiple markets at a time is a "no-brainer strategy" that makes inroads into a new and growing segment of the payments market.

However, he pointed out PayPal remains less a payment network than a payment brand, and in the background, PayPal is still using the traditional card brand payment rails.

### Merchants need assistance

Oglesby said PayPal's big challenge is to activate the 40 million terminals to which the POS manufacturing partnerships give it access. He believes many of those terminals aren't compatible with PayPal's software solution and, therefore, represent a hands-on opportunity for merchant level salespeople. Terminals and software need support at the local level with setups and upgrades. "They are going to need ISOs," he said. "Turning things on at the VeriFone level isn't going to get them where they want to go."

According to Oglesby, PayPal's enablement of "a variety of dynamic consumer solutions and back-end solutions" in which acquirers will play a big part is potentially another benefit for merchant services providers. For instance, the PayPal Media Network offers traditional, brick-and-mortar retailers behavioral, demographic, location and contextual targeting to support local advertising, loyalty and coupon programs.

The merchant pays for this service as potential customers "click" on offers. "It should mean a lot to merchants if a retailer only pays when they get a reaction," Oglesby said.

PayPal still has a "tough road ahead" to adoption, Oglesby said, adding that merchant adoption is only part of the equation for PayPal. For PayPal's reach into the offline merchant realm to be successful, consumers still have to adopt the PayPal payment system. ■





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## MasterCard's EMV push, introduction of mobile POS

**M**asterCard Worldwide is encouraging adoption of Europay/MasterCard/Visa (EMV) technology and working to ensure its payment rails are included as an option in the latest mobile devices.

Speaking at the Smart Card Alliance's NFC Solutions Summit 2012 in Burlingame, Calif., May 23, 2012, James Anderson, MasterCard Senior Vice President for Mobile and Emerging Payments, noted that EMV has the ability to provide quick, relevant data when, for example, people want more information about exhibits in museums or more information about advertised products. "Payment can be an enabler to a rich ecosystem of services," he said.

Anderson also said MasterCard embraced near field communication (NFC) because it has the "fundamental requirements" for payment security in the transaction, and it allows a two-way exchange of information between payor and payee.

MasterCard is participating in the Google wallet and the Isis wallet launches, Anderson pointed out. "We are going from an environment where the payment device is the center of the industry" to a new model where there are

opportunities to leverage the mobile platform and consumer preferences on a shared platform, he stated.

Anderson called for standardization of both the wallet interface and security. "Standardization across payment networks – that's what we do," he said, adding that MasterCard has already certified several new mobile devices as "PayPass Ready," that is, capable of NFC payment.

### Calls for industry cooperation

MasterCard is also forming a multi-industry group to help networks, issuers, merchants, acquirers, processors, terminal manufacturers, card manufacturers and others implement EMV in the United States.


Chris McWilton, MasterCard President of U.S. Markets, said, "Industry collaboration has proven to be critical to the successful migration to EMV in other parts of the world. It's our goal to bring the industry together in an objective forum."

MasterCard envisions the group focusing primarily on providing guidance on technical issues and standardization, creating common terms, descriptions and guidelines for EMV devices, and sharing and implementing best practices.

### New mobile POS program

In addition, MasterCard is launching a global effort to educate mobile POS solution providers and merchants on best practices when using new mobile POS technology.

The MasterCard Mobile Point-of-Sale (MPOS) Best Practices document includes advice on securing MPOS payment applications, securing transaction data captured by an MPOS card reader accessory, securing personal account numbers, EMV chip transactions and more.

MasterCard solution providers can check their solutions against MasterCard Best Practices and apply to be listed on the company's website. Registration for the program begins in July 2012. 



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## Hactivists nab and leak 1.7 gigabytes of sensitive data

**A** group called UGNazi claimed responsibility for breaching online software and services provider WHMCS Ltd. on May 21, 2012. UGNazi stole hundreds of thousands of customer records, as well as took over WHMCS' Twitter account. UGNazi also deleted all files from the WHMCS server and launched a distributed denial of service (DDoS) attack. The attack rendered WHMCS temporarily unable to deliver its web hosting control panel and client management, billing and support services to its customers.

While U.K.-based WHMCS's target market is web hosts, it serves a variety of online businesses. The intrusion resulted in the leaking of the 500,000 user names, passwords, Internet Protocol addresses and some credit card details, according to posts by UGNazi on the WHMCS Twitter account it commandeered. Press reports following the breach said UGNazi released 1.7 gigabytes of data and also made off with and leaked WHMCS' encryption key, which was allegedly stored in clear text in the server's root directory.

### A social engineering maneuver

In the WHMCS company blog shortly after the attack, Matt Pugh, WHMCS' lead software developer, confirmed, "credit card information although encrypted in the database may be at risk." Pugh also said the incident was the result of a social engineering attack. He wrote, "The person was able to impersonate myself with our web hosting company, and provide correct answers to their verification questions. And thereby gain access to our client account with the host, and ultimately change the email and then request a mailing of the access details.

"This means that there was no actual hacking of our server. They were ultimately given the access details. This is obviously a terrible situation, and very unfortunate, but rest assured that this was no issue or vulnerability with the WHMCS software." Pugh later said the FBI had been called in to investigate the attack. He also acknowledged that "a more robust hosting infrastructure" should have been in place and said the company will be moving to a multiserver hosting infrastructure soon.

UGNazi claimed it targeted WHMCS because the company allegedly does business with fraudsters. "Many websites use WHMCS for scams," UGNazi tweeted

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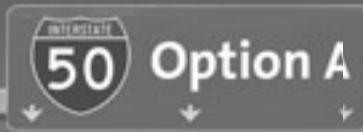
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## News

from the compromised WHMCS Twitter account. "You ignored our warnings. We spoke louder. We are watching; and will continue to be watching."

### The security industry perspective

Coincidentally, Mark Bower, Vice President of Cupertino, Calif.-based Internet security firm Voltage Security Inc., led a Voltage-sponsored webinar on mobile security strategies on May 22 – when WHMCS was still in the throes of the DDoS attack. In the discussion, Bower stressed there are security risks "across the payment ecosystem." Voltage provides data encryption and key management security services.

Bower feels payment security risks are so great that he recommended companies assume they have already been breached. "You need to work out a way to be sure your critical assets are protected irrespective of whether there is a breach or not," he said. "You don't need a separate strategy for mobile data. You have to get down to the data level and have a consistent policy to manage data's many risks."

After the webinar, Bower commented on the WHMCS break-in and theft. He said the breach "is troublesome on many levels," including the relatively easy access to administrative controls; the lack of correct Payment Card Industry Data Security Standard implementation; and, assuming the reports are accurate, encryption keys stored in the clear on the same system as the data itself. Bower said data breaches are avoidable using techniques such as encryption and tokenization, which render data useless to thieves. ■

## PCI SSC issues mobile help, calls for SIG topics

The PCI Security Standards Council (PCI SSC) recently issued mobile payment security guidance and called for topic suggestions for its special interest groups (SIGs). Its two-page fact sheet, *At a Glance: Mobile Payment Acceptance Security*, was created by the council's Mobile Working Group with input from merchants, vendors and mobile payment organizations.

The document was released to help merchants understand their Payment Card Industry (PCI) Data Security Standard (DSS) responsibilities, benefit from the council's point-to-point encryption (P2PE) standard and choose a mobile payment solution that meets their needs. The fact sheet also has information on updates made to the council's PIN Transaction Security (PTS) Requirements.

### Giving merchants a hand

Tony Leach, PCI SSC Chief Technology Officer, said,

"With this fact sheet we hope to help merchants understand how these standards work and the options that are available to them for accepting mobile payments in a secure and PCI DSS compliant manner." The recommendations for merchants include partnering with a validated P2PE solution provider, using an approved PIN entry device or approved secure card reader, and complying with the PCI DSS.

David Abouchar, Senior Director of Product Management and Development for PCI compliance and security solutions provider ControlScan, said the fact sheet arrived at a "great time" when merchants are feeling the need to meet consumer mobile payment demands. "Until the industry finds a way to harden the security of mobile devices themselves, point-to-point encryption provides a viable way for merchants to accept mobile payments without fear of card data being compromised at the mobile device level," he said.

Greg Anderson, Senior Vice President, Product Development, at POS security provider Phoenix Managed Networks, added, "I think it is great that the PCI Security Standards Council continues to provide guidance to merchants regarding new acceptance technologies. It is incumbent upon the SSC to inform, educate and communicate the security risks of mobile payments and recommended technology options such as P2PE that can be implemented to minimize merchants' risk."

### Topics for special interest groups needed

Bob Russo, PCI SSC General Manager, is asking for new topics for its Special Interest Group (SIG) projects. He also said the council created an enhanced web form this year to allow topic submissions online. As of June 1, 2012, submissions are being accepted at [www.pcisecuritystandards.org/get\\_involved/special\\_interest\\_groups.php](http://www.pcisecuritystandards.org/get_involved/special_interest_groups.php). The submission period will close July 31.

Russo stated council SIGs are wrapping up work on e-commerce and risk management, two topics suggested in 2011. The final discussion papers will be ready in August. A third SIG report on cloud computing is expected in October.

The PCI SSC also is granting an additional 30 days for proposals this year to allow more time for SIG proposers to be notified and prepare for the council's upcoming Community Meetings where a short list of proposed SIG topics will be discussed and voted on. Topics under consideration will be listed on the PCI SSC website.

"This year was the year of technology," Russo said when asked what topics he expects to see on the 2012 to 2013 list. "Actually it was the year of mobile. We saw the introduction of EMV, and we may see a desire for additional information on EMV even though we did have an EMV SIG a couple of years ago. I also think point-to-point encryption is a possible topic." ■

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# Selling Prepaid



## Prepaid in brief

### NEWS

#### FCC warns of prepaid calling card schemes

The **Federal Communications Commission** issued a public notice to caution consumers that some prepaid calling card companies are not providing the calling minutes advertised. Despite taking aggressive action against such companies and fining them a total of \$25 million in the last nine months, "some carriers appear to be continuing these misleading practices," the FCC said. FCC investigations found companies charged undisclosed fees that reduced the number of calling minutes available to consumers to only a fraction of what was advertised.

#### Prepaid 2012 challenges players to enter the Den

At the annual **Prepaid 2012** conference to be held mid-June in London, a new innovators' showcase called the Prepaid Dragons' Den will allow companies to pitch prepaid card products and programs to judges and event participants. Conference organizer Clarion Events Ltd. said three to four companies will be chosen to pitch solutions to European program managers, retailers, transport operators, local government authorities, banks, mobile network operators, corporations and gambling operators.

Toronto-based virtual travel card provider **UseMyServices Inc.** said it had been chosen for the showcase. Prepaid 2012 will take place June 12 through 14 at the Park Plaza Victoria hotel in London.

#### Largest U.S. bank enters GPR market

The latest U.S. bank to enter the network-branded, general-purpose reloadable (GPR) prepaid card market also happens to be the largest. **JPMorgan Chase & Co.** reported it is piloting the Chase Liquid prepaid card in about 200 bank branches, with a goal of launching nationally this summer.

Analysts said JPMorgan took this action in response to the Durbin Amendment to the Dodd-Frank Act of 2010, which reduced by roughly half the amount of debit card interchange that the card brands and their networks of

banks could charge merchants for accepting electronic debit card payments. Lower debit card fees have forced banks to find alternative sources of revenue, with prepaid card products chief among the alternatives, analysts said.

### ANNOUNCEMENTS

#### Blackhawk names Hawk Awards winners

Prepaid card distributor and Safeway Inc. subsidiary **Blackhawk Network** reported the following winners of the sixth annual Hawk Awards: J.C. Penney Co. Inc.'s **jcpenny** and **Sephora** store chains, Apple Inc.'s **iTunes**, The Kroger Co.'s **Kroger C-Quad Fuel**, **Safeway**, **Lowe's Companies Inc.**, **BI-LO LLC**, American Banknote Corp.'s **ABnote North America** and **Gift Card Impressions**. The Hawk Awards recognize achievement in the prepaid card industry.

#### Challenge finalists revealed

Venture capital fund **Core Innovation Capital** named the four finalists for the second annual Core Underbanked Innovators Challenge: Santander Consumer USA Inc., Juntos Finanzas, Sociogramics Inc. and TIO Networks Corp. Core will award the company with the best new product or service innovation at the Center for Financial Services Innovation's 7th Annual Underbanked Financial Services Forum to be held June 15, 2012, in San Francisco.

#### edō Interactive orbits with Offers

Nashville, Tenn.-based social network services provider **edō Interactive** is beta testing Geocommerce Offers, a card-linked service that uses purchase location data to deliver targeted, real-time offers via mobile devices tailored to consumers' shopping activity and physical location. The service is set to go live in July 2012.

#### VendTek upgrades website

British Columbia, Canada-based **VendTek Systems Inc.**, the parent company of Now Prepay, redesigned its website to make it more functional and user friendly. The new website can be found at [www.vendteksystems.com](http://www.vendteksystems.com).

#### Yalamanchili enters European prepaid market

India-based payment processor **Yalamanchili** extended its prepaid card processing services to European financial institutions. The processor said legacy processing systems in Europe are hindering the growth of the prepaid card market across the continent.



## PARTNERSHIPS

### Zynga, AmEx launch rewards program

American Express Co. and social game developer Zynga Inc. introduced Zynga Serve Rewards, a new program tied to AmEx's Serve digital wallet. Players of Zynga's FarmVille social game on Facebook can "plant" Serve Money Trees on their virtual farms and earn Zynga Farm Cash for virtual awards redemption, the partners said.

### APMEA to get prepaid m-wallet

Mobile payment technology provider C-SAM Inc. and MasterCard Worldwide collaborated on a prepaid mobile wallet solution for the Asia Pacific, Middle East and Africa regions. The venture integrates C-SAM's Mobile Transaction Platform with MasterCard's prepaid processing platform and its PayPass Wallet Services.

### San Diego players partner for international card

Global Payout Inc., a gateway provider for multinational companies, and payment technology firm Boundless Payment Solutions Inc. inked a deal to launch a MasterCard-branded prepaid card that can be issued internationally. Both companies have corporate offices in San Diego.

### White Eagle, Valitor team in the U.K.

Iceland-based merchant acquirer Valitor joined with U.K.-based prepaid card issuer and program manager White Eagle (Europe) PLC to enter the U.K. prepaid market. The agreement is part of Valitor's initiative to diversify its portfolio.

## ACQUISITIONS

### CPI Card Group buys ID Data Assets

Littleton, Colo.-based prepaid card producer CPI Card Group purchased the operating assets of U.K.-based card producer ID Data Cards Ltd. CPI said the purchase strengthens the company's card production, personalization and fulfillment capabilities worldwide, as well as expands CPI's reach internationally.

## APPOINTMENTS

### De Dios to helm Coopera

Miriam De Dios was promoted from Vice President to CEO of Affiliates Management Co. subsidiary and prepaid program manager Coopera. De Dios, a native of Jalisco, Mexico, will lead the implementation of Coopera's mission to provide the Visa-branded Coopera Card to Hispanic communities via credit unions.

### Griffiths promoted at Neopay

Neopay Ltd., a U.K.-based compliance specialist for the prepaid card industry, promoted Julian Griffiths to Chief Operating Officer. Griffiths joined Neopay in January 2010 from the U.K. regulator Financial Services Authority. Neopay said Griffiths has been instrumental in the delivery of Neopay's authorization and auditing services. Griffiths brings over 20 years of experience in the financial services industry to his new role and is expected to help continue Neopay's expansion. The company recorded 300 percent growth in 2011. 



## Features

## Repeal of N.J. gift card law advances

**O**n May 17, 2012, the New Jersey Senate Budget and Appropriations Committee approved a bill that would repeal the controversial gift card provisions of New Jersey's updated abandoned property law. The Senate bill would reverse changes made to the law in 2010, including removing stored-value (gift) cards from the ranks of escheatable property the state could seize after a dormancy period had elapsed.

S1962, sponsored by Sen. Shirley K. Turner, D-District 15, would thus eliminate the provision that New Jersey retailers obtain ZIP codes from gift card buyers. That provision of the law prompted card brand American Express Co. to remove its network-branded gift cards from the stores of New Jersey retailers. Prepaid card distributors InComm and Blackhawk Network announced similar plans.

The updated abandoned property law has not yet been implemented as legal challenges have kept it tied up in the courts. The New Jersey Retail Merchants Association and the Retail Gift Card Association jointly released analysis conducted by First Annapolis Consulting that estimated the potential annual loss of sales tax revenue to the state due to the abandoned property law would be between \$64 million and \$94 million.

"As gift cards exit New Jersey, this incremental spending is eliminated from the market, lowering total retail sales in New Jersey," the associations said. "Any decrease in New Jersey's retail sales would also result in a decrease in the state's sales and use-tax revenue."

### Unintended consequences

New Jersey updated its abandoned property provisions in

## Selling Prepaid

June 2010, when A3002 was signed into law by Republican Governor Chris Christie. The law included, for the first time, the leftover balances on unused gift cards as among the types of abandoned property that New Jersey could seize for state coffers. It was estimated that the Garden State could collect up to \$55 million annually in unused gift card funds.

But gift card advocates and merchants mounted legal challenges to the new law, arguing among other things that the reporting requirements on gift card purchases stipulated by the law would be too time consuming and costly to implement and would result in providers and retailers eliminating gift card programs in New Jersey.

In the New Jersey Assembly, a bill similar to S1962 is working its way through the house. A1871, sponsored by three Democratic assemblymen, would not only remove gift cards from the ranks of escheatable property, but eliminate any gift cards sold in New Jersey from having expiration dates, thus allowing cardholders access to gift card funds into perpetuity.

The New Jersey lawmakers said the updated law had caused uncertainty for businesses and consumers and that A1871 would alleviate that uncertainty.

## Garden State admin makes its case

The State of New Jersey Department of the Treasury said AmEx and the distributors are engaging in a misinformation campaign. "The large card companies would have you believe that the state is 'grabbing' or 'taxing' gift cards," the Treasury said in a statement. The office characterized the card companies' actions as an attempt to "protect giant card issuers' anti-consumer business practices and unjustifiable profit-grabs from abandoned or forgotten gift cards."

The Treasury said the updated law provides "long-overdue protections to buyers of gift cards by preventing gift card issuers from depleting and then taking consumers' unused balances" and prevents gift card sellers from charging "exorbitant 'inactivity' or 'dormancy' fees that deplete and ultimately eliminate the value of cards over time."

The Treasury also stated that, under the new law, unused gift card funds transferred to the state after two years of inactivity actually help consumers. "Unlike balances taken as extra 'profit' by an issuer, every penny the state holds in unused gift cards can be reclaimed by consumers – forever," the department said. "And the value of the card is available to the customer – with interest – forever."



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The office added that the law helps the state of New Jersey, saying, "[I]f an unredeemed gift card balance is never claimed by a consumer, it is only appropriate that it be made available for the benefit of all New Jerseyans to prevent tax increases and service cutbacks."

### Potential domino effect

John Holub, President of the NJRMA, believes a version of S1962 stands a better chance than A1871 of being signed into law by Gov. Christie, since the former bill is more narrowly focused on gift cards, while the latter legislation also deals with unused travelers' checks and money orders.

Holub said [giftcardusersunite.com](http://giftcardusersunite.com), a website that informs New Jersey consumers of the unclaimed property law controversy, is having the desired effect, as the state's residents see that gift cards will be available in neighboring states, but not in New Jersey. "Consumers are starting to recognize the effect [the law] will have on them," he said.

Holub added that the New Jersey associations continue to communicate with the state's administration to try and reach a resolution to the issue. He said the administration can quickly resolve the problem by issuing exemptions from the law for gift card providers. Holub's fear is that if the law is enacted as it stands, it could have a negative "domino effect" on other states and further reduce the availability of gift cards to consumers. 📱

## CFPB takes first steps to regulate prepaid

**T**he Consumer Financial Protection Bureau initiated a fact finding process to determine how to regulate the general purpose reloadable (GPR) prepaid card market at the federal level.

The newly formed agency issued a call to the industry and other constituents to offer input about how the market should be regulated to ensure the funds of prepaid card users are protected and that consumers are given appropriate information about card terms and fees to make informed financial decisions.

On May 23, 2012, the CFPB issued an Advance Notice of Proposed Rulemaking (ANPR) designed to elicit information from the public, including the business community, about GPR cards. The agency said it is especially interested in learning about the costs, benefits and risks of GPR cards to consumers. It intends to extend to GPR card users the Regulation E fee disclosure protections afforded credit and debit cardholders. Reg E is part of the Credit Card Accountability, Responsibility and Disclosure Act of 2009.

The ANPR asks 10 questions about GPR cards, such as how the cards should be defined in the context of Reg E and issues related to GPR card providers offering savings accounts on their products. The ANPR is available at [http://files.consumerfinance.gov/f/201205\\_cfpb\\_GPRcards\\_ANPR.pdf](http://files.consumerfinance.gov/f/201205_cfpb_GPRcards_ANPR.pdf). The comment period ends July 23, 2012.

### 'Tricks and traps'

The CFPB also held a public field hearing in Durham, N.C., on May 23 which brought together consumer advocates and industry experts in a panel discussion hosted by CFPB representatives. In opening remarks at the hearing, CFPB Director Richard Cordray noted that 9 million U.S. families are considered unbanked, with an additional 21 million families falling into the category of underbanked.

"All of these consumers need and deserve products that are safe and whose costs and risks are clear and upfront," Cordray said. "Yet right now prepaid cards have far fewer consumer protections than bank accounts or debit cards or credit cards. And that is especially troubling because the people who use prepaid cards are, in many instances, the most vulnerable among us. Every dollar they pay in hidden fees is a dollar they cannot spend in supporting their families."

During the panel discussion, members from consumer advocate groups echoed Cordray's sentiments in pushing for more consumer protections. Adam Rust, Director of Research at the Durham nonprofit Reinvestment Partners, said his company is advocating for the same standards across all types of payments. He couched his comments in terms of fairness.

Rust said, "If I lose my credit card, I can have it replaced for free. If I lose my prepaid debit card, it might cost as much as \$35 to replace it. That's not right." The same goes for customer service calls, which are free for debit and credit cardholders but can cost prepaid card users \$2 to \$3 per call, according to Rust.

Deyanira Del Rio, Associate Director at New York-based community economic justice center NEDAP, recognized the appeal of prepaid cards as alternative banking tools for low-income people. However, she is not convinced that the reality of the cards matches the industry's "rhetoric." She mentioned the "laundry list of high fees" and "inferior protections" that often accompany the cards.

"[O]ne of our broader concerns and one I hope we can think about as we look at this market is also about whether this is actually serving to bring people into mainstream, regulated financial systems or if it's a wedge that is keeping people out," Del Rio said.

Martin Eakes, Chief Executive Officer at the Durham-based nonprofit Center for Responsible Lending, argued that prepaid card accounts are indistinguishable from checkless debit card accounts, but that prepaid cardhold-

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**Aaron Slominski**  
Senior Vice President National Sales

ers are not provided the same protections as debit card users. Additionally, he called programs that tied prepaid cards to payday loans "unacceptable" and does not think prepaid cards should provide overdrafts.

"Prohibiting overdraft and NSF [nonsufficient funds] fees is the single most important step for CFPB to take at this time," Eakes said.

### Already regulated?

In the second phase of the panel discussion, industry representatives countered that the major providers of prepaid cards are already affording customers those very protections argued for by the consumer advocates.

Dan Henry, CEO at NetSpend Holdings Inc., said, "We at Netspend, and most of our leading competitors, already adhere to the same requirements as traditional bank checking accounts under the Fed's Regulation E, including disclosure requirements [and] protection against unauthorized transactions."

Jeremy Kuiper, Managing Director of the Bancorp Bank's Payment Solutions Group, seconded Henry. "I reviewed a number of the terms and conditions associated with all the major general-purpose reloadable programs, and every single one provided protection for cardholders against loss, theft and unauthorized transactions," Kuiper said.

Kuiper also took issue with statements made by other panelists. "Contrary to earlier statements, prepaid cards are, in fact, currently afforded strong consumer protections," he said. "For example, virtually all bank-issued reloadable card programs qualify for FDIC deposit insurance coverage on a pass-through basis."

Henry was equally resolute about the benefits of NetSpend's services for the financially underserved. He said NetSpend offers free real-time text message alerts on all account activity and free person-to-person money transfers for transfers of up to \$1,000. "[W]e talk so much about the fees on the card, but we don't look at what savings are generated for this consumer," Henry said. Henry also highlighted the bank account feature on NetSpend cards that provide a 5 percent interest rate. "I don't know any bank that offers 5 percent interest on savings," he stated.

Henry further described NetSpend's overdraft program as "the most consumer friendly overdraft program in the country that includes buffers and grace periods that result in most overdraft transactions avoiding any fee whatsoever." He added that when NSF fees are charged, they are less than half of what is charged by most banks and credit unions in the United States. ☐



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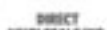
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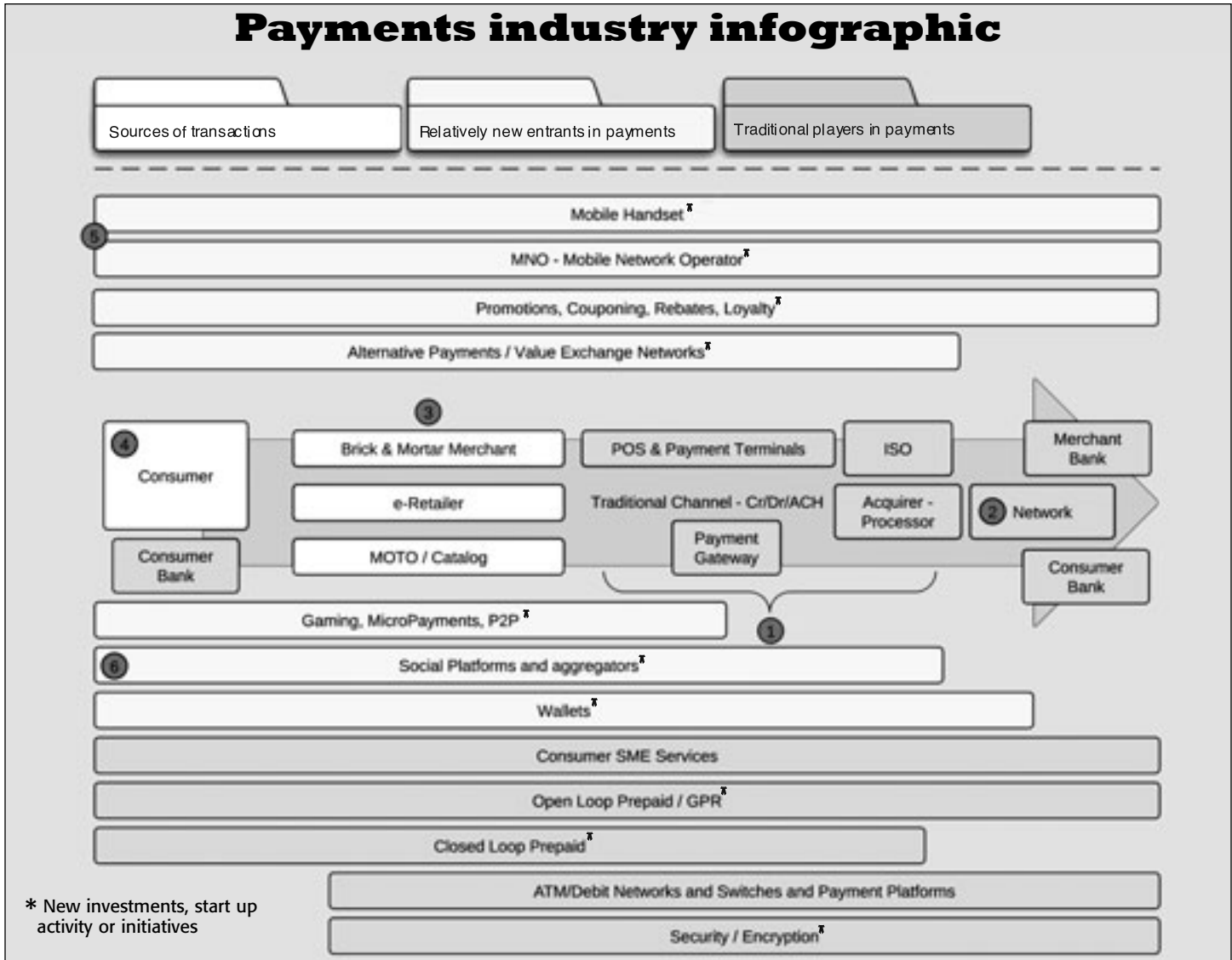
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## Payments industry infographic



## Key issues impacting role and place in ecosystem

*Editor's Note: This was adapted from the PayCube Inc. Payments Industry Infographic, © 2012 PayCube. All rights reserved. Adapted with permission. For more information, contact Mustafa Shehabi at ms@paycubeinc.com, or visit www.paycubeinc.com.*

### 1 Acquirers

As the payments industry moves from issuer-centric to acquirer-centric (from players who own the customer running the network to players who own the merchant running the network), acquiring roles are beginning to overlap. Traditional hardware and POS players are getting into the online world, offering their own gateways, and traditional gateway players are trying to get into the POS world.

This space is also beginning to view transactions differently as the debate of transaction aggregation versus merchant aggregation matures. This segment is rich in transac-

tion data and is likely to use this to create differentiation. Acquirers will continue to play a key role in shepherding payment transactions; they will need to adapt their acquiring infrastructures to address the unique needs of their merchants.

### 2 Networks

The payment networks (Visa, MasterCard, AmEx, Discover), which have traditionally been escrow agents of sorts on behalf of the issuers, are now active participants in the acquiring play. As the acquiring game gets aggressive and creative, the networks are bulking capabilities in the online and offline world, through strategic investments in companies and building internal capabilities to shore up their offerings to tackle new and emerging players like the mobile network operators (MNOs), wallets, closed-loop person-to-person (P2P) networks, etc.

## Pressures and influences on the payments ecosystem

- Regulation
- New standards EMV, NFC, wallets
- Move toward merchant aggregation
- Security issues, trust
- New entrants and threat of disintermediation
- Move from cost-based to value-based processing
- Spread of mobile devices and varied consumer endpoint devices
- Merging of online and offline channels, need for interoperability
- Increasing linkages to social influencers and lifestyle-based choices
- Diverse consumer needs, need for financial services beyond what a "bank" can provide
- Penetration of mobile phones versus demand deposit accounts

Time will tell how much the payments market will migrate outside of bank-based instruments. This will be the single biggest factor impacting the role of the networks. The networks today bring reach, trust and branding, which is hard to beat.

### 3 Retailers

Future payment battles will be fought and won here. The fragmentation of retail and how these segments are addressed is going to define what the future face of payments looks like. Influences from market players in search, transactions, social media, mobile, loyalty and promotions are creating segments in retail outside of traditional brick-and-mortar and e-tailers, we are seeing the emergence of various P2P portals, web stores, app stores, carrier billing and value exchange networks. The key challenge is to build cross-platform infrastructures to engage, influence and induce repeatable buying behavior in consumers.

### 4 Consumers

If retail is the "egg," the consumer is the "chicken" in the chicken-and-egg situation the world of payments finds itself in. Technology standardization, which is key for mass adoption, will happen only if the consumer is linked effectively to the retailer. Almost all the innovation that we are seeing from a plethora of vendors is for this sole purpose, and rightly so.

As the retail space is getting increasingly fragmented, the advent of technology and consumer lifestyle changes like the access to fundamental banking/financial services is driving segmentation within the consumer base. The consumer needs solutions and technologies that provide value greater than the friction they produce. Aspirations and lifestyle-based interactions are what today's consumer is looking for.

### 5 MNOs

The MNOs are the single biggest strategic threat to the traditional payment networks. They are omnipresent globally and bring deep consumer relationships and trust – add to that the growing global adoption of mobile phones.


Mobile payments and the role the MNOs play will depend on the economics and their involvement in the transactions. Near field communication (NFC) and Europay/MasterCard/Visa (EMV) and their adoption will also have an impact.

MNOs will need to realize that consumers are/will view a mobile phone as a channel to use services and not the only medium to interact. Hence, for mobile payments to succeed, the technology will have to be seamless and interoperable, as in, it will have to almost be magical to fade in and fade out as the use case transpires.

### 6 Social platforms

Acquirers bring transactional intelligence to the ecosystem, traditional gateways bring consumer purchasing intelligence, search engines bring search intelligence, social platforms that want to participate in the payments ecosystem will have to bring "social relationship intelligence," which can be effectively monetized.

If you think about various kinds of transactions which ride the payments rail today (generic payments, prepaid/gift, loyalty, promotions, couponing, value exchange, micropayments, P2P, etc.) all of them can be influenced through some kind of social framework.

Social platforms have the potential to go far beyond the last leg (payments) and into influencing consumer retail behavior and adoption. 



# Research

## Motorola explores mobile POS readiness

A Motorola Solutions Inc. survey of retail, hospitality and field services merchants in North America and Europe revealed 66 percent of retail respondents are interested in mobile POS solutions; 42 percent either currently use or plan to pilot mobile POS solutions within the next three years.

On average, retail respondents anticipated replacing over 36 percent of their fixed POS systems as a result of migration to mobile systems, with 31.3 percent planning complete floor coverage.

"As retailers battle for shoppers' hearts and wallets, mPOS serves as a valuable tool that can help turn browsing into buying," said Michelle Crissey, Motorola Solutions Customer Solutions Lead. "When the power of mPOS is in the hands of every retail associate, shopping becomes an experience, and associates are always in a position to make the sale."

Top mobile POS application functions retailers identified include:

- Inventory management..... 51.3 percent
- Price marking, shelf labeling..... 47.8 percent
- Merchandise returns ..... 42.2 percent
- Merchandising ..... 36.1 percent
- Item level inventory..... 33.5 percent
- Line busting ..... 30.4 percent

Tactical goals respondents listed for switching to mobile POS systems included better customer service, 71.3 percent; saving the sale or special ordering for out-of-stock items, 27 percent; fulfillment of custom orders or assisted shopping, 26.1 percent; line busting, 23.5 percent; serving locations where fixed POS systems were not suitable, 23 percent; and customer relationship/loyalty programs, 22.6 percent.

For more information about the  
Motorola Solutions Mobile POS Study, visit

[www.motorola.com/web/Business/Solutions/Industry%20Solutions/Retail/\\_Documents/static\\_files/Motorola%20Solutions%20-%20MobilePOS%20Study-4-25-12.pdf](http://www.motorola.com/web/Business/Solutions/Industry%20Solutions/Retail/_Documents/static_files/Motorola%20Solutions%20-%20MobilePOS%20Study-4-25-12.pdf).

## Merchant sentiment toward loyalty

A report from Aite Group LLC found that when it comes to protecting margins, merchants surveyed ranked daily deals far below in-store promotions and gift cards, which suggests daily deal providers may need to revise business models to remain sustainable.

### Program effectiveness at protecting margins over next 24 months:

In-store promotions.....	79 percent
Gift cards .....	79 percent
Merchant loyalty.....	72 percent
Traditional coupons.....	63 percent
Bank card incentive programs.....	50 percent
Co-branded credit cards.....	45 percent
Private-label credit cards.....	42 percent
Daily deals .....	18 percent

Source: Aite Group, *Merchant Loyalty Programs: Deal or No Deal?*

## Global movement in proximity payment

An **NPD Group** report, *Worldwide Mobile Payment Market Marches Ahead*, estimated proximity payments using near field communication (NFC) or bar code scanning will reach 9.9 billion in 2016, up from the 1.1 billion projected (at an estimated value of \$226 billion) for 2012. The Asia-Pacific region is expected to account for 41 percent of global proximity payments by 2016.

## Occupational fraud prevention

The latest statistics published in the *2012 Report to the Nations on Occupational Fraud & Abuse* by the **Association of Certified Fraud Examiners** revealed that of the 1,388 cases studied, the fraud went undetected on average for 18 months. The report offers a global perspective on common fraud detection methods, median loss per fraud occurrence and other statistical data on criminal perpetrators to assist with fraud prevention and detection efforts worldwide.

## Small business card sales report card

**Capital Access Network's Q1 2012 Small Business Credit Sales Report** showed a 4.4 percent gain in year-over-year card sales at restaurants, marking the sixth consecutive quarterly gain and the largest quarterly increase since the first quarter of 2007. Another segment that trended up was businesses that have been operating between seven and 10 years, which experienced a year-over-year gain of 0.5 percent in card sales, the first quarterly increase since the fourth quarter of 2007.

# Rundown

## Redefining sales mobility

An **Aberdeen Group** report titled *Sales Mobility: How Best-in-Class Remote Sellers Are Replacing "See" with "Do"* benchmarks how best-in-class companies are taking advantage of customer relationship management and sales force automation access via smart phones to drive sales quotas, increase customer renewal rates and promote lead conversion growth at rates that exceed industry averages.

## Trust, awareness shape NFC adoption

An **eDigitalResearch** *Mobile Payment Index* study revealed that 89 percent of previous users of contactless mobile payments said they were likely to use it again and 47 percent of those equipped with NFC-enabled smart phones have already used the technology to make purchases. However, 33 percent of the 2,000 consumers surveyed said they had not heard of NFC technology, and 35 percent expressed concern about its security.

## Cluster programs fuel loyalty

A **Swift Exchange** article titled *The Cluster Program – A Modern Model for Loyalty* outlines a new model for capitalizing on customer loyalty programs. Developed by Swift Exchange, the cluster model requires strategic alignments of various reward providers with merchants, whereby each provider maintains its own currency. Consumers in this model can spend the value of their individual or combined rewards with any merchant in the cluster.

## Creating an integrated customer experience

The shift of payment activity to the Internet and mobile devices increasingly relies upon software developers to create integrated customer experiences that will be embraced by all parties, from merchants to card networks and payment processors.

A **Mercator Advisory Group** report, *Programming the Payment: From APIs to Commerce Platforms*, examines the providers that are helping developers program payments for the future. The report reviews the latest offerings from the major card networks, payment processors and payment services providers for e-commerce, mobile, and POS payment applications. Issues of identity, branding and application programming interface management are addressed, as well as merger and acquisition activity in this arena.

Key points covered in the report:

- New opportunities for software developers to leverage payment capabilities
- Top business models for companies that offer payment and commerce services to developers
- Changes in variants to the commerce capture model that will enable application development
- A look at how entities are responding to technological shifts in payment processing

"Software developers are a strong source of payment innovation and a growing source of payment transaction volume," said George Peabody, Director of Mercator's Emerging Technologies Advisory Service.

"Payment processors hope to capture commerce via this channel through programmatic interfaces. ... As the definition of a transaction expands beyond the payment alone, commerce platform providers take it one step further to enable value exchange among all participants."

For more information about this report, visit

[http://www.mercatoradvisorygroup.com/index.php?doc=Emerging\\_Technologies&action=view\\_item&id=745&catid=5](http://www.mercatoradvisorygroup.com/index.php?doc=Emerging_Technologies&action=view_item&id=745&catid=5).

## Internet retailers address fraud

According to a recent Internet Retailer survey of 254 Internet retailers, fraud may be the scourge of e-commerce, but most merchants surveyed claim to have it under control. Fraud rates remained steady in the past year for 62.5 percent of respondents, rose for 21.8 percent and declined for 15.7 percent.

### Fraud rates reported by e-commerce retailers surveyed:

Less than 1 percent .....	71.7 percent
Between 1 and 2 percent.....	12.3 percent
Between 2 and 3 percent.....	8.7 percent
Between 3 and 5 percent.....	5.8 percent
More than 5 percent.....	1.4 percent

# Company Profile



## Veritrans Merchant Services LLC

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Phone: 877-496-9395

Fax: 888-474-5199

Website: [www.veritransllc.com](http://www.veritransllc.com)

### ISO/MLS benefits:

- Pass-through pricing and month-to-month contracts to drive retention
- Credit card and electronic check processing for business-to-business transactions
- Automated billing and invoice services
- Cloud-based merchant reporting
- Mobile app for "tap and go" gift redemption and reward accrual

## Leading the way to merchant retention

**A**s one of the first companies to offer both month-to-month service agreements and pass-through pricing, Veritrans Merchant Services LLC has long put a premium on cultivating close, trusting relationships with its merchants and agents, according to Veritrans President Jeff Adcock. "It's got to be a win-win for the provider and the merchant, and that means not signing a three-year contract with a large cancellation fee," he said. "It just comes down to basic integrity and business sense. If we do a good job, [the contract] doesn't need to be locked in."

According to Adcock, Veritrans has monthly service agreements with about 99 percent of its merchants. Eighty percent of its merchants receive pass-through pricing, meaning interchange rates are based strictly on Visa Inc. and MasterCard Worldwide recommendations and do not contain hidden mark-ups, he said. Also, Veritrans' profit margins go unchanged throughout the duration of every merchant contract.

"On pass-through, they're going to pay wholesale on dues and assessments," Adcock said. "We'll charge you the same amount [as competitors will] on interchange, but others will increase the amount they're charging over time. ... Before the economy tanked, margin increases weren't that common, but now it's very common, and that's something we don't do."

### Banking on trust

That same attitude of fairness applies to the company's sales agents, Adcock said, noting that Veritrans offers residual percentages between 50 and 70 percent and that his company was one of the first merchant services firms to offer agent residuals. Broadly speaking, increased competition and changing market conditions have made merchant-friendly contracts a much more popular selling point among merchant providers than they were in years past. But Adcock emphasized that favorable pricing and contractual flexibility have always been staples of the Veritrans merchant services program.

For example, the company began offering month-to-month merchant contracts and what it deems to be generous residuals to ISOs as early as 2000, and pass-through pricing to large and small merchants alike since about 2004. "At the formation of the company, our standard offering was no early termination fee – that was an original selling point," Adcock said.

According to Adcock, Veritrans' long-standing commitment to merchant satisfaction distinguishes it from competitors that may seem more opportunistic and helps to reinforce the trustworthiness that Veritrans' representatives pride themselves on.

### Emphasizing education

Veritrans also provides educational programs to ensure that its ISOs, merchant level salespeople (MLSs) and merchants are completely clear about issues pertaining to interchange and other price points, Adcock said. Its comprehensive agent education plan includes a thorough review of the company's contract and pricing structures, plus proper procedures for boarding new merchants and assisting existing ones.

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## Company Profile

Perhaps most important, the lesson plan includes an elucidation of interchange and other murky issues that surround payment acceptance, processing and settlement, according to Adcock. Agents who learn these things are then asked to clearly convey the same information to their merchants.

"I believe in education, I believe in full disclosure, and I believe in agents and merchants understanding what they're dealing in," Adcock said. "That means understanding the industry, who the players are, what the interchange process is from start to finish, what the fees are, how to tell the difference between pricing methods, understanding how the money is made and knowing where the real value is.

"We take the time to explain not only how we do things, but why we do them. We want to make sure our agents understand all this so they, in turn, can educate their merchants, making us better positioned to keep those merchants in the long term."

### Keeping in touch

Part of Veritrans' training program is ensuring that sales agents maintain close communication with their merchants, checking up regularly and providing ready assistance with questions, problems or requests. Such practices drive merchant retention and create upsell opportunities. That is particularly true in today's quickly evolving market, where ever more businesses are integrating tools like high-tech gift-and-loyalty programs, automated office services and mobile payment acceptance, to name a few.

As one example, the company is seeing more and more interest in mobile

payment acceptance, as traveling professionals, such as repairmen, seek the benefits of instant approval and quicker settlement, Adcock noted.

"We go into detail about having frequent touches with merchants, checking back in after a month and making sure they understand their statements or [asking if they] have any questions," Adcock said. "We want our merchants to be educated about any changes in the industry or services that might be beneficial. Or it may be that they want to review their statements and see if there's a way to decrease their costs. ... We also work hand-in-hand with merchants to help them achieve PCI compliance."

Adcock said Veritrans wants merchants to always call the company or its agents with any issues. He noted that when he asks prospects, "When was the last time you talked to your agent?" 99 percent of them reply, "When they installed our system" or "Our first point of contact."

### Going beyond the basics

Outside of its core processing platform, Veritrans' merchant products include sophisticated touch-screen POS platforms for restaurants and other hospitality industry businesses, cloud-based merchant reporting and data management, as well as billing and invoicing. Automated billing is especially popular among medical offices, which can immediately collect co-pays rather than billing patients in the mail, Adcock said. It is also popular with storage firms, attorneys, service providers and other businesses that typically invoice their clients, he added.

"Anybody who sends out a bill or invoice, whether on a regular or irregular basis, is a good candidate for the electronic invoicing program," Adcock said, adding that companies with return customers can also use the system for recurring billing.

Regarding medical practices, Adcock said: "If the patient owes money for a co-payment, it can take two to three invoices to get paid. Plus there's the cost of sending it out and putting together all the mail. When it's all said

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and done, the cost of mailing a paper invoice is between \$7 and \$8. That's a big savings over time when you're not spending that money."

Among Veritrans' payment acceptance services are credit card and electronic check processing for business-to-business transactions. Those transactions are typically conducted with standard checks, but the use of credit cards is helpful both for speeding up the authorization and settlement processes, as well as for helping business owners accrue credit card reward points, Adcock pointed out.

"It's really about improving the efficiency of a business and allowing employees to interface with customers instead of spending time on billing and collections or waiting in line at the bank to deposit checks when they can do that from their computer," he said.

### Aiding with data

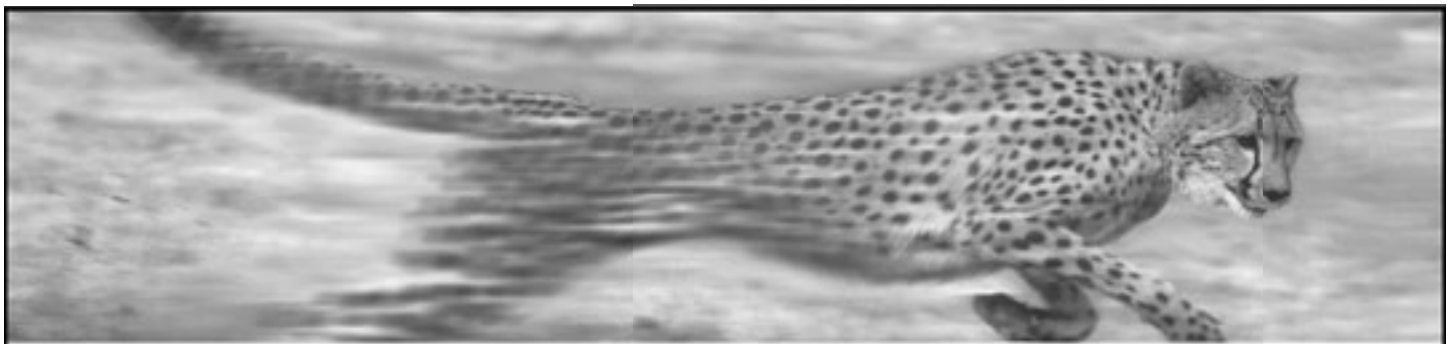
All Veritrans merchants can subscribe to the company's cloud-based merchant reporting tool as a way to track receivables and study business trends in a number of different ways. Adcock said the service is particularly useful for multilocation merchants, who can access the same, consolidated body of data from any location or medium (Internet or mobile device). "It lets the merchant track their sales and growth, and detect trends," Adcock said.

"Especially for multiple locations, it allows them to be able to much more efficiently determine if there's an issue at a location that needs to be addressed.

"At their fingertips, they can look at a location individually or all their stores collectively. It's just much more user-friendly than tools used in the past. We hear from clients, 'Wow, this is so user-friendly, to have a snapshot of historical data and immediately get such a clear picture of how our business is doing.'"

Veritrans' newest offering is a mobile-based gift and loyalty program that employs near field communication (NFC). Consumers who download the mobile application can use its global positioning system to find their proximity to participating businesses. Upon payment, customers accrue loyalty points or redeem a gift card by a "tap and go" maneuver that utilizes NFC technology added to the merchant's POS system.

Veritrans is "very good when you call them with a problem or a customer needs something done," said Gabriel Torre, an MLS working with Veritrans. "You can call them quickly and directly and they take you through the process to help. .... They support everything you do, and when they say they're going to save you money, they save you money." 📱



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## race to prepaid continued from page 1

Western Union knows a thing or two about how to fulfill consumer demand, as attested to by its longevity. Not many companies can claim to be among the first tracked on the Dow Jones stock market index, but Western Union also has the distinction of being on the forefront of modern communication, from operating the first telegraph network in the United States to launching the first commercial satellite into Earth orbit.

The company's entrance into prepaid was facilitated by its backbone of nearly 500,000 Western Union agent locations around the world: banks, post offices, supermarkets, foreign exchange houses, convenience stores, gas stations and check cashers.

Through those agents, it provides money transfers, bill payments and now prepaid cards to the financially underserved, roughly 2 billion people globally, who send and receive money via 16,000 corridors, whether they be the United States to China or Australia to Brazil.

Western Union is focused on the general-purpose reloadable (GPR) card market with two products: the PayBefore MoneyWise card and a co-branded card developed with Telemundo, the Spanish language television network owned by NBC Universal.

Hafer said GPR card companies have had a difficult time penetrating the Hispanic market. He believes the combination of a trusted media brand with a trusted money service brand has overcome the Hispanic community's skepticism about GPR cards. "Our consumers who use our traditional money transfer and bill payment services are now finding a lot of value in these prepaid products as well," Hafer said.

Prepaid cards fill the same need that money transfers and bill payments do. "It's basically a consumer having the need to send money from one point to another," Hafer said.

### Banks pop onto prepaid's rails

Another new player in prepaid is Brookfield, Wisc.-based processor Fiserv Inc. It entered the space in March 2011 by acquiring Maverick Network Solutions, a Delaware-based prepaid card processor and program manager. Philip A. Valvardi, General Manager, Prepaid Solutions, at Fiserv, said the bankcard processor recognized a void in not having a prepaid card processing capability. The purchase of Maverick, where Valvardi was Chief Executive Officer, filled that void.

Indeed, the entire retail banking industry seems to have awakened to similar voids. Banks that historically shunned low-income individuals are now entering prepaid to capture that growing consumer segment. Younger generations of consumers, characterized by Valvardi as under 30 years old, are rapidly adopting prepaid as their primary financial tools, with little interest in traditional banking.

"Typically they are totally electronic accounts," Valvardi said. "I think the younger crowd looks at going into a bank as something that your grandparents did."

Indeed, research conducted by Think Finance, a developer of online financial products, found that Millennials (consumers aged 18 to 34) ignore traditional bank products even when they start making more money. In Think Finance's survey, 51 percent of respondents making less than \$25,000 annually reported using prepaid cards recently. But Think Finance found that the same percentage of respondents who earn \$50,000 to \$74,999 a year also use prepaid cards as alternative financial tools.

"[Banks] are starting to see more and more money moving out of accounts onto prepaid products," Valvardi said.

Fiserv has made other acquisitions to strengthen its position as a new money company. Around the same time as the Maverick purchase, Fiserv acquired Mobile Commerce Ltd., better known as M-Com, to enhance its mobile banking capabilities. Then Fiserv scooped up CashEdge Inc. in September 2011 for its person-to-person money transfer service, called PopMoney. "You can kind of see the direction we're headed in," Valvardi said. "We want to be in the forefront of digital payments, and we've accumulated some really interesting assets to support that strategy."

### Loyalty leads the way

The average ISO can't enter the prepaid sphere by leveraging a worldwide network of agent locations or dipping into its war chest to acquire cutting edge tech firms. The only other alternatives are either to build in-house systems or partner with third-party providers.

The first option is becoming a strategy that only companies with deep pockets can deploy, and even then it's a dicey proposition, given the increasing complexity of prepaid programs and the costs to maintain them. Douglas Hardman, CEO of loyalty and stored-value processor SparkBase, said large ISOs who built loyalty programs years ago are now saddled with them.

"So now they're scrambling to integrate better tools and better programs," Hardman said. "Everybody thinks loyalty is only points. It's so much deeper than that. And if you're not careful, you can really mess things up for a merchant. You can, in a matter of days, with a bad loyalty program, do damage to their brand."

That leaves partnering with a vendor as the only legitimate option for the majority of ISOs. But he advised ISOs to tread cautiously, as partnering with the wrong loyalty provider is almost as bad as not having a loyalty program at all.

"What we're seeing time and time again now is that people are coming into this space thinking they can throw a



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quick fix together," Hardman said. "I mean, if you've seen the dashboards that a lot of these ISOs give their merchants to show them their credit card balances, they're atrocious."

ISOs may be lured to large, prominent loyalty vendors, but their very size and entrenched systems can hint at the antiquated nature of their programs, Hardman noted. On the other hand, SparkBase prides itself on being nimble and cutting edge. The Cleveland-based company integrates its LoyaltyOS back-end processing engine with ISOs. That integration gives ISOs and their merchants access to SparkBase's analytics dashboard, Loyalty Star, and its Paycloud mobile wallet rewards and loyalty platform.

Hardman said, "When we show [ISOs] a dashboard that says, 'Here are the exact people who came into your store this week; here's how much money they spent; here's your trend over the last six months, with your current economic climate in your particular ZIP code, and weather patterns you can expect over the next 10 days, over the next 40.'

"When they see that and then they go back and look at what some homegrown system had done, it's a night and day thing. And that's when they instantly lose the client."

When merchants see what cutting-edge data analytics look like and how that data can be crunched to illuminate consumer behavior, merchants see the light, Hardman said, adding, "And if [ISOs] don't have a program that can handle what the merchant's looking for, they're going to lose that account – and the credit card processing – to the company that can give that to them."

### **Journey into the box**

Another bridge to prepaid is via the venerable ATM. It's not simply a money acceptor and dispenser for debit cardholders anymore. Brand new ATMs and older, retrofitted ATMs can dispense gift cards and facilitate money transfers for nonbank customers. And increasingly, they accept open-loop, Visa Inc.- and MasterCard Worldwide-branded GPR cards.

Payment Alliance International, which operates a network of over 56,000 ATMs in the United States, is rolling out ATMs that accept GPR cards. Donna Embry, Senior Vice President at PAL, sees wide-open opportunities for ISOs with these advanced ATMs. Embry offered several examples.

Factories with large unbanked workforces direct deposit payroll to GPR cards. Payroll card accepting-ATMs can be installed at factory locations to allow employees to get cash from their cards.

Hospitals are another possibility. Health service administrators are looking for ways to reduce coin usage at hospital cafeterias, for instance. So ATMs placed next to vending machines can allow customers to use reloadable gift cards to withdraw cash from ATMs to get snacks from the vending machines.

Yet other locales for prepaid-enabled ATMs are shopping malls or neighborhood movie complexes – wherever teenagers congregate – because savvy parents opt to give their children teen cards preloaded with fixed spending amounts.

The new prepaid functionality of ATMs has opened up two new potential revenue streams for ISOs, according to Embry. "One is to expand the services you currently have in markets that already have ATMs," she said. "And then you have the markets that just haven't been tapped."



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### Time to pack for the ride ahead?

Many trends are converging toward prepaid's favor. Embry pointed to the rise of the self-service culture as one. "The younger generation prefers not to have to deal with people," she said. "They're used to machines. They're not afraid of machines. They expect certain things out of machines."


By selling prepaid services through ATMs, ISOs are given firsthand knowledge about what will soon be the dominant consumer group as older generations fade away. "I think it's important for ISOs to understand that market because it's an extension of consumer behavior," Embry said. "They need to understand the consumer and what they use. And how they spend. And what instrument they use to spend. And for them to understand that this is a thriving market that may be untapped."

Hardman pointed to the new purveyors of technological change as another influencing factor. When it comes to the importance of loyalty, ISOs are recognizing a real threat to their present and future prosperity, he said. And that threat is companies outside the payments industry that provide merchants with value-added services as primary services. Think Square Inc.

"The new payments processors that are coming out today and the people that are building their own rails have deep pockets behind them that are outside of this industry," Hardman said. "So they're not playing by the same rules. The ISOs and the resellers and the agents – their time is now to figure out the right way to make this work for them, or they are literally going to be left behind."

It may already be too late for some ISOs that bet on the wrong solutions, according to Hardman. But not for many others. "ISOs are finally waking up and saying, 'I get it now. I'm losing my merchants to people that didn't exist two years ago,'" Hardman said.

In fact, the next big advancement in commerce is probably percolating in someone's garage right now. "There will be a time when a company will emerge that will have a very good product for the merchant and very good product for the consumer," Hardman added. "And at that point, you become a commodity that they can afford to go to someone else for."

The bridge to prepaid has been built, and continues to be developed and improved. ISOs just have to make the decision to go over it, before too many competitors get there first. 

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## Prepaid in ascendance

A seismic shift seems to be occurring in what payment devices younger generations of consumers are opting to use. Synergistics Research Corp. research published in *The Future for Prepaid Cards* suggests that younger generations are adopting prepaid cards – especially general purpose reloadable (GPR) cards – at an accelerating rate.

Synergistics found that the proportion of consumers who use GPR cards has doubled since 2008.

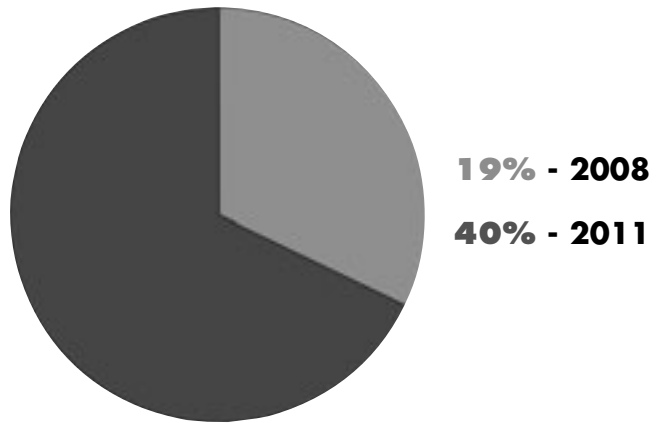
According to Synergistics, the reasons for this phenomena are threefold: heavy promotion of prepaid products in the marketplace, legal and regulatory issues that favor prepaid card usage over credit and debit card usage, and the increasing comfort of consumers in using payment cards in general.

Based on its research, Synergistics advises financial service providers to implement prepaid card programs to enjoy their share of the growing prepaid market.

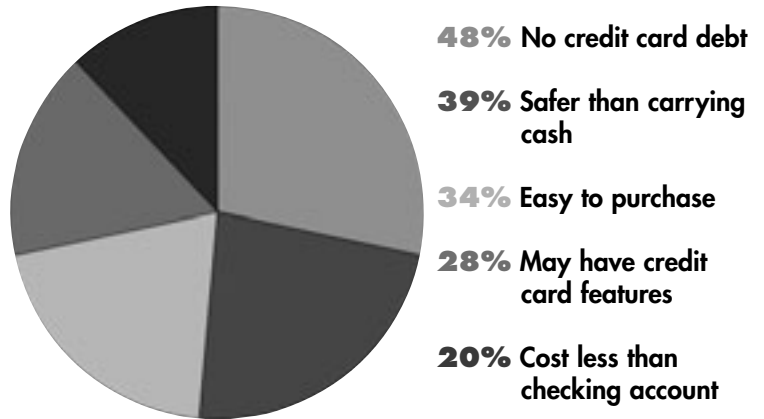
"Not only should prepaid card programs be undertaken for their revenue opportunities, but also as a defensive measure as consumers, particularly younger consumers, turn to prepaid cards as substitutes for other transaction vehicles, such as checking accounts and credit cards," Synergistics said. ■

## Prepaid card experience

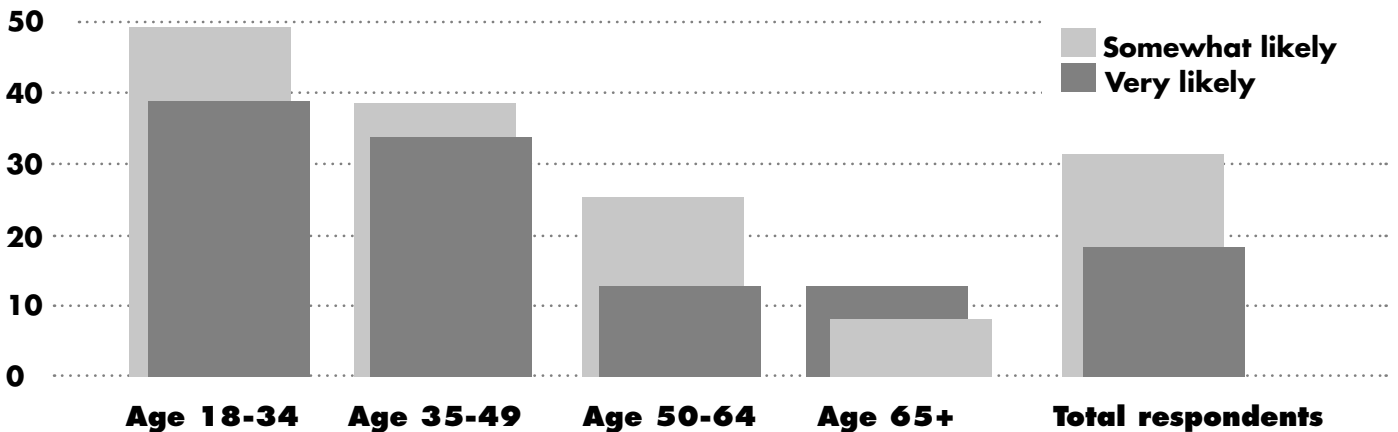
Percentage of households using prepaid cards



## Advantages or benefits of prepaid cards



## Likelihood of obtaining GPR cards for personal use in the next year



(Source: Synergistics Research Corp., *The Future for Prepaid Cards*, January 2012)



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## Do your best and move on - no matter what

By Jeff Fortney

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**I**t can be said that the best advice is shared by people who have learned from their own experiences – people who have "been there, done that." One of my most memorable life lessons occurred when I was working as a commercial real estate loan officer for a regional savings and loan in the 1980s.

I was responsible for writing major construction loans and would present loan requests to the senior loan committee, which consisted of high-level company executives. Since the amounts in question were large, they would examine all aspects of each request, approving some and declining others. Often rejected applications were accompanied with a comment stating, "This sure looks like pioneering." I asked for clarification when I first heard this because I'd always thought pioneering was a good thing.

One of the executives explained that our country's pioneers were adventurous people, but most of them didn't survive because they died of disease or various other causes. Hence, it was better to be the person who followed the pioneers, as the follower's chance of success was much greater. It made sense, and it's still sound advice I use every day.

### Lessons learned and shared

Chances are you also recall a few life lessons that stand out as having had a significant positive impact on your sales technique. I asked fellow members of GS Online's MLS Forum to share their lessons learned and their advice.

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**MBRUNO** shared a story similar to mine. "One very valuable lesson I learned was not to be afraid to disagree with someone in a position of power," **MBRUNO** wrote. "While working as an accountant for a large firm, I was in charge of the financial advisers' pay, managing and calculating their bonuses, etc.

"An executive in charge of the entire western division told me I needed to transfer \$50,000 in assets from one account to another before the end of the month (which was in two hours). She gave me a reason, but I couldn't see the logic. I started the process anyway because I figured 'she's in charge of a lot of people; she must know what she's doing.' ... Then it dawned on me that it was the end of the month and bonuses were calculated based on assets under management at that time.

"I went to my boss and explained that I didn't feel comfortable because I felt like this wasn't justified and was borderline fraudulent. I got reamed out by my boss but stood firm in my asking for proof that this wasn't fraud. I was literally yelled out of the office and was sure I'd be fired quickly thereafter, but I wasn't. About a month later, I saw my boss working on a project and asked her what it

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was. It turns out that the transfer they made a month ago, which I refused, got my boss within a hair of being fired for negligence. I, on the other hand, got promoted for my actions.

"This taught me three things. One, when you believe you are right, stand up for yourself, even when no one else will. Two, just because someone is in a position of power it doesn't mean they know everything. Three, listen to the objections of others, and don't make rushed decisions just because it's easier than thinking about it."

### **The importance of honesty**

Wisdom can also be found by learning from failure. As Richard Branson advised, "A setback is never a bad experience, just a learning curve."

One ISO recently told me about an unexpected setback that came from an unlikely source. In the early days of his company, he was good friends with some of his employees. They were close enough to spend their free time together. Without informing him, however, four of these so-called friends started their own ISO.

Two of these four even went on a company-sponsored reward trip to Jamaica. Upon their return, his processor mentioned how he had seen significant attrition over the past few weeks. While in Jamaica, his two "friends" used his company's client list to sign merchants.

Unfortunately, because of the friendship, he had never drafted a noncompete clause. He learned two valuable lessons that day: 1. always have a noncompete clause in place for all employees; and 2. always be prepared for the worst.

On the flip side, many merchant level salespeople (MLSs) shared advice from a different perspective. Forum member MAL4400, stated, "If you are new to this business, make sure you never sign an exclusive with an ISO. I know it seems obvious, but I am a victim of a hard lesson here.

Being too trusting can come back to haunt you." MAL4400 said he signed almost 400 accounts with one ISO and developed many large association partnerships, but he came to have misgivings about the ISO's business practices.

"I told him I was leaving and he has had a hard time

letting me go," MAL4400 noted. "He says he feels very cheated, yet I refuse to continue to be mistreated. Even though I will more than likely have to give up the \$4,000 per month on \$5.6 million processing, it's still a better option than allowing them to take advantage of me, or to have me sign up merchants on a pricing plan that only benefits the ISO.

"Sure, they are holding this one-sided, unenforceable non-compete over my head, but in the end they will never be able to hire anyone in this industry with any experience. Stay true to what your heart tells you, and no matter what, never lie to a client, even if your ISO tells you to by disguising it with some 'new sales technique.'

"Merchants will appreciate you more for looking out for them than trying to make a fast buck. Always (and I mean always) network with industry professionals doing what you do. Do not ever just take one man's word as law no matter how much they try to convince you."

These stories illustrate how essential it is to be honest in your dealings, both as an employee and an employer. Having been burned by employees, the ISO I mentioned now requires a noncompete clause in his contracts. In turn, he operates ethically and fairly with those who work for him.

MAL4400's argument and advice is also sound. "Unless you are fully aware of the industry, garner information from alternative sources, and if you're not comfortable with the conditions of the noncompete, don't sign it," he posted.

### **Differing interpretations**

Forum member STEVE NORELL's advice also centers around ethical treatment. "I have learned that unless it's in writing, a person's word means nothing when push comes to shove," he said. "And even then there is no guarantee that what's in writing will mean anything."

He thus described a situation he once endured: "The signed contract states, 'We will never sign any of your agents directly without a written release.' The ISO then signed my agent directly without a written release. I brought it to their attention only to be told tough luck.

"I pushed the issue, and they raised all types of reasons



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## Education (continued)

why it was OK for them to do it, such as, we got your assumed approval, he wasn't really your agent, you released him so therefore it was OK, and others. So even when something is in black and white, it does not always mean it is honored, and that leads to a lawsuit which leads to money and time and pain and suffering."

His advice? "Get a written agreement, but understand the ethics of the other party signing it," he stated. "If their ethics are below yours, don't sign it. Walk away."

**CREDITCARDMN** offered the following: "For newbies, negotiating that first-time deal and really understanding the contract and how you make money is worth its weight in gold."

Forum members' advice could be summed up simply: act ethically, expect honesty and find a mentor to walk you through the minefields.

### A focus on what lies ahead

Richard Branson has another morsel of advice that all salespeople should follow: "My mother always taught me never to look back in regret but to move on to the next thing. The amount of time people waste dwelling on

failures rather than putting that energy into another project always amazes me."

**MAKETELINC** offered advice in the same vein: "The hardest but most important lesson here and in life in general is to learn the art of how to move on."

Perhaps the best advice was given by *The Brady Bunch* character Carol Brady, "Find out what you do best, and do your best with it." Or as Terry J. Lundgren, Chief Executive Officer of Macy's Inc., said, "There's a finite amount of time you're going to be doing this."

"Do this really, really well. And if you do this really, really well, everybody will see that, and they'll move you onto the next thing. And you do that well, and then you'll move."

Remain true to our ethics, act honestly and always move forward – that about says it all. ☑

*Jeff Fortney is Vice President, ISO Channel Management with Clearent LLC. He has more than 17 years' experience in the payments industry. Contact him at [jeff@clearent.com](mailto:jeff@clearent.com) or 972-618-7340. To learn about how Clearent can help you grow faster and go further, visit [www.clearent.com](http://www.clearent.com).*

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## Education (continued)

# A sense of urgency

By Steve Norell

*US Merchant Services Inc.*

**I** often notice that when merchant level salespeople (MLSs) are in front of merchants trying to get deals done, they fail to create a sense of urgency. What exactly do I mean by this? Simple, the more you are able to get merchants to realize it is urgent to say yes and sign with you, the more merchants you will sign.

Let's examine this a little closer. The other day I was in my bank making a deposit, and a customer walked in the door asking if the bank was still paying \$150 if you open a checking account.

At that point the manager showed him a sheet with all the different signing bonuses the bank would pay, depending on what the customer did.

One option was to open a checking account, another was to apply for a new credit card, one was to apply for a loan and, sure enough, one was to open a merchant account. A customer choosing any of those would be paid from \$100 to \$250.

What surprised me was that the bank would do this only on certain days of the month. So what does this do? It creates a sense of urgency to sign now or forfeit the bonus money.

### Creative use of the signing bonus

As most MLSs know, just about every ISO pays some sort of signing bonus or conversion bonus. Some are large, some are small, but they all pay an upfront bonus. Why not take a page out of my bank's playbook and take all or part of your signing bonus and give it to the merchant as long as he signs right now.

Also, have the merchant sign an additional agreement that states if the merchant leaves before 12 months, he or she has to pay back the full amount of the signing reward. This will avoid taking a loss when you get a claw-back from your ISO.

The hardest part of this marketing concept is to hold firm to your sense of urgency and stick to your ultimatum. If the merchant calls you the following week and says he or she is ready to sign and would like the money you offered, you need to be ready to say, "No, that was not the deal I offered."

However that is up to you. If you really want that merchant, you may not want to tell him the bonus offer is off.

Many large banks are doing this sort of thing day in, day out. As you take on any of these large banks or other

***As most MLSs know, just about every ISO pays some sort of signing bonus or conversion bonus. Some are large, some are small, but they all pay an upfront bonus. Why not take a page out of my bank's playbook and take all or part of your signing bonus and give it to the merchant as long as he signs right now.***

competitors using this technique, make sure that when you are successful against them, you pound your chest.

### Many ways to create immediacy

Let's try another idea. If your contract has an early termination fee, say you are willing to pay that fee in the event of early termination – but the offer expires today. Or offer a free terminal for signing today. The list could go on and on.

Here are a few other offers I have used over the years. Sign with me today, and I will:

- Book a party of 10 for dinner next week.
- Hire you to put the floors in my house.
- Pay 50 percent of your advertising bill with the *Penny Saver* magazine.

You can get as creative as you want, but as in any offer, there has to be a stick and a carrot. If you give the merchant the money and he does not follow through on his part, he needs to pay you back.

If you can take the money you are given by your ISO and use it wisely instead of just pocketing it, you will find that not only do you get a better merchant base, but in most cases you will keep your merchant customers for a long time.

So after reading this, see how many types of benefits you can come up with to create a sense of urgency. 📌

*Steve Norell is Director of Sales at US Merchant Services Inc. Based in Port St. Lucie, Fla., he oversees the USMS sales force and maintains the company's bank and processor relationships. You can reach him by email at [steven@usmllc.com](mailto:steven@usmllc.com) or by phone at 772-220-7515.*

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**Legal ease****The shifting ground of pricing**

By Adam Atlas

*Attorney at Law*

**I**SO pricing is being re-jigged with serious implications for all ISOs and merchant level salespeople (MLSs). The list of triggers for price adjustments seems to be permanently in flux, but not always with just cause.

Annual fees, Payment Card Industry (PCI) Data Security Standard (DSS) fees, Internal Revenue Service fees, taxpayer identification number (TIN) matching fees and the new Fixed Acquirer Network Fee are examples of a trend that is putting into question some essential assumptions of ISO agreements.

A key purpose of an ISO agreement is to plan for unforeseen fees. As such, from a legal perspective, ISOs, MLSs and processors owe each other the extra bit of thinking that is required to allow for future implementation of unforeseen fees. The purpose of this article is to propose a paradigm that could be seen as reasonably acceptable to both parties to an agreement and that penalizes neither.

**New third-party costs**

Parties to ISO agreements should expect that during the term of their agreements, new third-party costs will be instituted that will affect their pricing arrangements. For example, the payment networks, such as Visa Inc. and MasterCard Worldwide, may impose new fees applicable to one or more participants in the merchant acquiring space.

This kind of increase is common and thus anticipated within the framework of interchange. It is not so well addressed, however, in the context of other fees, such as monthly fees to merchants, taxes on merchants or third-party security fee requirements.

The idea of new third-party fees should be baked into ISO agreements. Naturally, the allocation of rights in respect to those new fees requires its own set of agreements.

**Pass-through of mandatory fees as default**

Unless the parties have otherwise agreed, it appears reasonable that a new fee imposed on a processor without markup to the processor should be passed through to merchants. This makes for a suitable starting point from which processors and ISOs can agree on markups and sharing of revenue derived from such fees. Also, if there

is no understanding on passing such fees through to merchants, the processors or ISOs may see them coming out of their own revenues, which does not seem reasonable.

**Transparency**

If a payment network institutes a new fee, it makes sense that ISOs and MLSs should know whether the fee they are being asked to pay, or charge their merchants, has been marked up by the processor.

Without this transparency, any discussion of markups and sharing is lopsided, giving the processor an opportunity to double-dip on particular line-items. Given that the payment networks function like the infrastructure of our industry, ISOs should be able to look to them to publish their bank or processor pricing on items, such as interchange, that are generally charged throughout the system.

One of the big problems with transparency regarding some of the new fees is that processors have priced new items as a function of internal costs.

Internal costs are fungible and sometimes only marginally distinct from profit. In other words, when a processor says it costs \$0.0x per transaction to perform one or another service, how can the ISO be sure the cost bears any connection to the true cost to the processor? We will never know, but we can still ask the question.

**Sensitivity to competition**

Some processors take a narrow-minded approach to markups on new items by charging significantly more to their ISOs than other processors do. This neuters the ISO's ability to compete for new accounts or save accounts that are being solicited by other ISOs offering lower pricing for new items for which fees are charged. Processors should delegate to ISOs the power to set the markup of any given item.

**Sharing of markups**

Assuming the ISO is given the unfettered right to set markups on the price for new items, then there needs to be an understanding about how those markups will be shared. Three options come to mind.

First, the ISO and processor can share the same income percentages as they already share for merchants, based on an aggregation of costs and residuals. For example, if a given merchant produces \$100 per month, and 80 percent of that is usually paid to the ISO, then 80 percent of the markup on the new fee should go to the ISO.

Second, ISO and processor can agree on a 50/50 sharing of new markups, recognizing they may not necessarily fit within the broader pricing allocation. Third, ISO and processor may agree on a cap on the percentage by which the processor can mark up its costs on a new item. For



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***Processors are, of course, thinking of new services to add to their merchant offerings in order to improve revenue. That said, such offerings may not be aligned with what competitors are offering and may not be priced to avoid merchant attrition.***

example, a new item may be marked up 10 percent above the processor's third-party costs, after which the ISO can price the item and earn all revenue over such markup.

### **New processor services**

Processors are, of course, thinking of new services to add to their merchant offerings in order to improve revenue. That said, such offerings may not be aligned with what competitors are offering and may not be priced to avoid merchant attrition. As such, there is a good argument for ISOs being able to block such new products and services, at least during the current term of their ISO agreements.

For example, if a processor develops a new compliance program that involves PCI, TIN, the IRS, etc., the ISO should have the option of either rolling that program out or continuing to supply those items itself or through third

parties, so as not to force the ISO into a new pricing paradigm mid-course.

You might think it is impossible to plan for changing pricing. This is not true. Most potential pricing changes can be categorized before they occur, and the resulting markups and revenue sharing can also be allocated in advance. Of course, some believe planning will not be effective and will penalize one party or another. That said, it is better to plan for price changes now than not to plan for them, given that pricing changes are the new norm in our industry. ■

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## What is the most productive thing you've done today?

By Tom Waters

Bank Associates Merchant Services

**T**he highest grossing ISOs have several strong revenue engines that have been established and fortified over many years. In the merchant services arena, a revenue engine is any process created in which the end result leads to a new client or approval: a formula for productivity.

When trying to replicate the success of industry leaders, it is easy to become intimidated by the order of magnitude in which they operate. However, at the core of their successful processes are simply relationships that have been established for the mutual benefit of all members involved. The hard part is deconstructing those relationships to find patterns so you can begin to build your own relationships and grow them to be just as strong.

### Building momentum

To establish the right flow when building out an ISO, you first have to prioritize your workload throughout the day. If the field of merchant services is

your vehicle to financial freedom, then consider prospecting to be your engine. Prospecting is the act of cultivating relationships. If you are not fueling or building on your engine, you are simply coasting along and losing speed.

The life of the merchant level salesperson (MLS) can grow hectic at times. Throughout the day, it can be very easy to get caught up engaging in activities that look like work but are actually just distractions in disguise.

Momentum is your greatest ally during the workday, and once you learn to time your strides, you can ride waves of momentum through days, weeks and months.

Have you ever wondered how some agents are able to put a couple of seemingly random applications in over the weekend? Many agents can feel like they are working just as hard comparably, but the deals just aren't dropping as consistently. Well, by building up the right momentum, you can make it look easy too.

### Setting priorities

If you are spending too much time responding to "emergencies" and focusing too much attention on a handful of relationships that may seem especially important, you are actually throttling your true earning potential.

There comes a point where these types of activities start keeping you from focusing on the fundamental processes that will bring in actual revenue. It can be difficult to notice, but it's important to be task-sensitive and to limit the time you spend acting as if you are selling as the day whizzes past and you achieve no real productivity.

Drafting well crafted and long winded emails, traveling to distant territories, engaging a particular prospect or client for too long – all seem like productive work.

Looking back on a rash of these activities after a long day may give an agent a sense of accomplishment. While they certainly are important processes for

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## Education

cultivating a strong pipeline, is it really prospecting? If you boil these activities down to see whether they provide a net gain, you will often find there are far better ways to spend your time.

You will always have to spend some time working on such activities, but the key point here is to learn how to properly organize and batch them into clusters in order to sustain momentum in more productive areas.

Often, as MLSSs, no one is challenging you to raise the bar once you hit a benchmark. You are likely paving your own path in the merchant services industry. Your chosen mentors are usually caught up with their own workload and have limited time in which to offer daily insights or corrections about your performance.

The burden of self-motivation often grows heavy and slowly debilitates, scarcely noticed. It is important to acknowledge where you are spending your energy and focus as much as you can on the tasks that will directly monetize your input.

### Evaluating productivity

Exploring and fortifying new relationships with business owners and other potential agents of commerce are the only things that can be drawn directly to your productivity. There is an easy way to track this. Ask yourself, What is the most productive thing I've done today? Set that question as a calendar reminder in your cell phone to pop up at the end of your work day.

Take the exercise seriously; recall the things you did that actually moved one

or more deals or relationships forward. How many new relationships did you create during the day? How many existing relationships did you advance? If your numbers are low, it should be for very important reasons.

Over time, those numbers will be ticking upward even on days you take off. Once you recruit enough referral partners and affiliates and you have built a solid reputation among your clients and community, you will be on your way to building a legitimate series of revenue engines.

### Taking further steps

Now that you can observe your work habits from a top-down level by quantifying your daily activities, you can begin to explore and tinker with the habits that will best bring in more business.

The different formulas you can apply to grow your approval counts are pretty basic. They do, however, require subtle and complex elements of relationship-building such as establishing trust and exuding professionalism.

In my next article, I will cover a number of formulas that are fundamental to growing an ISO, as well as the common mistakes that are made when building them. The revenue engines I will recommend can be used to form the foundation of your work schedule and establish the framework of your sales operations. ■

*Since 2001, Tom Waters has risen through the ranks of merchant service sales. He is responsible for cultivating relationships with entrepreneurs in information technology, accounting, sales and marketing in his role as Sales Director of Bank Associates Merchant Services (www.bams.com). His open door policy for advice on pipeline and client management has been the source of many new and profitable relationships. Using fresh and matter-of-fact training methods, Tom has contributed to the success of thousands of agents, affiliates and clients. He can be reached via email through t.waters@bams.com or via phone at 347-651-1065.*



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# Marketing your business with YouTube

By Peggy Bekavac Olson

*Strategic Marketing*

**Y**ouTube is the world's most popular video sharing site. It's a great tool for businesses, both large and small, because it's free, easy to use and has broad market reach and appeal. It's only natural for companies in the payments industry to think about leveraging YouTube for business success. I think you will agree the following YouTube statistics are both interesting and impressive:

- YouTube is the number one entertainment site on the Internet and the fourth largest Internet destination.
- More than 60 hours of video are uploaded to YouTube every minute, with over 4 billion videos viewed each day.
- In any given month, 800 million unique users visit YouTube, watching over 3 billion hours of video.
- YouTube is localized in 39 countries and across 54 different languages.
- In 2011, YouTube had more than 1 trillion views, which equates to almost 140 views for every person living on Earth.

The numbers are huge and staggering, but at this point, you may be wondering how YouTube applies to your business and how you can use it to reap benefits. The answer is that YouTube can be used to market your company's products and services, showcase expertise and share knowledge, plus engages with customers and prospects in a virtual anytime, anywhere environment. No big budget is required – all it takes is a video camera, a little creativity and a plan.

## Consider the benefits

The purpose of the following list is to get you started thinking of ways your business can benefit by utilizing YouTube videos:

- Introduce your company with a corporate overview video or an "About Us" commercial
- Show off payment products and services to prospective customers through overviews and demos
- Present case studies so viewers understand how payment products and services actually work and provide benefit in a live merchant environment
- Build credibility for your business with customer video testimonials

- Turn existing webinars and podcasts into videos to expand your target audience reach
- Create tutorials about installing and configuring POS terminals, processing transactions, making voids, closing a batch and end-of-day procedures to reduce customer service calls for help
- Create a video bank of the correct steps to solve your most common product or service problems and point customers to them for self-help answers
- Give valuable tips of interest to clients and prospects or conduct an interview with one of your company's payment gurus to showcase expertise
- Demonstrate authority by recording executive speeches and presentations
- Record an important meeting to share with customers, prospects, employees or shareholders
- Showcase company events and awards
- Introduce your staff and take viewers on a tour of your offices

As you can see, YouTube can enhance your business in a number of ways. Of course, you will certainly have some video ideas of your own to add to the list.

## Keep it short

So how long should a YouTube video be? Wistia, a video hosting and analytics tracking service, has compiled interesting data on this topic. The company's research shows that shorter videos are more engaging and that people are more likely to watch an entire video if it is short in length. Thirty-second video clips are normally viewed by 85 percent of people all the way through, while the completion rate for videos that run between two to 10 minutes is only 50 percent. Frequently, when presented videos of four to five minutes in length, people don't even push the play button.

To keep viewers' attention, keep your YouTube videos between one and one and one-half minutes in length for optimal viewing. Put the best material, the part that you want people to see and the messages you want them to hear, within the video's first 20 seconds – before they get distracted.

Strive to make your content concise as to achieve the highest viewer engagement. If you feel you need more time to properly tell the story, break your video up into several smaller vignettes.

## Be professional but have fun

YouTube videos can be the do-it-yourself variety, but remember to keep them business-like and professional. Here are some tips on how to do create an effective video in-house:



**YouTube provides an opportunity to promote your business for next to nothing. But nothing will happen unless you get people to view your videos.**

- It's essential to have a script in place so you know what you're going to say once the camera starts rolling.
- When using employees as actors, count on multiple shooting takes to have enough video to cut out the mistakes.
- Have fun, and don't be too serious when making your videos.
- Mix in some props and action, plus add some levity, if appropriate, to break up the content you're conveying so that you don't end up creating a boring video.

If you go the outsourced route, engage a firm that not only understands online video production, but your business as well. You'll want to share your goals, expectations and budget to guide the scripting, acting, shooting, editing and production process.

### Promote your video

YouTube provides an opportunity to promote your business for next to nothing. But nothing will happen unless you get people to view your videos. You accomplish video viewing through promotion.

Imbedding your YouTube videos on your website, blog and online industry forums; linking to your videos in emails and newsletters; sharing your videos through social media channels such as Facebook, LinkedIn and Twitter; advertising your videos on your website, phone recording, corporate and industry events are all great ways to promote your videos.

Although YouTube makes it easy to share content with the world, video privacy may be a concern for your business in certain situations. If you want to limit the viewing and exposure of a video, you can simply enable a YouTube privacy setting.

You may specify that a video be unlisted in YouTube. For an unlisted video to be viewed, you must send a link inviting recipients to access your video; only those viewers are able to access your unlisted video. You may also specify a video as being private. The private setting enables you and up to 25 other YouTube users whom you invite to see your video.

Unlisted and private videos will not appear in any of YouTube's public spaces such as search results, your play-list, a channel or on the Browse page. Additionally, viewers don't need a YouTube account to watch unlisted or private videos, which can be advantageous.

YouTube can be a wonderful tool for any payment business to employ. It's relatively easy to use and packs a lot of bang for the buck. So what do you think? I say give it a whirl. Try leveraging YouTube in your business today to experience the benefits of this creative opportunity. 📺

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

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# NewProducts

## A new 'Jack' in town

**Product: PaySaber Jack**

*Company: USA ePay*

**U**SA ePay has a new player in the PaySaber mobile POS lineup called the PaySaber Jack. What distinguishes this versatile, end-to-end encrypted card reader from the others in the line is its compatibility with both Apple Inc. and Google Inc. smart phone and tablet devices; what it has in common with other PaySaber products is its Payment Application Data Security Standard (PA-DSS) validation, USA ePay noted.

The unit fits into the audio headphone jack of mobile devices and can read a variety of mag stripes, including those on credit, signature debit, gift and loyalty cards; driver's licenses; and identification badges.

Using ID Tech's established mag-stripe reading technology, the PaySaber Jack delivers bi-directional card reading of up to three tracks of information. It also comes with a guaranteed operating life of a minimum 300,000 card swipes, the company reported.

"We are excited to be adding the PaySaber Jack to our successful line of PaySaber products," said Martin Drake, USA ePay Executive Vice President of Business Development. "Since the PaySaber Jack is built around our core gateway product, this offering will provide the merchants with better reporting along with a wide array of other tools and services to help grow and enhance the merchant experience."

According to USA ePay, the jack has a number of built-in security features. For example, all transactions and data syncing occur over a secure connection, with extended validation Secure Sockets Layer certificates on the server side to ensure high-level encryption between the PaySaber software and USA ePay's PCI Level-1 certified payment gateway.

Additionally, the user interface enables merchants to de-authorize devices, should a device be lost or stolen.


"The PaySaber Jack will open up new strategic vertical opportunities for our reseller partners to offer a dependable, low-cost encrypted card reader to the Android Mobile Market," Drake said. USA ePay's Reseller Branded Packages program allows ISOs to brand the gateway for a seamless merchant experience.

The company's reseller program supports merchant processing through First Data Corp., Total System Services

### Features of paysaber Jack include:

- Plugs into audio headphone jack, requires no cables
- Provides PA-DSS-approved end-to-end data encryption
- Connects to PCI Level-1 certified payment gateway
- Reads up to three tracks of card data, bi-directionally
- Offers reseller partnership program to ISOs



Inc., Chase Paymentech Solutions LLC, Global Payments Inc. and Planet Payment Inc. PaySaber Jack works in tandem with USA ePay's corresponding credit card payment application, which can be downloaded free from the Apple Store and Google Play. 

### USA ePay

866-490-0042  
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## Hand-held printer hits stateside

**Product: SPP-R300 mobile printer**

*Company: Bixolon America Inc.*

**F**acing growing demand in the U.S. market for portable printers, Bixolon America Inc. introduced the SPP-R300 mobile receipt printer, a hand-held device packed with technology designed for on-demand mobile commerce.

Formerly a specialty printing division of Samsung, Bixolon spun off in 2002, with the goal of becoming a leading presence in the global mini printer market.

"With its iOS Wi-Fi, Android and Bluetooth connectivity, the SPP-R300 is the ideal solution to an ever increasing mobile transactions [market's] printing needs," said David Roberts, Senior Vice President of Bixolon America. The printer, which connects wirelessly via a Bluetooth or wireless LAN interface, also supports the Microsoft Corp. Windows CE platform.

Speed and accuracy reportedly are integral to the SPP-R300. With a print resolution of 203 dpi, it can print text and graphics at a rate of 3.94 inches per second, Bixolon stated. Also built in is a patent-pending Auto Balancer, designed to prevent blurred printing and

allow merchants to print in low temperature environments as well.

Bixolon stated the SPP-R300's long-life, lithium-ion battery should last approximately 500 cycles between charges, the equivalent of about 10 rolls of three-inch thermal receipt paper or an average 8 hours of usage time.

An optional mag-stripe reader permits merchants to process credit card transactions on the spot. Its drop-in paper loading feature reduces down time when reloading rolls, and it also supports basic label printing using label paper and black mark paper, the company noted.

Weighing in at just over one pound, the unit is compact enough to wear comfortably on a belt. To accommodate portability, Bixolon offers multiple accessories to carry and protect the SPP-R300, including a belt or shoulder strap, a protective storage case and vehicle holder to mount the unit while in transit.


The SPP-R300 can reportedly withstand drop distances of up to 4 feet and offers water resistance, making it suitable for the most demanding outdoor field conditions.

"Bixolon continues its commitment to providing innovative mobile printing technologies, and the SPP-R300

#### Features of the SPP-R300 mobile printer include:

- Auto-balancer prevents blurred printing
- Lithium-ion battery supports 500 cycles
- Output speed prints 3.94 inches per second
- Interface options include serial, USB, Bluetooth, Wi-Fi
- Device can withstand multiple drops from up to 4 feet



proves itself as the latest addition to our continuously expanding product offerings," Roberts said. Bixolon's POS receipt, label and mobile printers currently serve the diverse needs of retail, hospitality, health care, banking, ticketing, post/parcel and warehousing. 

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# 10 years ago in The Green Sheet

A decade ago, credit card usage took a dip as overspent consumers stopped spending, prompting card issuers to innovate; hackers allegedly confiscated thousands of credit reports from Experian; and Visa Inc. was embroiled in a lawsuit against First Data Corp. to protect its brand. Economic influences continue to shape consumer behavior, and the payments industry is quick to respond.



## Reinventing plastic

Fears that Americans drowning in debt would thwart credit card spending, issuers were scrambling to reinvent the shape and function of traditional plastic. Enter the key fob. Discover Financial Services rolled out the teardrop-shaped 2GO Card and protective case, which consumers could attach to key chains and briefcases as a visible spending tool.

## Hackers infiltrate Experian

Between April 2001 and February 2002, hackers acting as Ford Credit employees allegedly used an authorization code to gain illegal access to more than 13,000 credit reports from Experian, one of three major credit-reporting agencies. Detection of the scheme surfaced when reports listed unauthorized credit checks by Ford. The case was under FBI investigation.

## Visa sues First Data

Visa sued First Data, alleging the processor threatened to sully the Visa name with a new service that lowered costs by keeping transactions in-house, a violation of Visa rules stipulating all transactions initiated with Visa-branded cards must pass through the VisaNet network. First Data had been testing a service that would keep some transactions in-house.

Read archived issues back to 1995 at [www.greensheet.com](http://www.greensheet.com); click on Publications.

# DateBook

Visit [www.greensheet.com/datebook.php](http://www.greensheet.com/datebook.php) for more events and a year-at-a-glance event chart.



## Midwest Acquirers Association

10th Anniversary 2012 Annual Conference

**Highlights:** Celebrating the past and envisioning the future will be the theme of the Midwest Acquirers Association's 10th anniversary conference, which will take place in the heart of Chicago. To mark the start of a second decade of service, the MWAA has kept conference sponsorship and registration costs the same as in 2011.

Conference sessions will cover the world of Europay/MasterCard/Visa, small business marketing programs, the changing mix of payment players, the impact of government and legislative initiatives on the industry, and the mergers and acquisitions outlook. Other highlights will include a buffet lunch sponsored by Field Guide Enterprises LLC, a Discover Financial Services future-themed party, and the MWAA's Shark Tank Innovation competition.

**When:** July 17 – 19, 2012

**Where:** Hilton Chicago

**Registration:** <http://midwestacquirers.com/register.php>



## Women's Network in Electronic Transactions

LINC Chicago

**Highlights:** W.net's LINC Chicago will directly precede the Midwest Acquirers Association's annual conference. The event will provide an opportunity for women in the payments industry to network and hear from engaging speakers who will address key issues in payments, as well as offer career tips and advice specifically applicable to women.

W.net's LINC meetings occur throughout the United States and provide a forum for female payment professionals to empower and inspire each other through local networking, mentoring and educational opportunities.

**When:** July 17, 2012

**Where:** Hilton Chicago

**Registration:** [www.wnetonline.org](http://www.wnetonline.org)



## The Prepaid Press

tppExpo'12

**Highlights:** Research indicates the prepaid industry has grown in three distinct branches: calling card, wireless, and gift card and alternative payments. These three sectors converge at the retail level, but are still approached as different industries. The Prepaid Press Expo 2012 (tppExpo'12) prides itself on being the only trade event that focuses on the convergence of all prepaid products and services.

The event is recommended for anyone involved in producing or selling prepaid services. Among the benefits for attendees and exhibitors are opportunities to network with customers across all prepaid distribution channels, conduct face-to-face business with new prospects and reach prospects unavailable elsewhere.

**When:** Aug. 6 – 8, 2012

**Where:** Paris Hotel, Las Vegas

**Registration:**

<https://secure2.rhq.com/tpp/tpp2012/attreg/index.cgi>



## WesPay

Payments Symposium 2012

**Highlights:** Quality education at a reasonable price is the aim of Payments Symposium 2012. In keeping with that goal, the event offers networking opportunities with hundreds of payment professionals, credits for those seeking to gain or renew their Accredited Automated Clearing House Professional or Certified Treasury Professional status, information on the latest developments in the payments industry, and guidance from leading industry experts.

Headliners slated to speak at the symposium include Lee Wetherington, Director of Strategic Insight at ProfitStars, Jim Van Dyke, President and founder of Javelin Strategy & Research, and Janet Estep, President and Chief Executive Officer of NACHA – The Electronic Payments Association.

**When:** Sept. 17 – 18, 2012

**Where:** Hard Rock Hotel, San Diego, Calif.

**Registration:** [www.wespay.org/symposium/registration.htm](http://www.wespay.org/symposium/registration.htm)

# 2012 events calendar

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

Event	Date	Location	Website
Clarion Events, Prepaid 2012	June 12 - 14	London	<a href="http://www.prepaid-conference.com">www.prepaid-conference.com</a>
7th Annual Underbanked Financial Services Forum	June 13 - 15	San Francisco	<a href="http://www.americanbanker.com/conferences/cfsf">www.americanbanker.com/conferences/cfsf</a>
MWAA 2012 Conference	July 18 - 19	Chicago	<a href="http://midwestacquirers.com/next_event.php">http://midwestacquirers.com/next_event.php</a>
W.net LINC Chicago	July 18	Chicago	<a href="http://w.netonline.org/PageDisplay.asp?pl=8787">http://w.netonline.org/PageDisplay.asp?pl=8787</a>
The Prepaid Press EXPO	Aug. 6 - 8	Las Vegas	<a href="http://www.prepaidpressexpo.com/about.php">www.prepaidpressexpo.com/about.php</a>
W.net 2012 Career & Leadership Summit	Sept. 10 - 11	Atlanta	<a href="http://w.netonline.org/PageDisplay.asp?pl=8607">http://w.netonline.org/PageDisplay.asp?pl=8607</a>
WestFoy, Payments Symposium 2012	Sept. 17 - 18	San Diego	<a href="http://www.westfoy.org/symposium">www.westfoy.org/symposium</a>
WSAA 2012 Conference	Sept. 26 - 27	Huntington Beach, CA	<a href="http://www.westernstatesacquirers.com">www.westernstatesacquirers.com</a>
Emerging Payments Systems Conference	Sept. 27 - 28	Washington	<a href="http://www.americanconference.com/emergingpayments">www.americanconference.com/emergingpayments</a>
3rd Annual Prepaid Cards Congress	Oct. 3 - 4	Las Vegas	<a href="http://www.worldrg.com">www.worldrg.com</a>
BAI Retail Delivery	Oct. 9 - 11	Washington	<a href="http://www.bai.org/retaildelivery/registration.aspx">www.bai.org/retaildelivery/registration.aspx</a>
The Prepaid Awards	Oct. 11	London	<a href="http://www.prepaidawards.com">www.prepaidawards.com</a>
AFP Annual Conference	Oct. 14 - 17	Miami	<a href="http://www.afpconference.org/Default_Conf.aspx">www.afpconference.org/Default_Conf.aspx</a>
ETA, 2012 Strategic Leadership Forum	Oct. 16 - 18	Palm Beach, FL	<a href="http://www.electra.org/content/section/6/38/">www.electra.org/content/section/6/38/</a>
Money2020 Expo 2012	Oct. 22 - 24	Las Vegas	<a href="http://money2020.com/#panel-register">money2020.com/#panel-register</a>
SourceMedia, 20th Annual ATM, Debit & Prepaid Forum	Oct. 22 - 25	Phoenix	<a href="http://www.paymentsource.com/conferences/atmdebit">www.paymentsource.com/conferences/atmdebit</a>
W.net LINC Northern California	Oct. 30	San Jose, CA	<a href="http://w.netonline.org/PageDisplay.asp?pl=8824">w.netonline.org/PageDisplay.asp?pl=8824</a>
Cartes 2012 Exhibition and Conference	Nov. 6 - 8	Paris	<a href="http://www.cartes.com">www.cartes.com</a>



July 18 - 19, 2012



Sept. 26 - 27, 2012



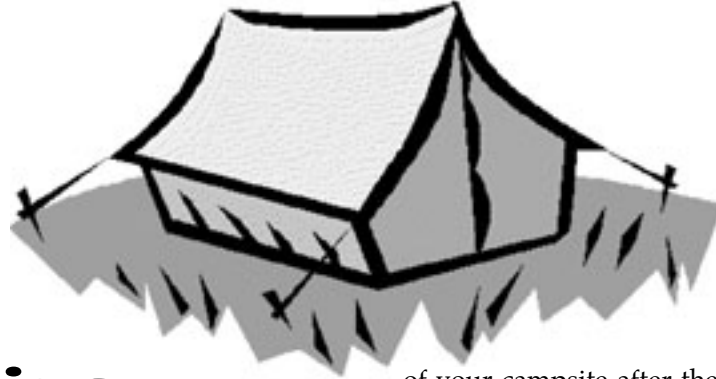
Oct. 30, 2012

# Inspiration

**WaterCoolerWisdom:**

**Spectacular achievement is always preceded by spectacular preparation.**

—Robert H. Schuller



## Each sale is a new tent to pitch

**A**s summer approaches, camping and outdoor activities are top of mind for many of us. Rummaging through dusty backpacks, tents, boats and fishing gear to assess their condition and determine what other items are needed can be a painstaking process, but it sets the tone for the experience that lies ahead.

The same holds true for pitching new accounts. When preparing to meet a prospect, it's important to collect as much information as possible about the individual and the company in order to make a good first impression and conduct a presentation tailored to the prospect's needs.

A well-rounded packing list for merchant level salespeople should include such essentials as demonstration products, target market sales literature, references from other merchants in the same industry, business cards and, of course, a contract to sign.

After assessing what sales items to pack, the next critical step is to anticipate what questions the merchant is likely to ask based on the type of business he or she is in. If it's a restaurant, the owner might be concerned about slow table turns, and you could point out exactly how a pay-at-the-table solution could enhance profits. A veterinarian might want to spur additional business, and a location-based loyalty and referral program could be the answer.

Having solutions at the ready has the added benefit of preventing dreaded awkward pauses, which could signal to the merchant something may be lacking in you or your company and thus hinder the sale.

### Support structure

The final stage in preparation is akin to setting up the rest

of your campsite after the tent is up. It involves refining your sales pitch and then practicing it before the meeting. Identify all requisite elements. Does the pitch have an enticing hook that will grab the prospect's attention? Plan to open with a memorable statistic or an anecdote that frames a specific challenge the prospect might be facing; then offer a remedy.

Focus on results, which can be supported by the strength of your business team and its suite of products and services. Outline the competitive advantages of working with your company and how doing so will help the merchant sustain long-term revenue growth through existing and new sales channels. Keep the sales pitch brief, ideally no more than a few minutes, to allow time for feedback.

Be sure to get plenty of rest beforehand. And during the presentation, build rapport by making frequent use of the names of those engaged in the meeting, using "you" instead of "I" references and mirroring prospects through body language, shared attitudes and interests.

### Strike a match

Now you're ready to light the first coal. Answer all questions honestly. And finish the sales call by asking the merchant for the business. Be direct. It could be as simple as saying, "I would very much like to work with you," as you begin filling out the paperwork.

At this point, if the merchant isn't prepared to sign the contract, ask for a referral and part amicably, leaving the door open for future contact. Then hone your presentation for the next location. And keep in mind that a clever opening can spark interest, but a strong close will kindle the flame.

Good Selling!<sup>SM</sup>

**Paul H. Green, President and CEO**



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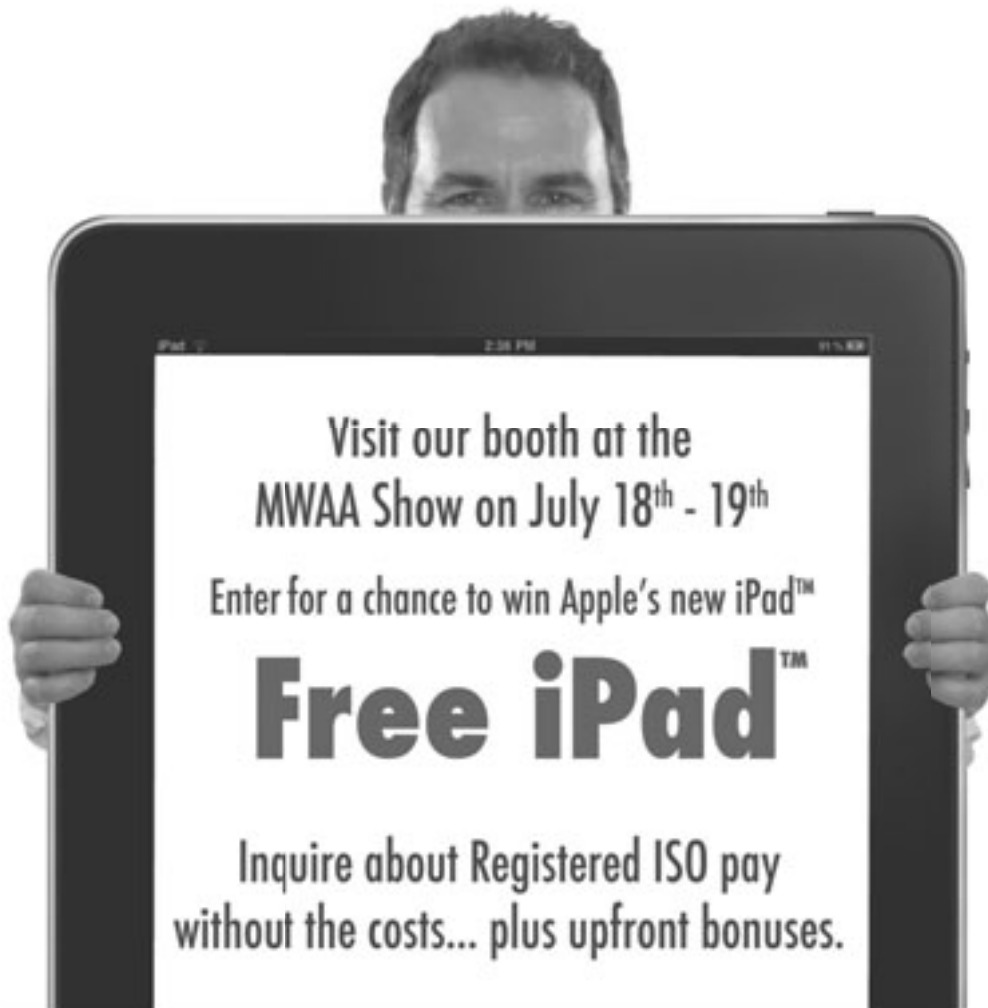
  
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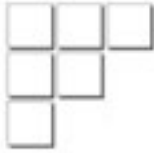
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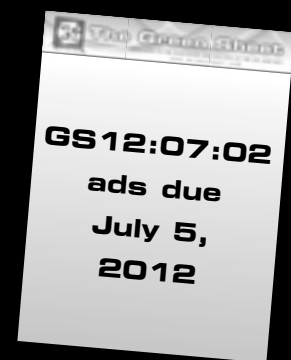
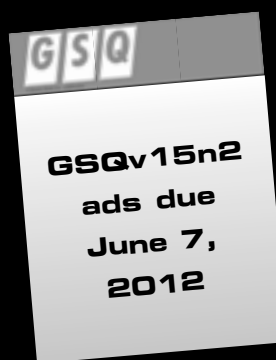
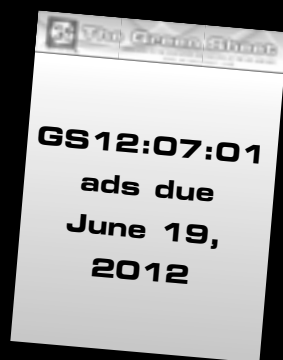
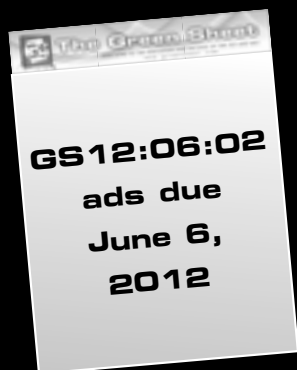
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# WITH YOUR FREE DEMO READER, PHONE SWIPE SELLS ITSELF!



## NEW ENHANCED FEATURES!

**CASH TRANSACTIONS** – Accepts and records both cash and credit card transactions.

**DISCOUNTS** – Includes discounts by percentage or specific dollar amount.

**STORE AND FORWARD** – Saves and processes sales, even if Internet connectivity is unavailable.

**MULTI-MERCHANT** – Easily switches accounts for multiple businesses or employees using one mobile device.

## PHONE SWIPE GIVES YOU:

Customizable inventory, e-mail receipts with Google Maps™, tip calculator, Geo Tax, real-time reporting and FREE user-friendly software app.

**PLUS**  
a PAY-AS-YOU-GO OPTION with no monthly fees!

**AND ONLY PHONE SWIPE  
GENERATES NEW LEADS WITH EACH  
MERCHANT TRANSACTION!**



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# Boob?

[boob] *n. Slang*

A stupid person; fool; dunce.

*Avoid being one with Total Merchant Services.*

Who wants to get slapped with an  
undisclosed \$79 - \$99 Compliance Fee?

***Not your merchants!***

Who wants to get angry phone calls from  
merchants who feel they were tricked?

***Not You!***

Who is going to get a referral from  
those angry merchants?

***Not You!***

See the many ways  
Total Merchant Services  
protects you and  
your merchants!

# Hidden Compliance Fees? Angry Merchants? Don't take it anymore!



## We've got some better ideas! Take a look:

**You can have it all!** You can still earn an 8x upfront bonus, 50%-65% revenue sharing splits, the best free terminal placement programs in the business, with an honest, transparent, reasonable Compliance Program.

### Total Transparency

Total Merchant Services protects you and your merchants with total transparency. We take a reasonable approach in disclosing the financial details of our Compliance Program to every new merchant on our Schedule Of Fees in simple, clear language.

### Easy To Sell

All our merchants receive the Compliance Program at no additional charge during the first year of their processing relationship with us and these services may be accessed immediately. On the 13th month of processing, and from that point forward, merchants will be assessed a fee of \$4.95 per month. We even offer a \$25,000 Compliance Reimbursement Program to make sure our merchants feel good as they are getting something in return.

### Honesty is our Everyday Policy

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

### Still not sure? Want to be convinced?

If you'd like help comparing our program, including the true impact of the Compliance Program fees, please give us a call. We'll show you that chasing a deal that looks better is NOT going to make up for a Compliance Fee Program that destroys your reputation and your business.

Who's going to have happier customers?

**You!**

Who's going to earn more money?

**You!**

Who's going to get more referrals?

**You!**

Who's going to break through in '11?

**You!**



**total merchant services**

payment solutions for your business

Give us a call or visit our website for more details.

(888) 848.6825 x9411

[upfrontandresiduals.com](http://upfrontandresiduals.com)