



The Green Sheet

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

July 14, 2003
Issue 03:07:01

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ETA's New Executive Director: Carla Balakgie



She Knows How to Manage

Starting any new job is a journey full of emotions, unknowns and questions that only the passing of time will answer: optimism about a new undertaking, meeting coworkers for the first time, perhaps a little trepidation about how successful you will be in your new position.

Imagine, though, if that new job is head of a trade organization in a new location halfway across the country, and your job duties right off the bat include hiring a staff and setting up the offices – all within 60 days.

Energy, previous experience, confidence tempered with enough awareness to acknowledge you have a lot to learn, flexibility and a sense of humor are all helpful qualities in situations like this. Carla Balakgie will use each one of them as she takes the reins as the first full-time Executive Director of the newly reorganized Electronic Transactions Association.

In conversation, Balakgie (pronounced "buh-LAH-chee") comes across as both capable and approachable. The enthusiasm she feels for her new position is conveyed loud and clear – she knows she has her work cut out for her, improving on the association's existing base and learning all about the industry ETA serves. There is no doubt she's up for the challenge.

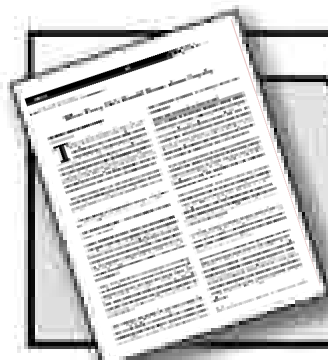
Balakgie has an extensive background in association management and what she describes as a "passion for mission-based organizations." Her experience includes 20 years serving in various capacities for professional and trade associations, including the National Association of College and University Business Officers, where her duties included serving as Senior Vice President, and at the American Society of Association Executives Foundation ("an association for people who work for asso-

See Balakgie on Page 43

Notable Quote:

Many Merchant Level Salespeople are scrambling for an added-value item they can put on their menus for retailers, and loyalty is a good and logical choice. The problem is that few sales reps know what they are getting into.

See Story on Page 54



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- » Clinton Baller-PayNet Merchant Services
- » John Beebe-Global eTelecom
- » Stacy Bell-Advanced Payment Tech
- » Audrey Blackmon-POS Portal
- » Robert Carr-Heartland Payment Systems
- » Steve Christianson-TransPay Processing
- » Rob Connelly-VeriFone
- » Wayne Damron-Lynk Systems
- » Steve Eazell-Secure Payment Systems
- » Mike English-Ingenco
- » W. Ross Federgreen-CSRSI
- » Ed Freedman-Total Merchant Services
- » Patrick Gaines-LML Payment Systems
- » Marc Gardner-North American Bancard
- » Alan Gitles-Landmark Merchant Solutions
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- » Tom Haleas-Bridgeview Payment Solutions
- » Larry Henry-L. Henry Enterprises
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- » Robert Joyce-Alliance Payment Systems
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* Any Sales Professional who sells financial services to the retail merchant marketplace.

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Expansion Advocate ...

How about a Bank Management Forum, Processor Management Forum and Registered ISO Owners Forum? Right now the Forum on www.greensheet.com is dominated by Merchant Level Salespeople.

Jeffrey Katz
President
Mercury Payment Systems

Dear Jeffrey:

Over the years, GS has been as much a mission as it has been a publication. GS has existed historically to serve both the ISO and the MLS; however, the ISO line has become very blurred. While First Data clearly is an ISO, as are Lynk and many others who do not wish to be placed in this category, the GS mission remains focused on those who produce sales in the "Payment" marketplace, rather than "non-banks" who provide back-office or acquiring services.

While our mission statement says we offer "Motivation, Inspiration, and Actionable Advice" to the MLS in the market, we certainly include the registered ISO. In serving these sales professionals, GS not only strives to provide information on a wide range of income opportunities, but we also work to provide a voice and a forum – a voice that, for lack of a forum, may otherwise go unheard.

You make an interesting point about the domination of Merchant Level Salespeople in the GS online forum, and interestingly there is a more subtle point: that, in many cases, the sales reps see the registered ISO as the "problem" against which they need to speak.

We like your idea about a Registered ISO Forum, and we will seek to implement it ASAP. While we believe that bank managers and processors are already served by other publications within the



industry, we will vet this idea and see if it too has any legs. Look for our announcement shortly.

Editor

... But Not a Survey Advocate

Paul,

I have held *The Green Sheet* in high regard and have considered your publication a trusted source of information – until now. I am very concerned about how your recent survey was conducted.

I strongly question the integrity of the survey since I have personally used one of the processors listed and have had nothing but NIGHTMARES with EVERY contract submitted. I withdrew my business months ago only to be contacted with apologies and promises.

I tried the processor's services again only to find that the NIGHTMARE was still in full force, changes were not in action, and it was worse than before. I have spoken with multiple agents and have found that my issues are not isolated. Everyone I've talked to has the same problems.

Annette Gardner
Capitol eCommerce Systems

Annette:

For years our readership has requested that we attempt this type of "ranking." This was not a scientific survey, and we believe that we made the methodology quite clear in our reporting. The rankings were the opinion of those who chose to respond.

Editor

Correction

The amount of money that commercial banks lost because of check fraud in 2001, according to the American Bankers Association, was reported incorrectly in the June 23, 2003 issue (03:06:02) of *The Green Sheet*. The amount was \$700 million.



INDUSTRY UPDATE

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NEWS

Judge Rejects TFC's Motion in Visa, MasterCard Settlement

U.S. District Court Judge John Gleeson rejected Minneapolis-based **TFC Financial Corp.**'s "motion to intervene" with **Visa** and **MasterCard**'s April 2003 settlement with Wal-Mart and nearly 4 million other retailers. TFC had complained that the settlement hurts banks that issue debit cards, such as TFC ("Card Associations Face New Actions" The Green Sheet, May 26, 2003, issue 03:05:02). The judge also issued a preliminary approval of the settlement. The plaintiffs' attorneys now will start to notify retailers included in the class-action suit.

NextCard Plans Liquidation

Bankrupt Internet credit card company **NextCard, Inc.** submitted plans with U.S. Bankruptcy Court in Wilmington, Del., on June 16, 2003 to liquidate its assets. As part of liquidation plans, the company would pay out between \$2.5 million and \$17 million to creditors. Total claims against NextCard are listed at \$464 million, but the company objects to a \$397 million claim that's part of a shareholder lawsuit.

The lawsuit alleges that NextCard was dishonest

regarding the finances of its subsidiary, NextBank. In November 2002, NextCard filed for bankruptcy protection, citing total assets of \$18 million and total debts of \$5 million.

Visa President/CEO Will Not Renew Term

Visa International President and CEO **Malcolm Williamson** announced he will not seek another term when his current five-year term ends in March 2004.

"While I have found the opportunities as well as the challenges of this role immensely stimulating, I am at a point in my professional career where I am looking forward to pursuing both a different career course and my other interests in the United Kingdom," Williamson said in a statement. "I also relish the chance to spend more time with my wife, Hang, and to be more deeply involved in the lives of our two teen-age children."

As a member of the Executive Committee of the Visa International Board, Williamson will be involved in the search for and appointment of his successor.

Study Predicts Prepaid Debit Cards to Soar

Over the last 15 years the prepaid industry has focused on telecommunication services, but now it is on the verge of expanding into every sector of the economy, according to a new report from **The PELORUS Group** titled "Stored Value: 21st Century Currency."



- ▶ **Bed Bath & Beyond, Inc.** purchased Christmas Tree Shops (all 23 stores) for approximately \$200 million in cash.
- ▶ **The Kroger Co.** bought 13 Food Town stores in the Toledo, Ohio, area and 231 stores in Ohio, Michigan and West Virginia.
- ▶ **The National Association of Convenience Stores** released its 2003 State of the Industry, a report on the convenience store and petroleum-marketing industry's 2002 performance. To order the report, phone 800-966-6227.
- ▶ **Stores, the National Retail Federation's magazine**, published its ranking of the largest U.S. retailers.
 - The top five:
 1. Wal-Mart Stores
 2. The Home Depot, Inc.
 3. The Kroger Co.
 4. Target Corp.
 5. Sears, Roebuck & Co.

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Stored value cards, aka prepaid debit cards, affect how consumers use cash, checks and traditional credit cards. The PELORUS Group projects that the number of prepaid debit cards will surge from 6.2 million in 2002 to 40 million by 2007. The report lists several factors that will contribute to the dramatic growth of prepaid debit cards, such as the millions of U.S. adults without credit cards or bank accounts who want access to e-commerce; people who do have credit cards but whose cards are maxed out; and the recent settlement by Visa and MasterCard with retailers over debit card transactions.

"[It] could encourage retailers to promote debit cards at the expense of credit cards, thereby eroding the number of credit cards issued annually," said Tom Mizejeski, Vice President of Research for The PELORUS Group.

For more information, visit the Reports section of The PELORUS Group's Web site at www.pelorus-group.com/pelreprt.htm.

First Data's Western Union in Iraq?

First Data Corp. is in talks over regulatory issues with the U.S. Treasury Department about the possibility of opening locations of its Western Union subsidiary in Iraq. First Data believes there are individuals and organ-

izations in Iraq that would benefit from the ability to send and receive funds, Reuters reported. Western Union has 159,000 locations in 195 countries.

ANNOUNCEMENTS

Amex Named in Top 3 for Women of Color

Working Mother Magazine named American Express Co. one of the top three companies in its survey of "Top Companies for Women of Color," which tracks corporate progress on advancement and workplace culture for women of color, including work/family practices.

Robins Resigns from Catuity Board

Rob Robins, a member of Catuity, Inc.'s Board of Directors, resigned from his position on the Board effective June 10, 2003. Robins recently was named Executive Vice President of Business Development at National Processing Corp. (NPC) and attributes increased responsibilities at NPC to his resignation. Catuity said there are no plans at this time to replace him, and the Board now will number four members: one executive director and three non-executive directors.

ECHO Relocates

Electronic Clearing House, Inc. (ECHO) is relocating its Los Angeles-area headquarters. ECHO signed a five-year lease on 20,030 square feet of a 40,000-square-foot office building in the Camarillo Business Center in Camarillo, Calif. Nearly 65% of ECHO's employees will be relocated from the company's current headquarters in Agoura Hills, a distance of 20 miles. The move is scheduled for August 2003.

Paymentech Recognized for Low Rates

Visa USA awarded payment processor Paymentech, L.P. the 2003 Service Quality Performance award for its "lowest duplicate transaction rate." Paymentech also announced it will offer the National Independent Automobile Dealers Association's (NIADA) 17,000 members payment-processing services for recurring payments and fleet and prepaid card acceptance.

NAB Offers MLS a Mirror Image

North American Bancard announced a new addition to its offerings specifically for Merchant Level Salespeople called the "Mirror Image Website," a free hosted site intended to help sales reps support their merchants. An MLS can customize the site to fit the specific needs of his or her merchants with such features as hardware, software, choice of leasing, pricing and discount rates.

Patent Issued for Multi-Account Smart Card

Quest Products Corp. was awarded U.S. Patent No. RE

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38,137 for its multiple-account smart card system, which allows a credit, debit, frequent flyer or hotel, telephone calling card and other types of consumer accounts as well as personal information of the account holder to be maintained on a single card.

The card stores a record of every transaction for which the card was used. It also can take the form of a plastic card or as an embedded chip installed in a cell phone, PDA or other wireless or wired device. The entire contents of the card can be accessed with a single "PIN" number or biometric access code such as a fingerprint.

SLIM CD Checks Security

SLIM CD, Inc. announced it has successfully passed an audit by **SecurityMetrics**, a vendor recommended by American Express for security monitoring services. SecurityMetrics also will provide weekly monitoring of SLIM CD's processing systems.

Wildcard No Longer a Wildcard

Wildcard Wireless Solutions, Inc. has changed its name to **TransAKT Corp.** Wildcard said it wanted to align the company's corporate identity with its product line of wireless point-of-sale terminals, called TransAKT.

PARTNERSHIPS

CrossCheck Fights Loss from Stop Payments

United Bank Card, Inc. will use **CrossCheck, Inc.**'s check authorization systems for its private-label check guarantee program. UBC's merchant customers will use check authorization services to help prevent against loss caused by stop payments. CrossCheck also announced that **Global Electronic Technology, Inc.** is marketing CrossCheck's check guarantee services.

First Data Extends Contract with GE

First Data Corp. signed a five-year extension of its agreement to provide payment-processing services for **GE Consumer Finance-Americas**, a division of General Electric Company. First Data is converting GE Consumer Finance-Americas portfolios to the First Data system, which processes bankcard and private-label credit card transactions. FDC expects the conversions to be complete by the end of 2004.

Moneris Has Two New Partners

Moneris Solutions will offer **Ingenico's** latest point-of-sale products to its customers throughout North America. Moneris also will be included on Ingenico's product advisory board, providing input from its customers on product development and pricing. **The Association Forum of Chicagoland** selected Moneris to be its exclusive provider of credit card processing.

Association Forum's membership base consists of more than 1,600 nonprofit organizations in the U.S. As a member of the Association Forum's Member Advantage Program, Moneris will provide payment processing through point-of-sale hardware, software, e-commerce solutions and Web-based financial reporting, and gift and loyalty card programs.

Four Casinos Pick Global Payments

Four more casinos will use **Global Payments Inc.**'s VIP Preferred suite of products for check-cashing and cash-offering: Riviera Hotel and Casino, Imperial Palace Hotel and Casino, Cannery Hotel and Casino and the Tuscany Casino.

Heartland Offers Ingenico Product

Heartland Payment Systems, Inc. (HPS), is offering its customers **Ingenico's** Elite 510 point-of-sale terminal. Heartland plans to develop applications to be used on the terminal for targeted industries such as restaurant, hospitality and financial services. Heartland will equip the Elite 510 with up to five applications, including credit card processing and gift/loyalty card programs, and will offer a five-year warranty with the terminal.

Hypercom Wins Big Contracts

Hypercom Corp. will provide **ISO POS Payment Systems** with up to 5,000 of its T7Plus point-of-sale terminals. In addition, **Staples, Inc.** will purchase and install 6,500 Hypercom EMV-approved ICE 6000Plus terminals with HyperSafe operating system security. The terminals will be installed at Staples' checkout counters throughout the U.S.

MD On-Line Picks NPC

MD On-Line, Inc. signed a multiyear agreement with **National Processing Co., LLC.** NPC will provide MD On-Line with payment-processing services such as ACH payment capabilities, payment consolidation and electronic remittance advice reporting to their payers and providers through NPC's payment platform, HealthePay for their LINK and WEBLINK solutions.

Verus Chooses Merlin for Chargebacks

Verus Financial Management picked Frederick, Md.-based **Merlin Solutions** to process chargeback disputes for its customers, including its subsidiaries and ISOs and their merchants.

Metavante Signs Key Customers

Marshall & Ilsley Corp. subsidiary **Metavante Corp.** is extending its agreement with **Global Payments Inc.** whereby Global Payments will continue to provide Metavante's merchant portfolio with point-of-sale card processing services. Metavante also will provide

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Whitaker Bank Corp. of Kentucky with electronic funds transfer (EFT) and card-processing solutions, such as ATM driving and monitoring, gateway transaction processing and PIN-based card transaction processing, beginning in August 2003.

ACQUISITIONS

NPC Sells Sales Offices to 3 ISOs

Looking to expand its partnerships with ISOs and grow its U.S. regional merchant business, **National Processing Co.** sold 14 non-bank aligned regional sales offices to three ISO partners – DiamondCard International of Rancho Cucamonga, Calif.; Security Check, LLC of Oxford, Miss.; and Universal Debit & Credit Corp. of Annandale, Va. – in June 2003. NPC's growth strategy is to manage multiple-distribution channels while strengthening relationships with ISOs.

APPOINTMENTS

VeriFone's Fitzpatrick Joins Tellermate

Tellermate, Inc. hired **Linda Fitzpatrick** to serve as Vice

President of Sales for Eastern North America. Before joining Tellermate, Fitzpatrick worked at VeriFone, Inc. where she held various sales-management and business-development positions. Fitzpatrick has more than 20 years of sales, management and business-development experience. She previously served as Director of Sales at POS Systems Inc.

Advanced Payment Services Hires Two

Advanced Payment Services appointed **Karen A. Johnson** Vice President of Risk Management. Johnson is the former Senior Vice President of Risk Management for Concord Payment Systems. Johnson has 24 years of industry experience on both the issuing and acquiring sides of the business – from account acquisition and implementation to risk management, loss prevention and customer service. She will work at the company's new corporate headquarters in Plainview, N.Y.

Myrvin Garnett was appointed Vice President of Business Development for Advanced Payment Services. Garnett is the former Relationship Manager for Concord Payment Systems. He has 15 years of experience in chargebacks/compliance, customer service and technical support.

Cardtronics Appoints VP of Marketing

Lloyd Nobles will serve as **Cardtronics'** new Vice President of Marketing. Nobles has more than 20 years of experience in field operations and marketing in the convenience store industry, ranging from supply chain management, category management, customer service training, RFP development/analysis and sales. He joined Cardtronics in 2003 after previously serving as Category Manager for SSP Partners, a convenience store and petroleum chain.

TenderCard Hires Industry Veteran

Bob Robinson has been appointed Executive Vice President at **TenderCard**. Robinson has nearly 30 years of experience in the merchant acquiring business, including management positions with PNC Bank, MasterCard's Automated Point-of-Sale Program (MAPP), ENVOY Corp. and Lynk Systems, Inc.

ECHO Hires TeleCheck Exec

Electronic Clearing House, Inc. (ECHO) appointed **Sharat Shankar** Vice President of Risk Management and Business Intelligence, a new executive committee position. Shankar has nearly 10 years' experience and previously served as Vice President at First Data Corp.'s TeleCheck International Inc. At TeleCheck, he oversaw business analytics, operations support and risk management on a multibillion-dollar transaction portfolio. ■

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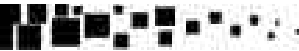
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TRADE ASSOCIATION NEWS

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By Julie O'Ryan-Dempsey

General Manager

The associations' events are listed in the Trade Show directory available on the Green Sheet Online. Additional information on the meetings, such as agendas and direct links for registration and hotels, are on our Web site when available. If you know of an association that is not listed or if you have a question you would like posted to the associations, please write to me at julie@greensheet.com.

NEAA Meeting Report

The 2003 summer meeting of the Northeast Acquirers Association took place June 11-12 in Atlantic City, N.J. This was a very successful meeting, with more than 325 attendees. The vendor comments were unanimously positive, and the consensus was that this show was highly focused on the Merchant Level Salesperson (MLS).

As I met with each of the vendors in the expo area, several factors for this meeting's success became apparent:

- The expo organization created a level playing field for all of the vendors represented. Each vendor was allocated an identical skirted table and the same amount of floor space, and signage was limited.
- The "low-hype" expo atmosphere was very conducive to conversation and networking. All of the vendors reported "closing more deals" than at other industry events.
- Organizers purposely limited the number of vendors, enabling attendees to focus on each of the business offerings instead of becoming overwhelmed by the expo floor.
- Networking opportunities included substantial vendor-to-vendor partnership building.

The NEAA seminar presentations were focused on business opportunities for the MLS. Each presentation was a concise 45-minute discussion. Presenters included American Express, STAR Network, MasterCard and Visa International. We will have detailed articles on

each of the presentations in future issues of The Green Sheet.

Alan Forgione, Nancy Austin, Jacques Breton and the rest of the NEAA board deserve a substantial round of applause for their successful efforts in organizing this meeting. I had the opportunity to speak with many attendees who shared their enthusiasm for the event with me. Universally, the sales professionals I spoke with said:

- The meeting was affordable and easy to attend.
- It presented a high level of business opportunity.
- They would recommend the meeting for peers in the Northeast.

The GS staff will attend each of the regional acquirers association meetings in the coming months. We look forward to the opportunity to support these events and would encourage our readers to attend the event in your area. The future meetings will be highlighted in this column and are listed online in the Tradeshow Directory.

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The ETA committees for the 2003-04 year are being formed and will be announced following the July 18 board meeting. The new office in Washington, D.C., opened July 1, 2003.

Financial Women International, Inc.

200 North Glebe Rd., Suite 820
 Arlington, VA 22203-3728
 Phone: 703-807-2007
 Fax: 703-807-0111
www.fwi.org

Next Event

FWI's 81st Annual Conference
 September 6-9, 2003
 Honolulu
 Brochure and registration available online:
www.fwifoundation.org/81stconference.htm

Regional Meetings and Chapter Organizations

www.fwi.org/newevents/calendar.htm

National Association of Payment Professionals

Web site: www.naopp.net

The temporary Board of Directors for the National Association of Payment Professionals (NAOPP) met for the second time to ratify the by-laws and map out the short-term assignments for the board members and committees. Following the meeting in Atlanta, the interim board announced the reorganization of the association.

This organization is being designed to assist the Merchant Level Salesperson (MLS). NAOPP's Mission Statement states: "This organization shall exist for all those selling in the Payment Processing industry, by providing Education, Benefits, Liaison/Representation and Certification."

A great number of positive events occurred at the meeting. The overall feeling was that this organization has a fighting chance to succeed.

Interim Officers:

- Executive Director, President, Steve Norell,
steven@us-merchantservices.com

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- Treasurer, Keri Golden, cout@austintexas.net
- Director, Andy Pitts, Alphaprocessing@aol.com
- Director, Neil Mink, damnam52@hotmail.com
- Director, Chuck Saden, csaden@poscardprocessing.com

Interim Non-MLS Directors:

- Director, Henry Helgeson,
henry@merchantwarehouse.com
- Director, David Daily, david.daily@ipaymentinc.com
- Director, Raymond Leonardi,
raymondl@bridgeviewbank.com
- Director, Jared Isaacman, Jared@unitedbankcard.com

Next Event

The first open meeting for all members and potential members is tentatively scheduled to take place in Orlando in conjunction with the SEAA meeting in October. For more info on this organization and how to join, please refer to the Web site at www.naopp.net.

The National Clearing House

1999 Bryan Street, Suite 1500

Dallas, TX 75201

Phone: 214-953-4708

Contact: Barbara Lozzi, Director of Sales and Marketing

E-mail: Barbara.lozzi@thencha.com

Web site: www.thencha.com

The National Clearing House is a not-for-profit, nationwide payment transactions clearing house whose mission is to continually enhance the efficiency of the payment system of the United States for all financial institutions.

Member services presently include local, regional and national check clearing and settlement (for checks and check images), joint transportation programs and risk-management initiatives. Settlement services are also extended to other clearing houses across the country.

Members are divided into two classes: Regional Members and National Members.

Regional Membership is comprised of depository institutions that exchange and settle checks drawn on other Regional Members within a local or regional geographical area.

National Membership is comprised of depository institutions located throughout the United States that exchange and settle checks and check images drawn on one another and one another's local check clearing house members under an operational and cost structure that ensures a common benefit to all participants.

The NCHA's goals and objectives are in step with the industry's goals of national standardized rules and a national settlement platform.

Recent accomplishments related to these goals and objectives include:

- Developed and implemented the first Web-based, Internet-accessed, real-time National Settlement Platform (implementation date: February 28, 2003).
- Added five new clearing house associations to the settlement platform. This added 45 financial institution processing sites to the existing group of NCHA members and settlement customers, bringing the total number to 338 processing sites of 213 National and Regional

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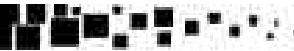
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Members of NCHA and members of customer clearing houses.

- Entered into an agreement with Endpoint Exchange to provide settlement services for its national check image exchange service.
- Supported national efforts of drafting Uniform Rules for Paper Check Exchange.

Current initiatives include:

- Continue expanding the use of the National Settlement Platform through services or alliances with other clearing houses across the country and with financial services companies.
- National Transportation initiatives to improve the efficiency of the payment system.
- Supporting the industry's transition from paper check exchange to image exchange.

Next Event

Annual membership meeting
September 18-19, 2003
Philadelphia

The purpose of the membership meeting is to communicate association goals and accomplishments, solicit members' thoughts and ideas and provide information on the latest industry issues.

Obtain the hotel event rate by registering before August 15, 2003. Contact Karroll Searcy, 214-953-4723, for registration information.

Officers:

- Chairman of Board: Bob Bean, Bank of America
- Senior Vice Chairman of the Board: James Lansing, Wells Fargo Bank
- Vice Chairman of the Board: Walt Boyer, Southwest Bank of Texas
- Secretary and Treasurer: Ron Ciechanowski, JP Morgan Chase
- President: Fred Redeker, NCHA

For additional information, contact Barbara Lozzi, Director of Sales and Marketing, at the address listed above.

Western Payments Alliance (WesPay)

100 Bush Street, Suite 400
San Francisco, CA 94104
Phone: 415-433-1230
Fax: 415-433-1370
www.wespay.org

Next Event

Payments Symposium 2003
September 28-30
The Palace Hotel, San Francisco
Please see GS issue 03:05:01 for complete details
Registration available online at Web site listed above

REGIONAL ASSOCIATIONS

Bankcard Association of Southern California (BASC)

P.O. Box 301772
Escondido, CA 92030-1772

What is the BASC? It was founded in 1977 by a group of credit card and ATM managers, ISOs and service firms/vendors. The purpose of the BASC is to further the interests and use of electronic-commerce including credit cards, debit cards, e-commerce, ATM cards and all other products offered by the card industry.

BASC's goal is "to help educate our attendees on industry trends, including regulation updates, hardware, software applications, online banking services and overall the 'hot' topics related to the [payment processing] industry." Like the other regional associations, BASC is a non-profit group. However, it differs in that it is a membership-based organization. Members and non-members may attend the quarterly meetings.

Unlike the NEAA, SEAA and MWAA, this organization is not focused on the MLS/ISO but rather on providing banks and credit unions with information and access to the card associations. Nevertheless, the one-day quarterly meetings will be of interest to MLS/ISOs in the Southern California area.

Annual Membership Fees:

- Financial institutions:
New Membership = \$100
Renewal = \$75
- Service providers (vendors, ISOs, processors, etc.):
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Renewal = \$200

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Next Events

August 28, 2003: Gift and Loyalty Card Programs

November 6, 2003: BASC Annual Vendor Expo

Location for All Meetings

The Holiday Inn Monrovia
924 W. Huntington Drive
Monrovia, CA
Phone: 626-357-1900

BASC Officers and Board Members

- President: Susie Ryan, Prism Processing Services
Susie.Ryan@Paymentech.com
- Vice President: Jeanne Edwards, City National Bank
jeanne.edwards@cnb.com
- Secretary: Bruce Ferguson, United Merchant Services
BFerguson@umsbanking.com
- Treasurer: Barbara Petras, U.S. Bank
BarbaraPetras@msn.com

- Past President and Board Member: Sherry Friedrichsen,
General Credit Forms, Inc., sfriedrichsen@gcfinc.com
- Board Member: Betty Dick, Western States Bankcard
Association, betty.dick@westernstatesbankcard.com
- Board Member: Bryan Lane, Merchant e-Solutions
blane@merchante-solutions.com
- Board Member: Deana Rich, Jettis.Com
drich@jettis.com

Anyone interested in finding out more about BASC may contact Sherry Friedrichsen at 760-243-7990 or sfriedrichsen@gcfinc.com

Midwest Acquirers Association

c/o Jim McCormick
General Credit Forms, Inc.
3595 Rider Trail South
Earth City, MO, 63045
Web site: www.midwestacquirers.com

The MWAA Web site is now live and is a terrific gateway to this newly formed regional association. The recently completed site includes:

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- Registration information for vendors and attendees
- Meeting agenda
- The association's mission statement and contact link

Please visit the Web site for complete meeting details:
www.midwestacquirers.com/index.html

First Meeting

July 30-August 1, 2003
 Hotel Allegro
 171 West Randolph St.
 Chicago, IL

Registration information: Jim McCormick
 E-mail: info@midwestacquirers.com
 Fax: 815-577-1402

Northeast Acquirers Association

11 Westman Street
 Somersworth, NH 03878
 Phone: 603-692-2408
 Fax: 603-692-2384
www.northeastacquirers.com

Next Event


Winter 2004 Gathering
 February 4-5, 2004
 Grand Summit, Mt. Snow, Vermont

Southeast Acquirers Association

c/o John McCormick
 General Credit Forms, Inc.
 3595 Rider Trail South
 Earth City, MO, 63045

Next Event

3rd Annual Meeting
 October 8-9, 2003
 The Rosen Centre Hotel
 9840 International Drive
 Orlando, FL 32819
 Phone: 407-996-9840
 Fax: 407-996-2659

Please see GS issue 03:05:01 for complete details. For registration information, please e-mail John McCormick at jmccormick@gcfinc.com or phone him at 800-325-1158. 

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Tectonic Events To Rearrange Payments Landscape – Part III

Wow! That is my reaction to the two rounds of incredible changes announced by Visa on June 19 and on June 25, 2003. There is a lot of "rearranging" going on as we speak, and I will cover as much of it as possible in the second part of this article. But first, let's examine (as promised in Parts I and II) the shrinking market share of our industry's number one company (in terms of size), First Data, as well as a couple of the other very large players in the acquiring industry plus the market-share gains in recent years of some smaller players.

The Shrinking Market Share of the Industry Leader

All of the data I am using in this review is from the Nilson Report, Issue 639 of March 1997 and Issue 783 of March 2003 (along with facts about portfolio ownership changes



during the past five years). These two Nilson issues rank the reporting merchant acquirers by "owned volume" for 12/31/97 and 12/31/02, respectively. So what has happened in the last five years?

Actually, quite a bit has happened. The acquiring business was owned 100% by member banks from its formation in the 1960s until Nabanco was formed in the mid-'70s and began gaining traction (revenues growing beyond eight figures) in the very early '80s. From the early '80s through the early '90s, the industry consolidated rapidly, and this consolidation continued until it abruptly slowed when NOVA acquired PMT in 1998. Let's see what has happened since then.

On 12/31/97, First Data was still singing its "bank-centric" song in a big way, having purchased both CES (the spinout of Citibank's portfolio combined with the business of the infamous Peachtree, aka Harbridge) and Nabanco in 1995.

First Data's story back then was that it did not intend to compete with its hundreds of bank clients in the acquiring business and therefore would "distribute" the CES and Nabanco contracts to its newly formed "alliance partnerships."

The "alliances" at the end of '97 were (in order of size) Chase, Bank One, Wells Fargo, Unified Merchant Services (NationsBank plus others), PNC Bank, Cardservice International, Wachovia, Norwest, Barnett, Boatman's, Bank of Hawaii, Huntington, BankBoston and Old Kent Bank. These "alliances" plus the FDC portfolio itself processed \$232 billion of the nation's \$602 billion transactions, representing 38.5% of the market. (Nilson's total of \$580.89 billion does not "foot" to the detail.)

By the end of 2002, many of the "alliance" banks had been merged with other banks, some of which also were "alliance" banks. When the surviving bank was not an "alliance" bank, such as Fleet's acquisition of BankBoston and Bank of America's merger into NationsBank, the "alliance portfolio" remained with First Data. Also during this five-year period, FDC continued its acquisition program by increasing its ownership and control of the few remaining "alliances" and making outright acquisitions such as BP Petroleum's (formerly ARCO's) payment platform.

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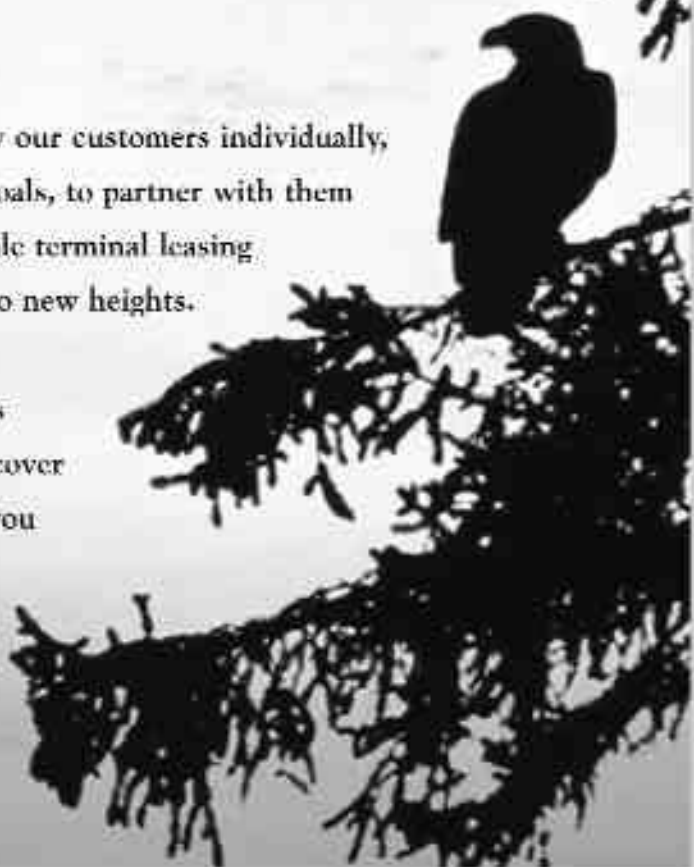
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Do Six of 1,400 Client Banks Really Constitute a "Bank-centric" Model?

By 12/31/02, only four of the original "alliance" banks remained and two new banks, SunTrust and Sovereign, were added. Also, First Chicago NBD had been taken over by Bank One. The market share in 1997 of all of these entities combined was \$238 billion, representing a market share of 39.5%. Five years later, the First Data-controlled business claimed ownership of \$381 billion of the nation's reported \$1.2 trillion of volume, or just 31.4%. This is a drop in market share of 20.5% (39.5% to 31.4%) in just five years.

Furthermore, four of the six "alliance banks" (SunTrust, PNC, Bank of Hawaii and Sovereign) are partnered with FDC on less than 10% of this \$381 billion. All of the rest is owned directly by First Data or in "alliance" with either Chase and Wells, both huge non-acquiring clients of First Data who have larger fish to fry with their outsourced partner than the relatively small marketplace of merchant acquiring (compared to card issuing, etc).

If First Data and two of its largest non-acquiring clients

control more than 90% of the First Data business, I wonder how First Data's other 1,394 bank clients (see www.firstdata.com/news_factsheet.jsp for FDC's claim to have 1,400 bank clients in total) feel about First Data's so-called "bank-centric" acquiring model?

Is First Data hiding behind the skirts of Chase and Wells so it can still claim that it has a "bank-centric" model that spurs competition across the land? The numbers speak for themselves. The new business coming directly from the bank channel is hardly a growth engine for First Data. Eight years of results have proved that First Data's approach to an "alliance" strategy is simply not viable as a growth engine.

So How Can First Data Meet Its Strategic Objective?

So how is First Data going to accomplish its much promoted Strategic Objective: "To process every electronic payment transaction worldwide from the point of occurrence to the point of settlement."? It may appear to some that FDC has embarked on a new strategy to replace the "alliance" model. One approach may be to work to gain a monopolistic advantage over the competition, which on 12/31/02 controlled the remaining 68.6% of the U.S. market.

With the effort to establish the monopoly called FDCNet, First Data would be able to increase its acquiring market share by eliminating dues and assessments and other fees (for itself only?), thereby gaining a monopolistic advantage over the rest of the industry in raw pricing power. Remember John D. Rockefeller controlling the railroads and therefore being able to establish the Standard Oil Trust? FDCNet could provide the railroad tracks FDC needs to control the U.S. acquiring market.

Alternatively, FDC's approach might be to purchase Concord and thereby gain a 70% market share of the PIN-debit networks. This would permit FDC to lay down a different set of railroad tracks and use them to gain acquiring volume by cutting debit interchange or network fees (for itself only?), as Concord **has already done** in the marketplace to win McDonald's business as well as the business of many other large merchants.

Yet a different route to hegemony for FDC-Concord is to deny access to their newly combined networks (aka railroad tracks) to eliminate their competitors' ability to offer a full-service payment service altogether. Anyone who understands merchant requirements realizes this is fatal medicine to the monopoly's competitors.

Let's hope the recently announced delay of the FDC-Concord merger approval will give the Antitrust Division of the Department of Justice enough time to examine

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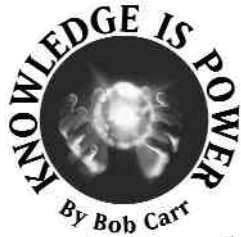
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In summary, some believe that First Data has lost confidence that it can compete effectively in an openly competitive marketplace for the merchant acquiring business. Is FDC working to create an advantage for itself that the rest of the competition cannot have? Is FDC attempting to use its power to lay any one of three sets of railroad tracks? Namely: (1) a monopoly to gain a price advantage with FDCNet; (2) a monopoly to gain a price advantage with debit interchange or network fees; or (3) a monopoly on access to the so-called "regional networks," which it will control if the Concord merger is approved.

Top Five Acquirers Losing Aggregate Market Share

But First Data isn't the only extremely large player with

these issues more closely. First Data's argument that it is competing against cash and checks and not the rest of those with a 68.6% market share is hard to take seriously. Its other argument – that there is more competition because of its "bank-centric model" – does not hold

market-share problems. NOVA was a Top Five player in both rankings. During the last five years, NOVA purchased PMT and the portfolios of CoreStates and StarBank and then merged with USBank after its market cap plunged from its \$2.4+ billion high to \$1.5 billion. The aggregate market share of these consolidated entities has dropped from 11.7% in 1997 to 8.4% in 2002. So much for that roll-up strategy!

During this same period, NPC, also a Top Five player throughout this period, acquired the portfolios of Michigan National Bank as well as First of America but lost market share, dropping from 13.7% to 12.7% over the last five years.

The other top players in 1997, Paymentech and Bank of America, both have increased market share, but overall the Top Five players have dropped from 78.7% of the market in 1997 to only 68.7% of the market in 2002, a huge drop of 10%.

New and Growing Competitors

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1997 – Heartland Payment Systems, Lynk and Merchant E-solutions together owned almost \$30 billion of volume by the end of 2002 and continue to outpace the growth of the industry by wide margins.

Additional new sales organizations and roll-up companies also have risen from nowhere – Merchant Services, Inc, iPayments and Verus combine to have almost \$15 billion of volume. In addition, a large number of new, small organizations are showing up in the rankings. A study of all of the companies reporting to Nilson will show a plethora of stagnant payment providers along with a couple of big, growing companies such as Paymentech and FifthThird Bank.

But most interesting is the number of companies in the half-billion to several-billion-dollar volume category. The 10% market share that has been lost by the Top Five has been picked up mostly by a collection of these new entrants.

Visa Announcements

On June 19, Visa released its "August 2003 VisaNet Business Enhancements Technical Letter" to all certified

transaction processors. This letter is confidential and cannot be released. Six days later, Visa released its new rates, effective August 1, 2003. On June 4, 2003, MasterCard released its new rate structures.

Without getting into a lot of the specifics, a number of new constructs were introduced to the industry. Here are some of the high points of the announcements. You might want to sit down before you read this!

1. Visa Check rates will be 1.23% plus 0 cents. That's right. Visa implemented the required 48-basis-point decrease by eliminating the 10-cent discount per transaction fee and lowering the interchange rate from 1.25% to 1.23% for all but the supermarket category (which was lowered, as discussed previously). Just imagine what this is going to do for PIN-debit and small-ticket merchants!
2. MasterCard lowered its MasterMoney card rate to 0.97% plus 10 cents per transaction, from 1.40% plus 10 cents.
3. The new Visa Check card rates and the new MasterMoney card rates all apply to all categories of qualification. This means that beginning August 1, there will be no downgrade or unqualified transactions for card-not-present or tip-adjusted Visa Check or MasterMoney transactions. Many small merchants will

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be celebrating when they see huge "non-qual" surcharge fees drop off their statements. Many ISOs will wonder what has happened to their residual income.

4. Visa announced that it will increase assessments from 8.4 basis points to 9.25 basis points for all transactions effective October 1, 2003.
5. Visa announced increases to credit card rates of 4 basis points for card-present consumer cards and 5 basis points for card-not-present.
6. Acquirers for the merchants who dropped out of the class-action litigation ("opt-out merchants") will not receive the new rates for offline debit interchange. In fact, each such merchant must be identified with a new code – MVV (Merchant Verification Value) by the processor submitting the transaction to interchange beginning August 1.
7. Visa has introduced a New Visa Partner Program in which Visa will make special debit-pricing arrangements with individual merchants and pass the negotiated interchange fees to the acquirer for these merchants. Processors will be required to submit another new code for these transactions called a VPP (Visa Partner

Program). This program is for PIN-based Interlink transactions as well as offline Visa Check transactions.

8. New interchange rates have been established for credit vouchers.
9. New fees will be assessed for chargebacks and draft retrievals.
10. Visa Check Cards issued by non-U.S. banks will not qualify for the new Visa Check rate but instead will be assessed credit card interchange rates.
11. Visa has created an entirely new set of rates for very large merchants and supermarkets. This new tier (Tier I) applies only to merchants processing more than 45 million CPS/Retail Credit tickets and \$1.5 billion of volume or supermarkets who process more than 24 million tickets and \$1 billion of volume. These rates are 4 basis points lower than CPS/Retail Credit (Tier II) of 1.43 plus 10 cents, the new base rate and 1.2% plus 0 cents for Tier 1 supermarkets vs. 1.2% plus 5 cents for the smaller (Tier II) supermarkets.
12. For credit transactions, new Verified by Visa rates (CPS/e-Commerce Preferred) will be 1.80% plus 10 cents vs. the CPS/e-Commerce Basic rate of 1.85% plus 10 cents when Verified by Visa is not available.
13. A new Visa "Variable Access Fee" of 0.5 cents will replace the current variable rate fee for all processors (this levels the playing field even more for the smaller guys).

In addition to all of this, rumor has it that Bank One is about to go to Interlink-bugged Visa Check cards only. Without a MAC or STAR bug on the card, the new FDC-Concord monopoly would not be able to participate in the PIN-debit revenue from these cards.

Word is that this may be the big banks' way of removing themselves from the threats of FDC's monopolistic efforts. This ultimately could be the salvation of the little acquirers.

Alot is happening these days. It feels as if the last 90 days have brought more turmoil to our industry than the last 10 years combined. More later. ■

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

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California Legislature Fights Fraud But Pulls Punches

The California State Legislature can't seem to make up its mind when it comes to protecting consumers' personal financial information.

On one hand, new legislation was passed recently to help stem the rapidly increasing incidences of computer network hacks and identity thefts by holding businesses responsible for maintaining security on their systems.

On the other hand, legislation to control the sharing and selling of consumers' financial information between companies like banks, brokerages or insurance companies has been defeated for the fourth time. The bill would have required these companies to obtain their customers' permission to share their information and given consumers the right to opt out.

A new state law went into effect July 1, 2003 requiring any company that stores data electronically and does business in California to notify customers if "unencrypted personal information was, or is reasonably believed to have been, acquired by an unauthorized person." Companies must warn any California residents in their databases of

security breaches to their corporate networks "in the most expedient time possible," with an e-mail or letter.

For example, according to an Associated Press story, when a retailer discovers its credit card numbers have been stolen, it must e-mail customers alerting them to the break-in and the possibility that the hackers might have their account information.

The new law is the first of its kind in the country and is being looked at as a model for legislation in other states. While the California law contrasts with current Bush administration policies on e-commerce and technology issues, federal legislators also are studying it. The law is intended to increase consumers' awareness when their financial information may have been accessed. It will hold executives accountable for computer fraud and make companies with less than adequate systems more open to lawsuits.

The law goes into effect as identity thefts and network break-ins are on the rise. A poll conducted by the FBI and San Francisco-based Computer Security Institute showed that in the past year, out of 530 companies and agencies surveyed, almost half said their systems had been accessed by an unauthorized, internal hacker and that unauthorized outsiders had broken into more than one third of the networks.

According to the Associated Press story, The U.S. Postal Service reports that 50,000 people are victims of fraud or identity theft every year and that the number is increasing. The U.S. Treasury Department says fraudsters generated between \$2 billion and \$3 billion in losses with stolen credit cards alone.

Not as successful was the fourth attempt in as many years by state Senator Jackie Speier to get the California Financial Privacy Information Act, or SB1, passed into law. The defeated bill would have required financial companies to obtain their customers' permission before they sold or shared information about them to other companies and given consumers the right to opt out of having their data swapped.

Proponents of SB1 faced strong, well-funded opposition from financial services organizations, including Wells Fargo, Bank of America, Citigroup, JPMorgan Chase, Capital One and the California State Assembly Committee on Banking and Finance. Speier cited previous state Senate committee estimates that the trading and sale of personal information is a \$900 million-a-year industry, generating profits of \$500 million, in California alone. ■

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The New Opportunity Equation

By Michelle Graff
VeriFone, Inc.

Chances are you can walk into any retail shop or restaurant and within minutes hear the familiar "rat-a-tat-tat" of a VeriFone P250 printer. You can pretty much bet that the merchant has an old POS payment terminal that has been designed to do nothing but perform credit card authorizations.

While some merchant sales reps may smell only the coffee, savvy salespeople will smell an opportunity. An opportunity for what, you ask? To make new commissions and to generate ongoing revenue streams. Opportunities abound and there's plenty of money to be made.

Step 1: Upgrade, Upgrade, Upgrade

Let's face it. Terminals built 10 years ago, though often still very reliable, were not designed for the new era in payment acceptance. Security standards, new communication alternatives and the advent of value-added applications are driving an opportunity to replace aging POS equipment with powerful, fast, all-in-one solutions that can create a value proposition for you and the merchants you serve.

So instead of simply reprogramming the old terminal, replace it with a new one designed for today and the future.

Educate the merchant on how a new solution can improve productivity, lower transaction costs, help implement loyalty-building customer programs, and even share in some revenue-generating applications. It also can put hard commission dollars in your pocket from the new terminal sale.

Step 2: Peripherals Generate Even More Commission

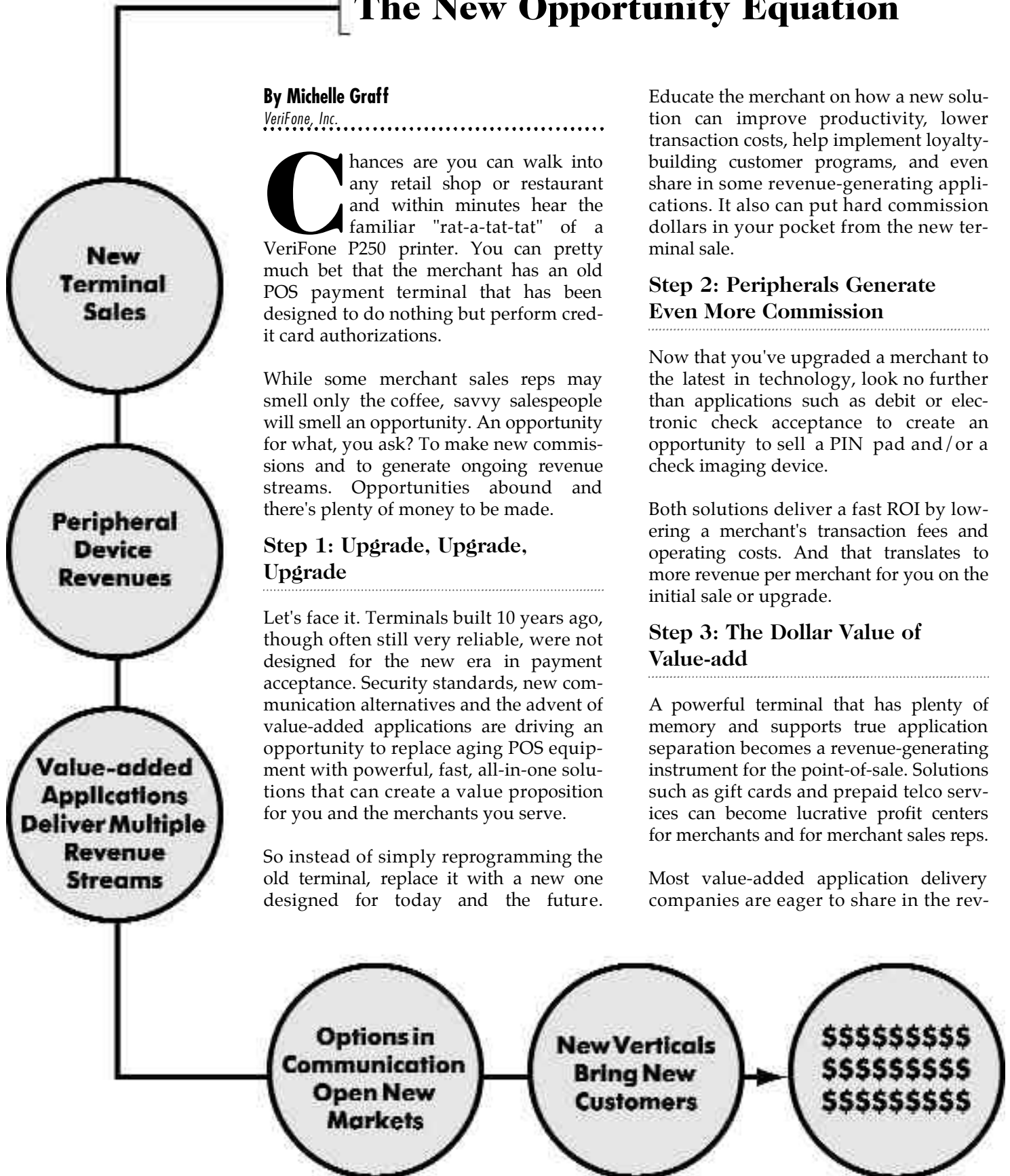
Now that you've upgraded a merchant to the latest in technology, look no further than applications such as debit or electronic check acceptance to create an opportunity to sell a PIN pad and/or a check imaging device.

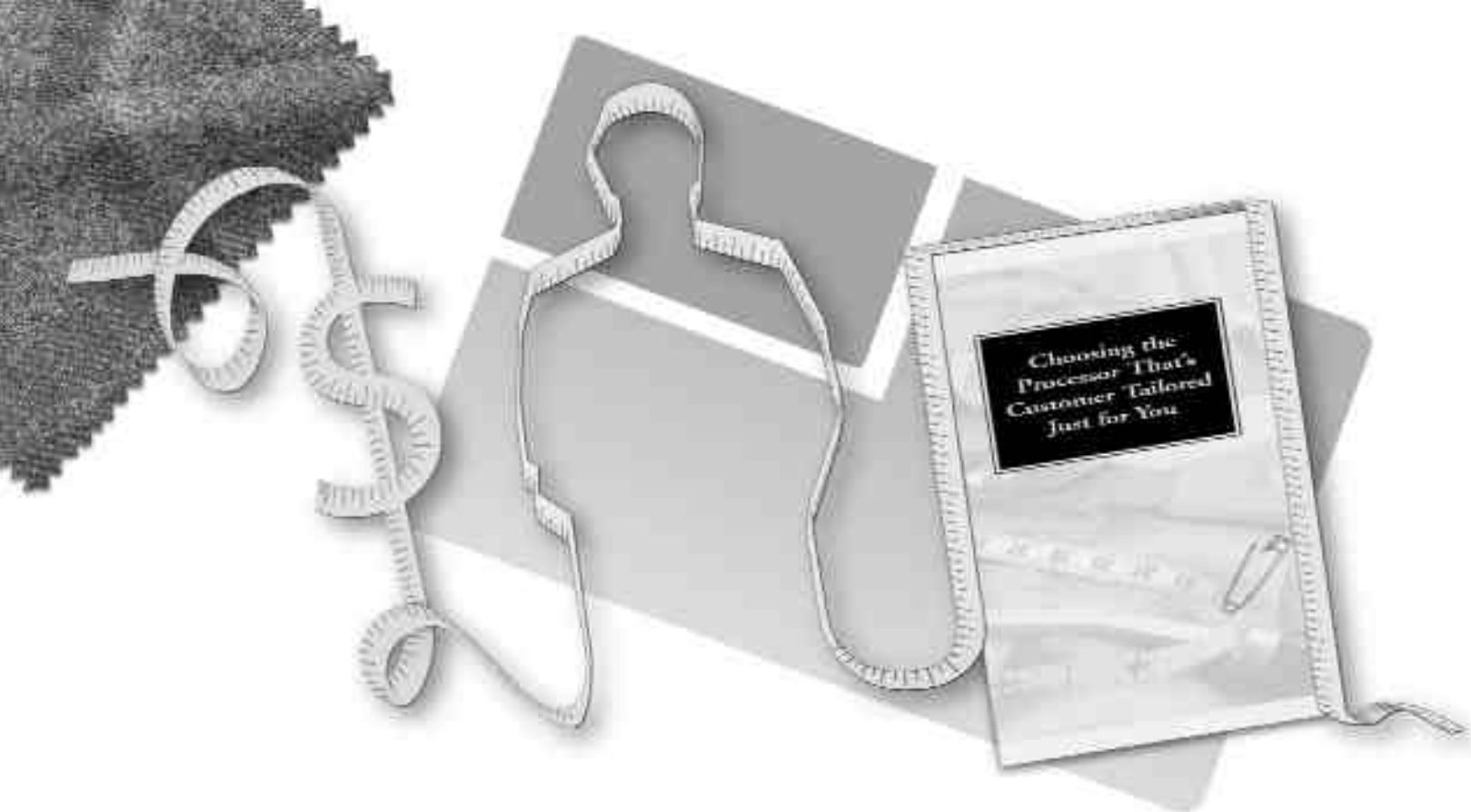
Both solutions deliver a fast ROI by lowering a merchant's transaction fees and operating costs. And that translates to more revenue per merchant for you on the initial sale or upgrade.

Step 3: The Dollar Value of Value-add

A powerful terminal that has plenty of memory and supports true application separation becomes a revenue-generating instrument for the point-of-sale. Solutions such as gift cards and prepaid telco services can become lucrative profit centers for merchants and for merchant sales reps.

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enue generated by these services. And providers of age verification, loyalty and time-and-attendance solutions often will reward merchant sales reps with signing bonuses for each application deployed. Not only do you improve the operations within a merchant's location, you line your pockets with new dough from the deal.

Value-added applications also can be used to open new market opportunities beyond payment. Use age verification services to get your foot in the door at liquor stores, convenience stores and age-restricted venues such as bars, nightclubs and casinos. Use electronic check applications to sell to check-accepting service providers, including doctors' offices and hair salons.

Once you have established a relationship with the merchant, you have an ongoing opportunity to "upsell" more services in the future. And the more services you offer, the better your retention rates and the better your residuals.

Step 4: New Communications Speed New Market Entry

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Internet-enabled devices through a single DSL or cable router – televisions, computers, phone, payment terminal – but transaction performance is optimized, increasing customer satisfaction.

Use IP-enabled countertop terminals to enter new markets where speed rules, including quick service restaurants, grocery and convenience stores, parking lots, movie theaters and concert venues. Use wireless terminals to open doors for mobile merchants, including delivery services, traveling vendors, theme parks and hotel/motel operators.

Step 5: Keep Moving Forward. Keep Making Money

What's next? No one can accurately predict the next wave of innovation at the point-of-sale. But one thing you can count on: Savvy merchant sales reps will be armed with solutions that aren't limited to today's standards.

Terminals that offer advanced modular design provide you with a better opportunity to add features, services and applications as they come to market. This allows you to stay one step ahead of the competition and to future-proof your solutions as well as your income.

Don't limit yourself – listen for the rat-a-tat-tat of a moneymaking proposition and apply the new opportunity equation! 

Michelle Graff is Director of Global Marketing for VeriFone.

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Balakgie from Page 1

ciations," she laughs), where she has served on the boards of the association and its Foundation, is finishing a term as Fellows Chairman and will continue as one of 200 lifelong Fellows.

While the combination of her fresh perspective and experience will definitely contribute to steering ETA in a new direction, Balakgie is quick to stress that she is not leading the organization on her own. "I have a very visible role, but this is not about me. My role is to guide the organization, to help it develop and reach its potential," she says.

"There is a big trust factor for people related to the transition. They want to know what this change is going to mean.

"ETA had grown and evolved in its developmental cycle to where the [leadership] wanted to do things differently – to bring in a new level of resources, including the management approach and the move to Washington with increased access to government and other agencies. They were ready to move to the next level. I was hired to build on the superb foundation that was already in place. I will be enabling this organization to succeed."

Balakgie knows her role will evolve, too, as the immediate operational requirements – such as orchestrating the transition, ordering computers and interviewing potential employees – are met and the new association gets off the ground and up and running. Then she can work on getting to know all about ETA, its members and what they all do for a living.

The doors to the new ETA office opened officially July 1, 2003, but Balakgie was hard at work for two months before that making sure the move from Kansas City, Mo., where the association had been based, went as planned. "We're at the cor-

ner of 16th and L, three blocks and a park away from the White House," she says.

She'll be working with a staff of five, once they're all hired, who will handle membership, marketing, education, communications and operational duties. Production of ETA's magazine, *Transaction Trends*, and two annual conferences will be outsourced, but Balakgie says ETA will retain control of content and style of the publication and events.

There are no major changes in store for ETA as Balakgie gets acquainted with the members and gets a feel for the payment industry, she says. "My first priority will be to ensure that the level of products and services remains steady and the things that members value will not only remain but improve.

"One of the things ETA does well as a trade association is to provide opportunities for networking. When I was hired, it was stressed to me that we need to continue to enable people to come together to meet and do business. What we do best is put on a good business-to-business trade show. That's essential in an industry that is changing continually. The trade shows are the heart and soul of what we do."

On Balakgie's immediate agenda is a strategic planning meeting of the ETA board in July. Her learning curve includes familiarizing herself with various issues in the industry and concerns among members. One issue she already has heard about is the opinion of some that not enough independent agents can participate in ETA. She says she will be looking further into how to reach out to more people in the industry and create an association that more accurately reflects the people working in it.

"I have heard discussions and talked with people about this at ETA in Las Vegas and at the Northeast

Acquirers Association meeting in Atlantic City. It's an important strategic issue to be able to include this important constituency. The leaders of ETA understand and feel a sense of priority around this issue.

"There have been initial efforts to address this concern through the creation of the ETAU (ETA University), the exploration of regional association structures and the formation of an ad hoc ISO Advisory Committee to help the leadership better understand the needs of small ISOs and ICs."

Coming up with additional answers to concerns raised about this and other points will have to wait until the July meeting, Balakgie says.

Beyond that, Balakgie says ETA's long-term plans will include advocacy for the payment industry through the development of better relations with industry, governmental and regulatory agencies, part of the reasoning behind the move to Washington, D.C. She has been in Washington for 20 years. She's tapped into various networks and communities there and she feels strongly that getting out and meeting and greeting is an integral part of her job – in her hometown and across the country.

Balakgie attended the NEAA conference in June and also will attend other regional conferences scheduled this summer, such as the Midwest and Southeast Acquirers Associations meetings. She's also looking forward to ETA's Midyear Meeting in Boca Raton, Fla., coming up in September.

The educational component of ETA University is also a particularly important focus for Balakgie, she says. The more people know, the better able they are to do their jobs.

"There is a strong symbiotic relationship between all facets of the industry and education," she says.



"Through ETAU, we want to develop, expand and raise the level of education and information. When there is a level of knowledge and professional standards, people are better able to run their businesses."

She envisions expanding the course offerings to give more people better access to vertical information, thereby broadening their professional scopes.

"ETAU consists of five schools, and people need to know why this is important," she says. "Education can help develop and lead to self-regulation. It allows all ships to rise."

Balakgie would like the ETAU curriculum to include a distance learning tool to "offer quick, flexible approaches to reach people who maybe can't take advantage of classes offered" in the traditional settings.

Getting to know the people who

make up ETA's membership is another important item on Balakgie's to-do list. "The members and volunteers have knowledge and experience to share," she says. "They're such an important human resource."


She says that in between all the operational tasks she's been completing, she has managed to spend a little time working with a few of ETA's volunteer committees, getting to know some of the members – and learning.

"I'm very excited about the opportunity to help the organization realize its next stage. This is a dynamic industry, consumer driven and technology enabled. Part of the reason I took this position is that there is a lot of activity and a lot of growth inherent in it. Some might see this as chaos, but I welcome it!"

"I consider association management

to be both running a business and a way of making a contribution, of giving something back.

"Even though my experience is not necessarily a tie-in with the mission of the ETA, I think my skills as a person will guide me. My career has been in association management. When you work for a trade association, you immerse yourself in the industry you serve. I expect the staff and myself to be knowledgeable and immersed.

"Trade associations exist to serve the industry and their memberships. We can never lose sight of that." 

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Partnerships for Success – Part I

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Neither you as a Merchant Level Salesperson nor your merchant bankcard program provider can do everything on your own. We all rely on vendor partners. Because of this, effective vendor partner selection never has been more important.

I speak from my own personal experience. I've been through a minefield of really bad vendors. As a result, I've learned several important lessons while weeding out the good from the bad. It did not matter how good a job my company was doing.

If we had a vendor who was not performing, our sales would be affected immediately. On the other hand, when our vendors performed really well, our sales increased dramatically.

What's the most effective way to select the best-quality vendor partners to ensure your success? The following three words should be at the forefront of your mind during your discussions and selection: compatibility, service and price.

You first need to find out what type of compatibility and experience a vendor has with your credit card processing company. My first question to any vendor is, "Do you work with Global Payments? What other Global Payments ISOs are you working with right now?"

Next, move onto service, support, pricing and the terms of the agreement. After I conclude my initial discussion with the potential vendor, I phone other businesses that

are using their product or service.

When I talk with these people, I try to find out how long they've been using this company and the particulars of their deal. I ask, "Does it work? How do you rate their customer support? Are you happy with the pricing?" Only after I find out all of this information would I be ready to get back to that vendor partner to start the negotiation.

Another great suggestion is to utilize the MLS Forum and post an applause meter for the vendor you're interested in signing up with. I see many of you are already doing this, and the MLS Forum reflects just how strategic the selection process is. Here's what agents are saying about picking the right vendor partner. For easy reference, I've listed them in categories. At the end of the article, I'll give you my opinion on the best way to make a smart selection.

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Equipment Providers

"Anytime someone moves a piece of paper or does something for you, it costs money. You need to weigh the pros and cons of doing it for yourself vs. someone else doing it for you. Time also costs money. Some people like to use the phrase 'Save Time' whereas I use the phrase 'Buy Time.' Time costs money! Confederate General Nathan Bedford Forrest, when asked about his victories in the war of the 'Yankee Aggression,' replied, 'The key to victory is to be the firstest with the mostest,' and that, my friend, is as true today as it was back then. Nothing infuriates a merchant more than having to wait on equipment. So, whatever it takes to cut the time involved to get equipment installed is the way I would go with the decision. Bottom line: It's your decision."

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"Doing everything yourself is the best thing. We do it all ourselves. You make a lot more money that way. The work is not that much, and the money will justify the extra work."

"The experience of downloading, installing and handling the training yourself is invaluable when it comes to being an asset to current and potential merchant accounts. It's much easier to troubleshoot problems when you've 'gotten your hands dirty' with the equipment."

Leasing Companies

"My suggestion would be to go through your ISO because they generally have the best leasing programs. It's difficult for an individual rep to get the same deal as a large ISO that sends in large volume. If your ISO can't offer you a lease program you're happy with, then maybe you should find another ISO. Be careful in that – as with other areas in this business, it's easy to be taken for a ride. They may have the best rate on an 'A' deal you've ever seen, but the way they score the lease no one will ever get scored with an 'A.' "

"The difference in scoring may not truly be the lease company. You may have more than one account with the leasing company through different ISOs. Each ISO

may have completely different contracts with the lease company. One ISO may have to send in original apps and another may accept faxed apps only. One may require first-and-last payment where another does not. You may have to do a verbal confirmation of the lease through one ISO but not the other. Most important is the difference in the way the lease is scored! You may have the same merchant receive different lease scores because of the way the ISO has set it up with the lease company."

Check Conversion/Guarantee Providers

"We offer a 1.18% plus \$.18 for check conversion with guarantee. This comes with free online reporting as well."

"We offer a 1.12% plus \$.16 for check conversion with guarantee. We also have 24/7 free online reporting."

Gift Card and Loyalty Programs

"Sell gift card programs because the other guy does and you need to compete, not because you'll retire on the residual income it generates."

"A gift card sale is an educational sale that typically takes one to two hours to complete. I can't justify this time expenditure for so little income. Something is wrong here! What's all the hype about this product?"

"Gift cards can be a very important income stream to merchants and ISOs. Like everything else in value-added products, it takes proper training of the ISO, good sales material and proper presentation to the merchant. Adding gift cards definitely helps in merchant retention if it is clearly explained from the beginning."

"Gift card programs are only economical in a small percentage of my portfolio. I will not push any value-added service unless it will truly benefit the merchant (this includes check guarantee and PIN-based debit). Too many times in this industry a rep will try to sell a merchant everything under the sun just to add to his/her residual stream. I have encountered reps soliciting my merchants claiming how a debit PIN pad will save them hundreds of dollars each month. The irony is the merchants were 100% mail order!"

Ed's Rating

As you can see from these posts on the MLS Forum, everyone has their own opinion, and those opinions are very different on the same topic. It's clear to me that what is right for one person is not right for another. As such, you need to do what's right for you.

I believe the most valuable thing you have, as a Merchant Level Salesperson, is your time. If you're a good salesperson, then you are managing your time effectively. To do

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I've spoken with many Merchant Level Salespeople who have shared horror stories about how they spent their whole day at a merchant location dealing with the aftermath of a download program that got blown out because of a check services program placed on the terminal. I've also seen these "blown out" terminal programs cause nightmare problems with merchants getting their money.

so, you need to make sure you're spending as much time as possible selling. I've seen great salespeople spend 50% of their time on non-sales-oriented tasks, including fixing problems at merchant locations, doing administrative tasks like downloading programs onto terminals to save \$10 a terminal, taking customer-support phone calls, teaching merchants how to use the services you're providing, negotiating separate contracts with every possible type of vendor, etc. In my opinion, that is a mistake.

I think it's also a mistake to try to put your own program together when you get your program or check services provider on your own. You're better off choosing a bankcard program provider and utilizing their chosen vendor-partners. In this way, you're not taking a chance about compatibility. You know it will work.

I've spoken with many Merchant Level Salespeople who have shared horror stories about how they spent their whole day at a merchant location dealing with the aftermath of a download program that got blown out because of a check services program placed on the terminal.

I've also seen these "blown out" terminal programs cause nightmare problems with merchants getting their money. Compatibility is key. You need to know that it's going to work. You need to know that many other sales reps have already tried using this terminal or check service provider on this program and have had no problems.

I also believe these large bankcard programs have a better ability to negotiate better pricing. They can get you more favorable factor rates with leasing companies. They can get you better equipment and soft-

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The best part of going this route is that many companies are not looking to make money on these services. They are not padding the lease factor rates or adding \$25-50 to the cost of each terminal. Instead, they are just looking for their share of the net profit from the merchant bankcard processing service fees.

As such, take advantage of these programs. Everything is already negotiated for you. You'll make more money and, more important, you'll spend more of your time doing what you need to be doing – SELLING!

Remember, the key to vendor selection is compatibility, service and price. Repeat after me: compatibility, service and price ... compatibility, service and price ...

As always, I'd love to hear from you. Please send feedback on this topic (and any others) to Streetsmarts@totalmerchantservices.com. My next col-

umn will discuss the importance of ISO partner selection. Obviously, this is a very hot topic, and I'd like to include your opinions in that discussion.

"Great things are not done by impulse, but by a series of small things brought together."

– Vincent Van Gogh

I'll see you next time where the rubber meets the road. 📍

Ed Freedman is founder and President/CEO of Total Merchant Services, one of the fastest-growing credit card merchant account acquirers in the nation. Ed is the driving force behind all business development activity as well as the execution of Total Merchant Services' marketing plan, including recruiting and training independent sales offices and establishing strategic alliance partnerships with leading vendors, so that Total Merchant Services can provide its customers with the highest quality and most reliable services available.

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What Every ISO Should Know about Loyalty

By Warren Zunino and David Randolph

Prairie Trail Software

There is an often told story of a man who was fixing a flat tire at dusk near the edge of a notorious asylum. In his rush to get away from the place before dark, he inadvertently stepped on the hubcap where he had placed the wheel's lug nuts, catapulting them into a stand of high grass. As he searched for them he was startled to see two possessed eyes watching from the other side of the chain-link fence. The man frantically combed through the grass but in the end found only one of the lug nuts. Just as he was about to give up and begin the long walk into town, the inmate spoke up.

"Hey, Mister! Why don't you just take one lug nut off each of the other wheels and put them on your spare? With the one you found, it will hold well enough to get you into town."

The man smiled at this astonishing advice. "Why, that's good thinking! You shouldn't be in an asylum at all."

The inmate smiled back. "I'm in here because I'm crazy, Mister – not stupid."

Loyalty programs are only slightly less misunderstood. They suffer from image problems inherited from decades past. Remember when the fledgling frequency industry had little more to offer than trading stamps? It's not that the sticky little things were not popular. They were popular. For years many American homes were marginally furnished by these green or blue stickers, and the currency of the day was often expressed in "books" ("This guitar was eight books!").

Today, many Merchant Level Salespeople are scrambling for an added-value item they can put on their menus for retailers, and loyalty is a good and logical choice. The problem is that few sales reps know what they are getting into. Many believe that those 30-mil cards and keychain tiles with the barcode are just the modern equivalent to the old sticky trading stamps. That line of thinking will lead to disaster.

Your company may already have a loyalty system that isn't exactly flying off the shelves. If you can't understand why it's not selling, it could be that your people don't understand what they're selling. Offering a loyalty product is a different mindset than selling equipment leases

and transaction agreements. It is selling a service, not transactions.

Don't use a wrench to drive a nail

First, a chasm of differences separates trading stamps from a loyalty program. Presenting retailers with an electronic trading stamp program is the wrong approach. A truly effective loyalty program provides a real "lock" on the merchant, while the electronic trading stamp program is only a "me-too" solution. A loyalty program can and should do a good deal more for the retailer. If you don't know what the tools are and which to apply to the situation, you are not creating that "lock" with your client.

If your goal is to increase the number of transactions run through your system, then offering an electronic trading stamp program may do the job. Just be aware that such programs do nothing to bond you with the merchant. Our experience is that the merchants drop the programs almost as fast as they sign up.

Their customers react even faster. One survey of retail customers found that up to 80% of customers at a casual-wear retailer would spend less at a store that put in such a program. When a majority of merchants in an area have similar offerings, then the programs do not help at all. Trading stamps failed for the same reason: Once everyone had them, it didn't make any difference to the customer where he or she shopped.

An effective loyalty program warms a retailer's heart. It doesn't just identify the most loyal customers or reward them for their loyalty. It educates the retailer about what made these customers the best and offers suggestions about how to convert more of them.

An effective loyalty program also encourages the merchant to do a better job of offering what customers want. It tells the merchant when customers don't like a change in products or policies. It tells the merchant if a significant percentage of customers come from a different ZIP code, which could point to a promising location for a new store. It tells the merchant if senior customers would prefer their own seating area in the restaurant or if new parents would like to have their favorite products grouped together in the store. The sticky point is that one size does not fit all.

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Asking retailers to offer sticky stamps for their customers to paste into a pulp book is a bit stupid – but trying to sell them a loyalty program that does the same thing is just plain crazy.

unique information about the business and its customers. How can the merchant fill the slow times, move off-season items and know if the latest promotion idea is going to work without investing in it first? The loyalty program should provide the needed information, and a good program will do a lot of the work for the merchant.

What tools to use?

Knowing how to craft such a program for your client means spending more time with him or her. It means getting to know the customers better than the merchant does and educating the merchant on how to serve them better. It means knowing what can be done, what tools are available and which to use.

In planning a loyalty program, it is important to recognize that customers who spend a lot are not always the best customers. There are customers who spend a lot of money but only purchase items on sale or the "loss leader" items. Rewarding these customers is only giving

more money away. The goal is to identify the customers who are the *most profitable*.

What are the tools that make for an effective loyalty program? At the high end, an effective loyalty program identifies both the customers and the items purchased. That requires SKU capture. Most Merchant Level Salespeople would do better to look at the middle ground where just the customers are identified and the amount of purchase is captured. This information must be augmented by periodic SKU review and customer surveys. Instead of looking at all transactions, the program can be used to identify which receipts to look at.

The most valuable tools in electronic loyalty are the reports. Once data has been captured, the merchant can use the reports to identify the who, what, when and where of the most profitable transactions. However, many merchants do not know how to read and translate these reports. It is the job of the loyalty provider to teach the merchant and, at the same time, identify what changes to those reports should be made to better service the merchant.

In the same way that retailers may lack the resources to craft a successful loyalty program, sales reps might not have these skills inside the company or time to acquire them. In this case, partnering with a company that specializes in loyalty might be a better option. However, it's still best to pay close attention in selecting that partner.

Asking retailers to offer sticky stamps for their customers to paste into a pulp book is a bit stupid – but trying to sell them a loyalty program that does the same thing is just plain crazy. ■

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Warren Zunino has been working in the electronic loyalty business for 15 years and implemented the programs for many national chains.

David Randolph founded Prairie Trail Software in 1991 after spending many years in POS software. He is recognized as a pioneer in the field, having created many of the tools and procedures now commonly used in the POS industry.

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▶▶ EDUCATION [CONTINUED]

How Patriot Act Affects Rules of Risk Prevention

By David H. Press

Integrity Bankcard Consultants, Inc.

The Treasury Department has announced final rules implementing Section 326 of the USA Patriot Act, the law signed by President Bush on October 26, 2001 that provides a wide range of new tools to combat money laundering and the financing of terrorists. Included in the final rules are "important changes that increase the effectiveness of the rule while eliminating unnecessary burden on regulated institutions."

The rule requires that financial institutions develop a Customer Identification Program (CIP) that implements reasonable procedures to:

1. Collect identifying information about customers opening an account.
2. Verify that the customers are who they say they are.
3. Maintain records of the information used to verify their identity.
4. Determine whether the customer appears on any list of suspected terrorists or terrorist organizations.

The final rule also contains a provision that permits a financial institution to rely on another regulated U.S. financial institution to perform any part of the CIP. Whether you will be required to comply with these regulations will depend on your situation, but generally this information would be obtained when an individual would open up a DDA to receive the merchant's deposits and would not be required to open a merchant account with an ISO. You should check with your processor, member bank and/or legal counsel to determine what will be required in your particular situation.

As part of a Customer Identification Program, financial institutions will be required to develop procedures to collect relevant identifying information, including a customer's name, address, date of birth and a taxpayer identification number (for individuals, this likely will be a Social Security number).

Foreign nationals without a U.S. taxpayer identification number could provide a similar government-issued identification number, such as a passport number. The announced goal of what was finalized allows for taking many current and due diligence procedures already in

place at most institutions and cross-applying them to Section 326.

Financial institutions should have started to conduct reviews of Section 326 compliance by doing an inventory of what is currently being done for anti-fraud measures and examining the tools used in that capacity.

Being able to cross-apply these measures is the crux of Section 326 – developing a CIP based on risk. The Feds are looking for scrutiny to be applied in varying levels depending on the amount of risk involved in not knowing your customer's identity at the opening of an account. In other words, how comfortable are you that you know who this customer is? Are they who they say they are?

This critical underwriting question is not being asked enough by Merchant Level Salespeople and ISOs in today's "instant approval" market.

Along with not doing the card association physical inspections of the business premises of prospective merchants, too many accounts are being approved with no proof of who the person applying for the merchant account really is. This can be very risky in today's electronic world.

If you are not currently gathering this type of information during your merchant-application process, it might be a good time to start. Many processors and/or banks have required that documents verifying the identity of the principal applying for a merchant account be included in the application package; it can be a deterrent against "bust out" merchants and fraudulent "identity theft" applications.

Many vendors are including CIP enhancements to existing fraud-screening solution packages that are or will become available to sales reps. These enhancements include solutions for the fourth requirement above: determine whether the customer appears on any list of suspected terrorists or terrorist organizations. The government list can be checked along with other proprietary customer verification tools and credit reports that should be completed as part of a sound underwriting process.

ISOs and processors continue to approve merchants who should have been declined – often because of internal policies or risk parameters – without completing proper underwriting, then later terminate them for "cause" and



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hold funds. By doing so, they risk card association sanctions or fines for misuse of the Combined Terminated Merchant File (CTMF), FTC attention from complaining merchants and/or class-action lawsuits from affected merchants.

You need to become aware of the provisions of the Patriot Act and determine how it applies to your operation. Compliance is mandatory effective October 1, 2003.

The Patriot Act requires little more than what already should be done for sound underwriting: verifying the existence of a customer who opens up a merchant account. ■

David H. Press is Principal and President of Integrity Bankcard Consultants, Inc. Phone him at 630-637-4010, e-mail dhp@integritybankcard.net or visit www.integritybankcard.net.

Hypercom Closing The Horizon Group

Hypercom Corp. announced plans to close its subsidiary The Horizon Group's St. Louis facility and transition services to Hypercom headquarters in Phoenix.

Hypercom said the new focus of services currently offered through The Horizon Group will be solely on Hypercom products. It will transfer additional Horizon customers and services to another provider. Hypercom officials would not specifically name that company or those services.

The Horizon Group offered banks, payment processors and independent sales organizations services and products such as deployment and repair of point-of-sale devices manufactured by Hypercom, Lipman, MagTek, Thales and VeriFone as well as new and refurbished equipment. It also offered loyalty and gift card programs, electronic receipt capture, sales training and a 24/7 help desk.

Hypercom said it is closing the St. Louis operation in order to concentrate resources within its core business and to improve profitability. ■



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COMPANY PROFILE ◀◀◀



SLIM CD, Inc.

MLS contact:

Frank Haggar
Phone: 954-752-9309
E-mail: frank@slimcd.com

Company address:

1505 University Drive
Coral Springs, Fla. 33071
Phone: 877-475-4623
Fax: 954-752-3873
Web site: www.slimcd.com

MLS benefits:

- Targets brick-and-mortar and Internet merchants
- Opportunity for equipment upsells
- Improve merchant retention
- Opportunity for recurring revenue

Here's the Skinny on a Great Deal

Surely, sales agents have heard merchants say this hundreds of times: "We love the technology, but it's not in the budget." Merchants want to offer their customers multiple methods of payment but get sticker shock when they're faced with the cost of point-of-sale (POS) hardware, leased lines and discount rates. But what if the technology being offered was within the budget? What if the Merchant Level Salesperson and the merchant both walked away from the deal feeling as if they got ... a deal?

Coral Springs, Fla.-based SLIM CD, Inc. is a wholly owned subsidiary of Online Commerce Corp. (OCC), which specializes in processing Internet credit card transactions and works with banks in Europe and the Middle East. SLIM CD has developed a free software product that turns a merchant's PC into a POS device that uses the Internet to securely transport transactions – no additional hardware required.

"The small merchants have been largely ignored by the software providers and the merchant account providers of the world," said Christopher Mawby, Chief Operating Officer of SLIM CD. "We are providing the tools that put them on a level playing field with the big boys – the merchants that are with Chase, with Bank of America, etc., using their suite of products."

The name of the company and product, "SLIM CD," is an acronym for Secure Link Internet Merchant

Services but also is the name of the company's founder and CEO, Sami Slim. Slim has been a successful businessman for more than 20 years; his experience ranges from exporting rice and oil trading to being an e-commerce services provider.

SLIM CD, Inc. was formed in 2001 by Slim when a banking affiliate of Online Commerce Corp. asked the company to develop a solution for the bank and its merchants for processing credit card transactions. There were a few requirements: The solution should have functionality similar to a POS device, and it should be cost effective for both parties. Online Commerce Corp. formed subsidiary SLIM CD, Inc. to focus on the project.

"We took advantage of the software development that we had performed [with OCC]," said Frank Haggar, Product Developer for SLIM CD. "There are certainly parts of our products and systems that were formed, used and proved in production environments long before SLIM CD, Inc. was put together."

The SLIM CD software runs on any IBM-compatible personal computer with Internet connectivity. The software includes a POS desktop user interface, built-in gateway services, fraud-detection capabilities, back-end reporting of transaction data and a choice of free shopping carts hosted by the company.

Instead of using a traditional dial-up connection to connect to a card



processor and conduct a transaction, the software connects using the Internet. Transaction data is transported using Secure Sockets Layer (SSL) technology, and, according to the company, transactions are performed at leased-line speeds (3-5 seconds).

SLIM CD software is designed for retail merchants, restaurants, hotels, auto rental businesses, direct marketing and e-commerce merchants. Users manually enter customers' account information to complete a transaction, or they can add on card-swipe devices, PIN pads and signature-capture devices.

SLIM CD sells and supports low cost products such as the Interlink Electronics e-Pad signature pad; industry-standard, PC-compatible PIN pads, such as VeriFone, Ingenico and MagTek; several different types of desktop and receipt printers; and almost any card-swipe wedge with a keyboard interface.

"We're not necessarily in the hardware business, but we will provide it as needed," Haggar said.

SLIM CD also is available in an Enterprise edition for larger merchants. Both versions of the software store fully encrypted credit card information on SLIM CD's servers, including electronic signatures, but the Enterprise edition also stores this data directly on the merchant's PC. The Enterprise edition also supports recurring billing for health clubs or other scheduled monthly dues and charges.

Potential users of the SLIM CD Enterprise edition include merchants with multiple check-out lanes and multiple terminals who want to integrate several cash registers and track all transactions locally, or direct-marketing or retail merchants who want to capture names, addresses and telephone numbers of customers to target them in future marketing efforts.

SLIM CD partners with banks and ISOs that, in turn, have partner banks to distribute the SLIM CD product to merchants, free of charge. SLIM CD offers them a way to provide their merchants with an easy and cost-effective solution for conducting bankcard transactions.

The company recently partnered with ICBA Bancard, a provider of payment system products and services and a subsidiary of ICBA, the Independent Community Bankers of America. ICBA-member banks are now offer-

ing the SLIM CD solution to their merchant customers.

SLIM CD believes it's an attractive deal for merchants. "It's easy to set up, you're quick to get started (you pop in the CD and you're up and running) and it's a comfortable price plan – not a lot of up-front money," said Mawby. "You're getting a Web presence with the SLIM CD shopping cart, which other service providers can charge quite a bit for. You're getting retail transactions plus your Internet e-commerce package all in one solution.

Merchants instantly open their store up with all of the sales opportunities that a larger merchant might already have."

**Merchants also benefit
because there are no setup fees,
no licensing fees, no monthly
equipment lease fees, no shopping cart
fees, no monthly gateway fees and no
fraud-screening fees. Instead, SLIM CD
charges only a nominal fee per transaction
with a small monthly minimum. ISOs
can benefit from numerous upsale
opportunities through the sale of
optional POS hardware.**

Merchants also benefit because there are no setup fees, no licensing fees, no monthly equipment lease fees, no shopping cart fees, no monthly gateway fees and no fraud-screening fees. Instead, SLIM CD charges only a nominal fee per transaction with a small monthly minimum.

ISOs can benefit from numerous upsale opportunities through the sale of optional POS hardware. The SLIM CD software requires only a PC and an Internet connection, but some merchants still might want to add magnetic stripe readers, signature capture devices, PIN pads and receipt printers. SLIM CD offers all of these devices, and they are compatible with the software.

"Because [the ISO] is getting a more affordable package to the merchant in terms of what it may cost for equipment, he can then potentially improve his markup discount rate," said Haggar. "As a merchant, if I'm getting a better deal on the accessories that I need to process the transaction, I'll probably be a little more flexible in other areas of the arrangement. I may not mind a monthly statement fee as much if I've been reduced on my monthly lease."

ISOs also could charge merchants a minimal amount for the product. "Basically all you need is connectivity to the Internet in order to transact business," said Mawby. "On the flip side for the ISO, he has the upsale of all hardware that's related to SLIM CD. He also has the ability to upcharge the product because there's a lot of room between [other competitors], at \$400 a copy for a single user, and zero, which is SLIM CD's base price."

A majority of SLIM CD's employees are developers. "Product quality and data integrity are certainly the most paramount issues for our whole team," Haggar said. "We are processing financial transactions, and we have respect

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"Product quality and data integrity are certainly the most paramount issues for our whole team. We are processing financial transactions ... and the emphasis is on accuracy. We make sure that the data we process is as accurate as we want our own paychecks processed."

— Frank Haggard
Product Developer, SLIM CD

for that, and the emphasis is on accuracy. We make sure that the data we process is as accurate as we want our own paychecks processed."

In addition to taking pains with data security, the company prides itself on its ability to stay on top of industry regulations. "Following Visa regulations and staying on top of them is very important to anybody in this industry. We are on top of all the regulations as they are posted," said Mawby. "Period."

SLIM CD has been certified by Concord EFS and NOVA Information Systems and Class B

certified by Vital Processing Services for credit and online debit transactions.

SLIM CD also looks out for its merchants. "Online Commerce Corp. is a 9-to-5 company," he said. "SLIM CD is a 24/7/365 company. If you call our toll-free number, if the office is not open, that number will ring through to one of our staff that is on duty to answer any of our calls that may arise. Our systems are all monitored 24/7."

If an Internet connection fails, the company provides a backup Internet connection. SLIM CD has

set up a facility that allows a merchant to dial directly to SLIM CD as if it were an ISP, connect them to the Internet long enough to process the credit card transaction and then disconnect.

"SLIM CD will always be up, whether or not [a merchant's] Internet Service Provider is up and connecting to the Internet," said Mawby.

"You can connect and authenticate with SLIM CD and transact business. SLIM CD guarantees the ability to process the transaction." ■

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NEW PRODUCT ◀ ◀ ◀

Software Stops Identity Theft Before It Starts

Product: ID Score

Company: ID Analytics

A new solution from software developer ID Analytics adds another dimension of defense in the battle against fraud and identity theft. While most financial institutions have measures in place to prevent fraud and reduce risk, the software from ID Analytics is different because it stops fraud at the point of application.

Released in May 2003, the software, called ID Score, is designed to sift through thousands of applications for credit cards, bank accounts, wireless phones and other types of credit-dependent accounts. Using a patent-pending technology, the software scans applications and looks for patterns in the information included on them. Consumer companies such as telecommunications, financial services, retail and hospitality are able to spot potential fraud in real time before it happens. The software already has helped reduce losses for businesses by as much as 40%.

According to Steven Gal, Vice President of Corporate Development and General Counsel for ID Analytics, traditional types of fraud-prevention tools focus on detecting unusual purchasing activity. But ID Score begins evaluating information at the beginning of the account-opening process, when identity thieves use stolen information such as social security numbers to obtain cell phones, rent or buy houses, take out loans, collect tax returns and purchase big-ticket items.

Using a trademarked and patent-pending technology called Graph Theoretic Anomaly Detection (GTAD), ID Score analyzes huge volumes of transactions, looking at elements like name, address, phone and social security numbers to establish patterns of behavior. These variables would not have been identified without the cross-industry cooperation ID Analytics received.

The company's research also showed that 60-80% of losses posted by companies originally classified as bad debt actually were fraudulent. With losses to financial institutions expected to reach \$4.2 billion in 2003, there poten-

tially is a lot of money to be saved.

During the development process for ID Score over the last year, ID Analytics partnered with 13 credit-issuing consumer companies in the first-ever cross-industry identity theft research. To compile the patterns, they analyzed identity information from hundreds of millions of credit, debit and wireless phone applications as well as accounts either confirmed as or suspected of being fraudulent.

"We've identified hundreds of fraudulent patterns," Gal said. "Fraud rings will often use the same numbers, for instance, to obtain cell phone numbers and addresses, then bank accounts, debit and credit cards, and make online purchases. There are differences between good guys and bad guys, so you have to be able to tell the difference between a fraud house and a frat house."

The software looks for anomalies and compares the information against a large database of patterns. Results are given within two seconds. What it does not do is make recommendations on whether to approve a credit application; it's up to the credit issuer to determine if more verification is necessary or if the application should be approved at all.

"We deliver ID scores to our clients to help them make decisions on identity verification," Gal said. "If they discover that one of their customers may have had their information stolen, they send a letter to the consumer warning they may have become an identity theft victim."

Gal said ID Analytics does not sell data or give it to third parties and works with direct and channel sales distributors. The technology is appropriate for acquirers, payment processors and large retail or online businesses; it currently is working with Citibank, Discover Financial Services, Dell Financial Services, Sprint and First North American National Bank. Along with preventing financial losses, ID Score also helps companies comply with federal regulations of the USA Patriot Act that require them to know their customers. ■

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Few things are impossible to diligence and skill. Great works are performed not by strength, but perseverance.

– Samuel Johnson (1709-1784)

INSPIRATION ◀ ◀ ◀

Find the Might to Try as You *Must*

Per-se-vere – to persist in a state, enterprise or undertaking in spite of counterinfluences, opposition or discouragement.

– Merriam-Webster's Collegiate Dictionary, Tenth Edition

I don't want to write this. It is over 100 degrees outside and the air conditioner is having trouble keeping up. There are four other projects waiting to be done. I would rather be at the beach, lying in the sand and feeling a cool breeze wash over me.

Perhaps you won't notice if this doesn't appear. After all, you have read about closings and being prepared and how to listen for years now. You certainly won't mind skipping the sales tip just this once ...

But you are expecting a sales tip, and my job is to provide it to you. In reality, it is something I love to do. There may be one person reading this who has not yet realized that you always have to ask for the sale (never ever forget to ask for the sale). And besides, if I don't write this one, will I write the next one?

So now I need to look for inspiration and motivation. I need to find that one spark to keep new ideas flowing. It can take the form of anything at all. For example, this article is about perseverance. I came up with the idea while I was desperately searching for a sales tip idea to expand on. Perusing old Green Sheets, I came across my article about Bill Porter (Green Sheet, August 12, 2002, issue 02:08:01). You may have heard of him, a door-to-door salesman in Oregon. His life was chronicled in a movie last year, "Door to Door."

Bill Porter was born with cerebral palsy. He was told he was unemployable. He was told that he should rely on government money to exist for the rest of his life. But Bill Porter didn't listen to these naysayers. Instead he listened to his mother, who was certain that he could earn his own way in the world. He sold redwood planters to help raise money for an organization his mother started. He was a salesman.

He had to persevere from the start of his career. He was

turned down at the Fuller Brush Company. He was even turned down originally by The Watkins Company, which specialized in door-to-door sales of household products. But Bill didn't take no for an answer and finally was given a route.

He went on to become the top producing salesman for the Watkins Company. Persistence and patience were his tools. No matter how many times he was told no, no matter how many mornings he just did not feel like getting out of bed, he always managed to reach inside himself and push on.

We all face this challenge every day. Whether we have physical disabilities or problems in our personal lives that demand our attention, we all have to reach inside and push ourselves to continue. People need us to get up in the morning and do what we do best.

If you don't go to work today, will you and your family be OK? Will you have the things you want and, more important, the things you need? I hear you saying, "But it's just one day? What could it hurt?"

What if there is a merchant out there who needs your services? How do you know that just that one merchant won't be the one to refer you to a big account? If you don't show up today, someone else might. Your big opportunity could go to someone else, someone who found the strength to go to just one more cold call.

Or what if there is a merchant out there who desperately needs credit card processing? The merchant doesn't know where to turn and is losing sales. Maybe, just maybe, if you call on that merchant, you can make the difference in keeping the business afloat.

I know that these may be extreme examples, but the point is we are interdependent on each other to do our jobs, to find the resolve to go on even when it is not easy. I had to force myself to write this, but it became easier as I went along. My inspiration to persevere was the thought that if even just one person reads this and decides to work on a



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Where: Emory Conference Center & Hotel, Atlanta

How to Sign Up: Visit www.nacha.org; phone 800-487-9180.

Midwest Acquirers Association Conference

Highlights: This newly formed regional association, and the first meeting, will offer an opportunity for training, education and networking for the Midwest acquiring community. Like the events organized by its sister organizations in the Northeast and Southeast, the MWAA will put vendors, acquirers and sales organizations in touch with each other in a relaxed environment. The MWAA conference is targeting acquiring professionals from Ohio to Colorado and Minnesota to Texas and anticipates up to 200 attendees at this first meeting. Workshops and panel discussions include Vision of Payments in 2004 & Beyond, Prepaid Cards, Check Conversion and Imaging, and Gift Cards. ETA will present Introduction to Electronic Processing on July 30 at a reduced fee. Receptions and meals will allow plenty of time for networking.

When: July 30-Aug. 1, 2003

Where: Hotel Allegro, Chicago

How to Sign Up: Visit www.midwestacquirers.com/html/next_event.html. Registration cost is \$75 before July 23, \$125 after that. To request further details, e-mail Caroline Marino at cmarino@ingenico-us.com.

day when they thought they couldn't, I have done my job well. Perhaps today will be the day that person makes one big sale ... who knows?

Never, Ever Forget To Ask For The Sale!

Hope against hope, and ask till ye receive.

— James Montgomery, *The World before the Flood*

Many sales can be lost simply because the sales professional never actually asks for the sale. None of us wants to appear to be pushy, but the prospect actually expects you to ask him or her to buy your product or service. In fact, they may be offended if you don't.

By not asking for the sale, you may leave your customers feeling as if they have not been taken seriously. They may believe that you think they cannot buy. Is that the impression you want to leave?

You also may leave your customers with the feeling that you don't really believe in the product or service you are selling. It is important to present your service with confidence and to ask for the sale with confidence. The customers believe that you are trying to help them make the best buying decision, and a lack of confidence will only make them hesitate.

You will not always hear the word "yes" when you ask for the sale. A good sales professional will answer the objection and ask for the sale again. This process can be repeated without being pushy or overly aggressive. Remember that each time you answer an objection you are giving the customer more information on which to base the decision.

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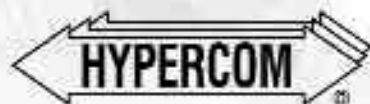
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