



The Green Sheet

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

June 14, 2004
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Publishing Excellence Since 1983

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24-hour Support for the MLS

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In the May 12, 2003 issue of The Green Sheet (03:05:01), we introduced a monthly feature titled "Trade Association News." This ongoing series highlights the news and events announced by the numerous trade associations affiliated with the payment processing industry.

A number of groups share a similar focus: to provide industry training and networking opportunities for the feet-on-the-street sales professionals—the merchant level salespeople (MLSs)—in our industry. Beyond this mutual goal, the groups are quite varied in their mission and scope.

There are a lot of great meetings ahead this summer and fall, so be sure to check out the last page of this story where we provide a list of the upcoming events along with contact information. You'll want to start making plans now!

Groups Hosting Regional Meetings

This alphabetical listing of the

groups includes regional trade associations and two independent companies providing industry training and sales and marketing education.

Field Guide for the Developing ISO (FGI)

FGI is a collaborative and educational independent seminar that provides insight and information on how to succeed as an ISO. More than twenty ISO experts and program managers will gather for one day in Chicago to share their wealth of knowledge with you.

"Attendees will get a 'peek behind the curtain' of the ISO business," said Mark Dunn, Senior VP, Transaction Services for Milwaukee-based Universal Savings Bank. "A lot of people in our industry know how to sell merchant accounts or how to program a terminal, but few really know how to build a successful ISO."

Dunn said the seminar is not only for those who want to build an ISO, but also can be beneficial to vendors, MLSs or sales managers that want to get a better understanding of how an ISO works.

 See Associations on Page 50

Notable Quote:

"In the ideal world we would all still be in 1990, making \$2,500 per sale and also earning residual income on 1% of our accounts. Merchants would still thank us for making their lives easier and we would all be happy. But, my friends, times have changed."

See Story on Page 68



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- » Paul Martaus-Martaus & Assoc.
- » David McMackin-AmericaOne Payment Systems
- » Doug McNary-First Data Merchant Services
- » Patti Murphy-The Takoma Group
- » Steve Norell-US Merchant Services
- » Paul Oswald-NOVA Information Systems
- » David T. Parlin-ATM Exchange
- » Bill Pittman-TPI Software
- » David Press-Integrity Bankcard Consultants
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- » Lisa Shipley-Hypercom
- » Dave Siembieda-CrossCheck
- » Matthew Swinerton-Merchant Services Direct
- » Jeff Thorness-ACH Direct
- » Scott Wagner-Go Direct Merchant Services
- » Dan D. Wolfe-Barons Financial Group

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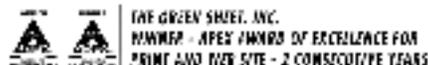
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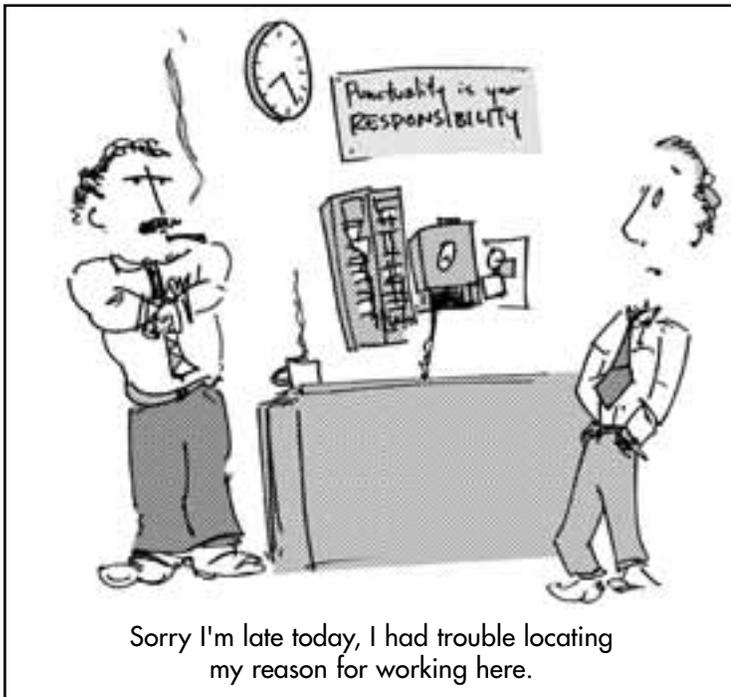
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Green Sheet Readers Sing Praises

The Green Sheet, Inc. staff recently surveyed its readers. Here is a sampling of what readers are saying about The Green Sheet:

"I love the whole thing. There isn't anything that I would change about it. Not smaller or bigger. I love the articles and the ads. Don't change anything."

"The GS is magnificent. It has had a wonderful expansion and is a good service publication."

"We issue stored-value credit cards, so I look for announcements pertaining to credit vs. debit. I certainly get the information that I'm looking for."

"I read it page-by-page, and it's definitely a primary source of truthful and very valuable information."

"I applaud the GS for its useful information—mostly because of interchange articles that other publications don't have. I enjoy reading all the articles and look over ads in every issue."

"I think the GS is pretty good. I would like to see a column every issue for people that are just now coming into the industry. There should be terminology, how credit card processing works, and more education overall so that they can learn about this industry."

"I think the GS is great. I like seeing the interchange information published. I also like to see what competition there is. I use the advertising for buying equipment and often look in the resource guide."



"The GS is great. I would always enjoy reading more about checks—the more info the better. For example: Where are checks heading in the industry, and how are businesses affected? How are they affected when no checks are accepted? I would also like to see more info about equipment. What kinds of equipment take checks, etc.?"

"The GS is a wonderful source of information. I applaud the work and use the GS Online. I would like to see Visa/MasterCard rules. I suggest a feature or series on this topic."

"Good job, keep up the great work. I enjoy all the articles and advertising. Don't change anything."

"I would be lost without the GS. I really like that I can go online and get the GS if I lose my paper issue. Also, I get to do background checks on companies and get information about this industry."

"GS is the only financial services publication that I read and know of so it makes me appreciate it. It is a good source of information on interchange information and Visa/ MasterCard."

"I always read through the GS front to back and I will refer back to the issue for information."

"I have only gotten two issues of the GS, but so far I'm really enjoying having all the useful information. It keeps me up to speed on what's going on."

Thank you for all of your support. We love hearing from all of you, so please send your questions, comments, ideas or complaints to: greensheet@greensheet.com .

Editor

Correction:

In "Successfully Selling Value-added Services" by Michael W. English, The Green Sheet, May 10, 2004, issue 04:05:01, the wrong Web site for Valutec Card Solutions was listed. The company's correct Web site is: www.valutec.net .

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INDUSTRY UPDATE

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NEWS

Check Volume Decreases at Federal Reserve

The number of checks processed by the Federal Reserve decreased for the fourth consecutive year in 2003. The **Federal Reserve System** reported that it processed 15.81 billion checks in 2003, a 4.7% decline from 2002. Significantly, the 2003 rate of decline was the steepest of the past four years, more than doubling the 2002 rate of decline of 1.9%.

In contrast to check volume, the Federal Reserve's commercial ACH volume increased by 12.1% in 2003 to 5.59 billion payments. The report also noted that the unit cost to the Fed to process a check in 2003 increased by 13.3% while the cost to process an ACH payment decreased by 15.4%.

In 1995, the Fed's unit costs for checks and ACH payments were virtually identical, but now the unit cost for a check is nearly five times as much as for an ACH payment. The Federal Reserve's 90th Annual Report to Congress is available online at www.federalreserve.gov/boarddocs/rptcongress/annual03/default.htm.

Self-checkout Transactions to Surpass \$330 Billion

Self-checkout systems will generate transactions worth \$70 billion in 2004, according to the "2004 North American Self-checkout Systems Market Study" from **IHL Consulting Group**.

The study also forecasts that the value of these transactions will increase to more than \$330 billion by 2007.

According to the report, in stores currently using self-checkout systems, as much as 40% of the total number of transactions now go through self-checkout. NCR currently dominates the market, but IBM and Fujitsu have recently entered the market through key acquisitions. For more information visit www.ihlservices.com or call (615) 591-2785.

MasterCard Reports First Quarter Growth

MasterCard International reported that total purchases on MasterCard credit and debit cards rose 13.6% in the first quarter of 2004, with each region reporting double-digit growth. Some of highlights include:

- Cardholders used MasterCard-branded cards (excluding Maestro and Cirrus) for more than 3.7 billion transactions, generating gross dollar volume (GDV) of \$331.9 billion, an increase of 8.4% over the same period in 2003.
- MasterCard's nearly 25,000 customer financial institutions around the world issued more than 627.5 million MasterCard-branded cards, a 6.6% increase over first quarter 2003.

For more information visit www.mastercard.com.

Economy Grew Slightly in Q1 2004

The U.S. economy grew at an annual rate of 4.4% in the first quarter of 2004, according to preliminary estimates of real gross domestic product (GDP) from the **U.S. Department of Commerce's Bureau of Economic**



- The **Conference Board's Consumer Confidence Index**, which had improved in April 2004, was virtually unchanged in May. The Index now stands at 93.2, up slightly from 93.0 the previous month. The slight upturn is attributed to strong employment gains in March and April.
- **Nordstrom, Inc.** plans to open its first store in the Greater Boston area at Natick Mall in Natick, Mass. The two-level store will be approximately 144,000 square feet and is tentatively scheduled to open fall 2006 or spring 2007.
- **Circle K** is selling 23 of its stores located in the Southeast: 15 stores are in Louisiana, six are in Florida, one is in Alabama and one in Mississippi, the Associated Press reported. Circle K expects to earn \$7.4 million from the sale of the properties.

Analysis (BEA). In the fourth quarter of 2003, GDP increased 4.1%. Major contributors to the Q1 increase include personal consumption expenditures (PCE), equipment and software, federal government spending, exports and private inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.

Retail e-Commerce Sales Up 28.1%

U.S. retail e-commerce sales for the first quarter of 2004 were \$15.5 billion, an increase of 28.1% from the first quarter of 2003, according to the **U.S. Department of Commerce**. Total retail sales for the first quarter of 2004 were estimated at \$834.8 billion, an increase of 8.8% from the same period a year ago. E-commerce sales in the first quarter of 2004 accounted for 1.9% of total sales. For more information visit www.census.gov/estats.

ANNOUNCEMENTS

CHIPS Extends Hours

The **Clearing House Interbank Payments System** (CHIPS) has expanded its processing hours to more closely align with business days across the globe. The

new extended day will allow CHIPS operating hours to overlap the business day in Asia. CHIPS hours are now 20 hours long, from 9:00 p.m. until 5:00 p.m. the following day.

Concord EFS Certifies TPI Software

TPI Software, LLC has announced its support for payment processing with **Concord EFS, Inc.** Gift/Loyalty Cards in its Payment Server platform. The TPI Payment Server enables merchants to process payments in retail, e-commerce, mail order and wireless industries using the Internet as the primary communication channel resulting in three- to five-second transaction times. TPI Software also provides a software developer kit that allows third party application developers to integrate this functionality into their applications.

First Data Increases Stock Buyback

First Data Corp.'s share repurchase program has been increased by \$2 billion. Since 1998, the company has repurchased more than 180 million shares for \$6.1 billion under repurchase programs authorized by the company's board of directors. The company has \$2.017 billion remaining for repurchase following approval of this new authorization.

Global Payments Receives Honors

The Atlanta Journal-Constitution recognized **Global Payments Inc.** as one of Georgia's 100 best-performing public companies. The newspaper placed Global Payments as number 19 in its annual "Best of Business" rankings, up 11 spots from its 2003 ranking. Additionally, the company was named to the TECH 50 2004 list of Georgia's top revenue producing technology companies. Global Payments ranked ninth based on its fiscal 2003 revenue.

Heartland Payment Expands Call Center

Heartland Payment Systems, Inc. (HPS), has expanded its call center at the Heartland Service Center in Jeffersonville, Ind. The Service Center, which employs 295 workers, plans to hire up to 185 more over the next 18 months.

Hiring plans include call center and help desk support as well as data entry personnel, risk/fraud managers, merchant credit card terminal technicians, finance staff, credit underwriters and merchant processing sales support positions. Recently, G3 Technology nominated the call center for the Call Center Innovator of the Year Award.

In other company news, HPS has certified the Digital Dining POS System from **Menusoft Systems Corp.** This certification allows Digital Dining clients to process online, high-speed payments using an integrated inter-



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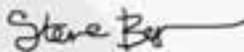
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TESTIMONIAL

Having worked in the bankcard world for a number of years both as an employee and for myself, I have come to know the difference between getting a paycheck and being in control of my future. I found GET late in my bankcard career and wish that I had found them sooner. My residual payments are always on time and are larger than they were at my previous processors. Who knows, had I found them earlier I might be the one with the Green Sheet ad.

Sincerely,
Tom H Chicago IL



877-GET-4ISO

8 7 7 - 4 3 8 - 4 4 7 6

face direct to Heartland's data processing center, HPS Exchange.

Ingenico and NCR Agree to License Terms

Ingenico and **NCR Corporation** announced an agreement in which Ingenico will license NCR's signature capture patents. This license agreement, which contains a cross-license provision, will enable Ingenico and its customers to continue incorporating NCR's signature capture features into its touch screen-based payment and electronic signature capture terminals.

MasterCard Expands Loyalty & Reward Programs

MasterCard International has expanded its suite of loyalty and reward programs to help issuers of the Debit MasterCard BusinessCard acquire users and increase usage among current cardholders.

The new programs include a turn-key rewards platform, a direct mail cash rewards activation campaign and a sales incentive for employees of MasterCard financial institutions who secure new commercial debit card holders.

Pipeline Data Increases Cash Flow

Due to a recent acquisition campaign, **Pipeline Data Inc.**'s merchant portfolio grew more than 25% in 60 days. The acquisitions, which include a portfolio of 1,500 accounts recently acquired from **Millennium Merchant Services, Inc.**, represent approximately \$1.4 million in annual net operating cash flow.

ConverTrex SP1 Certified by Paymentech

TechTrex Inc., has completed certification for its ConverTrex SP1 IP device for communication with **Paymentech's** NetConnect secure gateway. NetConnect enables merchants to process POS transactions via the public Internet. The ConverTrex is certified for use with Paymentech's VeriFone 3200 Retail/Petroleum application, as well as certain integrated POS systems.

Union Bank of California Successful with Image Capture

Union Bank of California recently reported more than 100 million items captured and processed without a single missing image. The bank reported no missing images since the middle of February on 111,695,854 images. Those numbers are in keeping with similar reports from other banks using **VECTORsg's** high-speed image capture product, VECTOR: Capture for Prime Pass.

Visa Introduces Standard of Measure

Visa USA unveiled the Commercial Consumption Expenditure (CCE) index, the first financial metric to standardize how business and government spending is tracked within the United States. The index enables the payments industry to measure and forecast the actual and future penetration of commercial payment products.

CCE draws on government data in methods similar to the Personal Consumption Expenditure index. The CCE uses the same source of measures from the Bureau of Economic Analysis and the Census Bureau. Using CCE, Visa estimates that total business and government spending will reach \$14.3 trillion by the end of 2004. Visa will update its CCE forecast annually; the next analysis will be published in July 2004.

PARTNERSHIPS

CrossCheck Pairs with Two Retailers

More than 20 locations of **Great Expectations** meeting and dating service have begun using **CrossCheck, Inc.**, check guarantee services. Additionally, CrossCheck will provide its services to retailer **Western Warehouse**. The retailer will use CrossCheck's services throughout its



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thirty locations in the Southwest and California.

ECHO and First Third Provide POS Check Service

Electronic Clearing House Inc. (ECHO) has partnered with **Fifth Third Bank Processing Solutions**. ECHO provides the third-party processing for Fifth Third's POS Check Service, which allows merchants to convert paper checks to electronic entries at the POS. The solution has been successfully demonstrated at Pearle Vision stores and will now be piloted at Things Remembered locations.

Hypercom Wins Two Overseas Contracts

MBF Cards, the largest MasterCard merchant acquirer in Malaysia, agreed to purchase 10,000 EMV-certified **Hypercom Corp.** T7Plus card payment terminal and operating software. The purchase from Hypercom's distributor represents the largest single order ever of Hypercom technology in Malaysia. The terminals will be rolled out to retail outlets during the next 12 months. Additionally, **Mokejimo Korteliu Sistemios (MKS)** has ordered nearly 5,000 ICE 5500Plus and S9 card payment devices. This new contract marks the largest one-time order for Hypercom Russia.

NOVA and Shift4 Team Up

Shift4 merchants, POS vendors and value-added resellers (VARs) previously connecting to **NOVA Information Systems** via dial-up have been successfully migrated to a direct high-speed connection.

Average authorization transaction times are reduced from around 15 seconds over dial to less than 3 seconds. Merchant locations included Trump Plaza in Atlantic City and JFK International Airport.

Precidia and BellSouth Provide Flash Foods Solution

Precidia Technologies deployed its EtherDial product across the **Flash Foods** chain of 163 stores, connecting ATMs to the company's wide area network (WAN). Between July and December 2003, Flash Foods rolled out the EtherDial as part of its corporate strategy to IP-enable the convenience stores.

BellSouth provides the network transport and equipment for Flash Foods' Frame Relay network, creating a WAN environment that allows ongoing data communication between the stores and the company headquarters.

Plug & Pay Technologies Allies with Vermont Systems, Inc.

Plug & Pay Technologies, Inc., formed an alliance with **Vermont Systems, Inc.** The alliance allows customers to use Vermont System's POS system and only need Plug'n Pay to complete its access to the credit card processing networks.

STAR Renews Cardtronics

Star Systems has renewed its agreement with **Cardtronics**. Under the terms of the agreement, the STAR Network will continue to provide PIN-secured debit access at Cardtronics' ATMs. In 2003, the STAR Network served 1.26 million retail and ATM locations nationwide. In February 2004, STAR became part of the First Data companies.

SDC and Ingenico Develop High Speed Solution

Ingenico partnered with **Southern DataComm (SDC)** to develop Multi-Point Terminal Service, a solution for merchants using high-speed dial terminals. The solution leverages SDC's Payment Delivery software with Ingenico's Elite 710 and 712 terminals. TermNet Merchant Services is the first merchant acquirer signed to distribute this new high-speed solution.

In related news, Ingenico will integrate Debisys' suite of prepaid services on the Elite 710 and 712 terminals, as

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well as the newly released I5300 and I7770 short-range wireless terminals.

USA ePay Teams with Humboldt Merchant Services

USA ePay has partnered with **Humboldt Merchant Services** to offer HMS business partners the USA ePay retail program, Retail ePay. The program allows retail merchants to process wireless transactions at qualified retail rates. Since Retail ePay works through USA ePay's existing gateway, wireless retail merchants have the reporting benefits that e-commerce merchants receive, while maintaining their retail rates.

ACQUISITIONS

Bank One Buys Circuit City Credit Card Operation

Circuit City Stores, Inc., recently completed the sale of its private-label credit card operation, which included its private-label Circuit City credit card accounts and its co-branded Circuit City Plus Visa credit card accounts, to **Bank One Corporation**.

Circuit City anticipates the net cash proceeds from the sale will total approximately \$400 million. Bank One retained nearly all of Circuit City's private-label operation personnel.

Coinstar to Acquire ACMI

Coinstar Inc., supplier of e-payment services will purchase **American Coin Merchandising Inc.**, (ACMI) and its parent company, ACMI Holdings Inc., for \$235 million in cash. ACMI, operating as SugarLoaf Creations, owns and operates coin-operated amusement vending equipment. Combined, Coinstar and ACMI will have more than 40,000 distribution points. The transaction is expected to close in the third quarter of this year.

TNS, Inc. Acquires Assets of U.S. Wireless Data, Inc.

Following the bankruptcy of **U.S. Wireless Data, Inc.** in March, **TNS, Inc.**, has acquired certain assets of the company. TNS acquired the Synapse platform, which enables wireless POS transactions. This is the first acquisition for TNS since going public in March.

APPOINTMENTS

First Data Approves Board Members

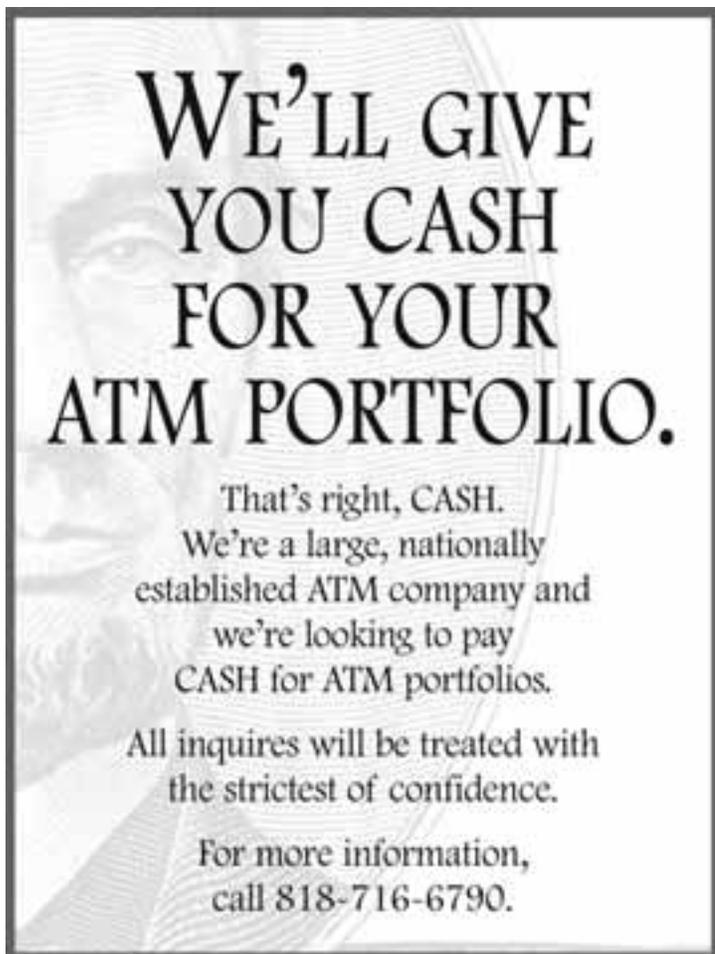
First Data Corp., shareholders recently approved the re-election of Chairman **Charlie Fote** and three directors. Board members **Ric Duques**, **Richard P. Kiphart** and **Joan E. Spero** were re-elected to three-year terms on the Board of Directors.

Cynergy Welcomes Thomas D. Lineen

Thomas D. Lineen has been appointed as ISO Sales and Development Manager for **Cynergy Data**. Lineen will be working from Cynergy's Manhattan office to recruit top-quality ISOs across the country. Prior to joining Cynergy Data, Lineen served as Vice President of Sales and Marketing at iProcess Group and Director of Sales for Authorize.Net.

MasterCard Promotes Javier Perez

MasterCard International promoted **Javier Perez** to President of its Latin America and Caribbean Region. Perez previously served as General Manager of the Customer Division for MasterCard Europe; he has worked at the Association for more than eight years. Before joining MasterCard in 1996, Perez served in several top-level positions at Banco Bilbao Vizcaya Argentaria (BBVA), one of which was working as President of the Miami subsidiary. He has also served in executive positions at Visa International, Banca Catalana, Banco Argentaria and Banco Directo. Perez succeeds Jean Rozwadowski who is leaving the Latin America and Caribbean Region to return to Europe. ■



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What's the Difference Between a Bluetooth and a WiFi?

By **Tim Cormier**

VeriFone, Inc.

Consumers are increasingly going wireless and with that WiFi has become the technology of choice in a majority of devices in homes and businesses across North America. The availability of low cost WiFi equipment, access points and air-time has driven the industry to continue to evolve the standard.

While Bluetooth, another wireless option, has many supporters, a few limitations in this technology hinder its implementation as the standard of choice at the POS.

Bluetooth may eventually become a credible wireless alternative for payment applications, but that day is not now. Problems with WiFi implementation early on were identified, but Bluetooth's security flaws are just starting to surface. When Bluetooth was first introduced, the wireless industry over-hyped the technology. Then Bluetooth began showing its insecurities and users' expectations were not met.

Bluetooth is and always will be a short-range cable replacement technology—something intended to connect a device to a peripheral, such as a telephone to a wireless headphone, or to synchronize your cellphone address book with that of your PDA. It falls into a category the Institute of Electrical and Electronics Engineers (IEEE) calls a Personal Area Network (PAN).

Bluetooth-enabled wireless phones used as wireless ATMs, where customers can beam their payment information to a card terminal and quickly authorize electronic payment, is one way supporters envision applying the technology. Unfortunately, the recent exposure of security vulnerabilities make it extremely unlikely Bluetooth will win consumer confidence in payment applications anytime soon.

Security holes in Bluetooth became evident over the past year with the seemingly innocent and mischievous pastime called "Bluejacking." Someone with a Bluetooth phone creates a message as a contact entry in the address book, then instructs the phone to send it via Bluetooth. The phone seeks out any other Bluetooth-enabled phone within range and the message pops up on the other phone's screen.

Bluejacking took on a more sinister character late last year; "Bluesnarfing" or "Bluestumbling" have more far-reaching implications than sending silly messages. A security consultant in the United Kingdom discovered it's possible to connect Bluetooth devices without the other users knowing and gain access to data stored on the other device. Subsequent testing has determined that some phones may be vulnerable even when the Bluetooth function is set to invisible or undiscoverable mode.

Even the most recent update of the Bluetooth specification, version 1.2, is apparently vulnerable. Ollie Whitehouse, a researcher for digital security consulting firm @Stake Inc., said in an April 2004 CNET News.com report that PINs in Bluetooth 1.2 can be broken by specialized hardware that captures data transferred between Bluetooth-enabled devices when they first contact each other.

Once broken, an interloper could counterfeit signals from one device to the other. "People who use Bluetooth, if they use short PINs, are exposing data on the device," Whitehouse said in the report. Information like that will hardly persuade consumers to use this technology for payment applications.

Bluetooth may ultimately be overtaken by yet another wireless technology. Many industry vendors, including



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Intel and Texas Instruments, are promoting Ultrawideband (UWB) as the next PAN standard. UWB has a much higher throughput than Bluetooth's one megabit-per-second rate and could even become a complement to WiFi, according to some proponents.

In contrast to the continued growing pains of Bluetooth, WiFi seems unstoppable. Various market research firms have reported that WiFi hardware shipments in 2003 amounted to somewhere from \$1.7 billion to \$2.5 billion, with home and small office sales accounting for 65% of the total. WiFi hot spots are popping up everywhere from airports to McDonald's restaurants.

Sometime this summer, the IEEE will formally approve 802.11i, the latest security standard that will reinforce WiFi with industrial-strength encryption. These capabilities have already been partially

implemented with the widely disseminated WiFi Protected Access (WPA) technology currently shipping with most WiFi products.

WPA is a subset of the in-progress 802.11i security standard and uses 128-bit encryption keys and dynamic session keys to ensure a wireless network's privacy and enterprise security. There were a number of security limitations with the earliest shipments of 802.11b products—the 11 megabit version of WiFi. These products used a now discredited security scheme called Wired Equivalent Privacy (WEP).

The biggest problem with WEP was that for the most part, manufacturers ship WiFi routers with the security turned off so that users can easily install them; the newness of the technology resulted in many devices being installed without any security implemented. Even more fundamentally, the method used in

encrypting WEP turned out to be relatively vulnerable to cracking, a problem that was disclosed in a report issued at the end of 2001.

As WiFi popularity soared, the industry rushed to implement WPA. The WiFi Industry Alliance announced that more than 175 products from more than 40 of the world's leading technology manufacturers have received WPA security certification since testing began in April 2003. Many products currently shipping will be upgradeable to the 802.11i standard, which incorporates the Advanced Encryption Standard (AES) and a variety of highly sophisticated security technologies.

One main criticism of WiFi has been its power consumption, which limits its ability to be used in handheld devices. Phil Solis, Senior WiFi Analyst at ABI Research, a think tank specializing in technology, said in a report that recent breakthroughs



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in WiFi integrated circuit (IC) design have allowed the integration of the three subsystems (radio, baseband and Media Access Control) onto one chip offering 802.11b and/or 802.11g communication. This result allows smaller ICs that use less power, especially in the "sleep" or "standby" modes that take up most of a Wi-Fi device's running time, according to Solis.

That's good news for organizations interested in utilizing WiFi broadly in retail and other payment settings. Wi-Fi based payment solutions offer distinct advantages compared with other countertop POS installations. First, relatively easy installation means systems are up and processing more quickly than standard implementations. Second, all dial-up traffic can be consolidated on a single line or high-speed link, delivering a tremendous cost savings by not requiring additional phone lines.

A significant consideration is the increasing prospect that telecom service providers will offer interoperability of WiFi and Third Generation (3G) transmission such as CDMA 1x and GSM/GPRS. With Voice-over Internet Protocol providing yet another utilitarian use for WiFi, many analysts and observers forecast that enterprises and service providers will have to make it possible for mobile phone users to "roam" between WiFi and 3G networks.

Finally, WiFi is one of the most cost effective methods of implementing Internet Protocol (IP) in the terminal. Using an IP-enabled POS terminal to route payment data offers important benefits including, speed, security and versatility. IP networks offer greater bandwidth and faster processing, resulting in faster transaction times, the ability to handle data intensive applications such as check conversion with imaging, and end-to-end secure socket layer (SSL) security to encrypt the data that will be routed over the network.

Wireless is still a young technology. Undoubtedly there will be mistakes in implementation and continued efforts to crack security; unfortunately, that's the nature of the computer age, whether wired or wireless. But the computer industry, through the WPA and 802.11i effort, has shown it's committed to providing the best security methods available.

Overwhelmingly, consumers are voting for WiFi with their pocketbooks. The payments industry will benefit by taking advantage of the accessibility, security and cost benefits that WiFi offers. ■

Tim Cormier is VeriFone Inc.'s Senior Network Engineer focused on providing customer solutions that use VeriFone's suite of advanced communication products. Reach him at Tim_Cormier@verifone.com

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PC-based ATMs Entering Retail Race

By Ann All

ATMMarketplace.com

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In the intensely competitive race for retail ATM locations, most manufacturers and a growing number of deployers believe that more horsepower might be what they need to keep them in the running.

The manufacturers that traditionally serve the retail market—including Triton, Tidel and Tranax—have all introduced PC-based ATMs in the past year, a departure from the embedded systems that have been the mainstay of their businesses.

Other manufacturers whose primary clientele is financial institutions—most notably Wincor Nixdorf—have won some fans with lower-priced hardware geared to retail deployments.

While financial institutions have deployed ATMs with PC-based platforms for years, they've been ignored by independents because of their higher price tags. As the price of processors, memory and other PC features continues to come down, however, more independents are willing to consider them.

Investing in the Future

The move is largely driven by a desire to position retail ATM owners to add more functionality to their machines if and when new applications such as money order sales, check cashing and money transfer catch on with ATM users.

Proprietary embedded systems baffle all but ATM insiders, said Matt Johnson, Tidel's Executive Vice President of Marketing. "Our engineers have been using them for years, but there is a steep learning curve. We want to make the transition of working with a company like ours a lot easier for software developers and the people who build peripherals."

"The biggest value for developers is the ability to add new capabilities," said Bill Jackson, Triton's Chief Technical Officer. "With (Triton's) RL5000 platform, we can do in a week what it would take us a month to do on the 9600/9700 platform."

"We've never been able to do anything with the embedded systems from these guys before because their whole

world was so closed," said Steve Hensley, Vice President of Marketing for software developer KAL. "But now that's all changing."

Hensley said PC-based platforms are opening up new market segments to retail oriented manufacturers, including financial institutions that are re-evaluating their equipment needs as they prepare for Triple DES upgrades. They also provide an entry into international markets like Europe, where PC platforms are more common in retail deployments.

Prompted by an interest in advanced functionality, the Bailey Group began deploying Wincor Nixdorf's ProCash Compact ATMs in 1998, said Beth Bailey Alexander, the Texas-based ISO's President. "We wanted to put ourselves in a position to bring in something new without incurring huge costs when we were ready to do so."

Three-quarters of her company's 750 machines, mostly placements, are now PC-based, Bailey said.

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Like Alexander, Haze Lancaster, a founding partner of ATM USA, said his company is trying to gain future flexibility by deploying PC-based machines. He believes more independents will do so as prices for PC-based models continue to fall.

"The cost will come down. We've seen it with every other type of product the ATM vendors have come out with. The processors, memory and other things they're using now are all going to be less expensive next year," Lancaster said.

Win, Placements, Show

About half of Lancaster's 1,100 machines are placements, owned by his North Carolina-based company rather than by merchants. He intends to migrate most of them to PC-based platforms in the next 18 months. Placements are where PC-based ATMs will show up first, he believes.

"Right now, we're paying more attention than the merchants to these higher-priced products," he said. "We're laying the groundwork for what's going to come three to five years from now."

E*Trade Access has already migrated the "vast majority" of the 3,000 ATMs it owns to a PC-based platform, said

Dale Dentlinger, the company's Director. In one of its highest-profile placements, E*Trade has 1,200 Wincor Nixdorf ProCash Compacts at Target stores across the United States.

In contrast, "fewer than 5%" of its 11,000 merchant-owned machines are PC-based, Dentlinger said.

In higher-volume locations, a PC platform is "not a separate decision, but part of an overall package" that also includes features like multiple cash cassettes and high performance dispensers, he said. "Those are the types of things we're looking for when we buy a placement ATM and put it out there."

Lancaster said larger ISOs won't balk at paying \$500 to \$1,000 more per unit, the difference in wholesale price between higher-end embedded machines such as Tidel's 3400 and Triton's 9700 and entry-level PC-based machines.

Placements are generally in locations with higher transaction volumes, which lend themselves more readily to PC-based features like larger color screens, Lancaster said.

Equipment can be pulled and relocated more easily than a merchant-owned machine, an advantage when testing any kind of new product. An ATM specialist rather than a merchant or other party with little, if any, training typically services the machine.

More for the Money

Dentlinger predicts that PC-based machines will also become the norm at merchant-owned retail sites that generate 500 or more transactions a month because merchants can get attractive features like a larger screen for a price not much more than a higher-end embedded ATM.

ATM owners can definitely get more for their money today, agreed Jeremy Inman, Vice President of Operations for Aptus Financial.

"Four years ago, they were paying \$8,000 retail for a (Triton) 9600. Now they can get an RL5000 for a few thousand less than that," Inman said.

"But how do you get somebody to invest in a new piece of equipment if their machine has paid for itself and is still working fine? That's where we hope the new transactions may come in."

He said big-box retailers are beginning to show interest, based on the more attractive screen graphics afforded by a PC-based platform. "They want that added clarity and color definition when they put their logos out there."

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Aptus has deployed about a dozen Triton RL5000s and has a commitment for a placement deal with about 20 more PC-based machines, Inman said. That's a tiny percentage of its 1,170-machine fleet, but he expects the number to grow. "We will push it. We're excited about it."

Managing Costs

Alexander said service calls have decreased and uptime has increased at the Bailey Group since the company began deploying PC-based products.

"There are a lot of things we're handling now through terminal support rather than dispatching technicians," she said. "We can't load paper or cash remotely, but we can clear a paper jam."

Saul Caprio, Wincor Nixdorf's Director of U.S. Business Development, said Wincor's ProView intelligent monitoring and management software can handle about 30% of the service incidents that would normally require a dispatch, mostly first-line issues such as jams.

"So if you are an ISO, the ATMs are out of service for minutes instead of hours. That translates into fewer lost transactions and more revenue," he said.

Techs working in the field won't need a degree in computer science, said Eric Sternberg, Tranax's Vice President of Marketing. "A lot of it will still involve swapping out a board, the same as today."

New services can also be downloaded to PC-based machines rather than sending out a tech to manually load software, Caprio said. And PC-based platforms in theory mean greater choice for ATM owners.

"If you stick with firmware-based ATMs, you must use the provider that the manufacturer has cut a deal with—but that may not be the best deal for the ISO. With Windows-based ATMs and a little programming, there is more choice," he said.

Another benefit is the ability to back up files and store more transaction records, a growing concern as ATM skimming incidents increase, said Eric Park, Chief Operating Officer of NexTran, which sells the ComNet line of PC-based machines.

"On a non-PC machine, you can store 2,000 transactions for 180 days. On our cheapest machine (ComNet 2000), you can store up to 200,000 transactions," Park said.

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At last November's Retail Delivery Conference, NexTran demonstrated an application in which digital photographs of ATM users could be included in the machine's electronic journal.

Ultimately, said Brian Kett, Triton's President, it comes down to offering more choices for both distributors and deployers.

"It's like an automobile. You can get everything you need in an Echo (Toyota's new economy sedan). But not everyone is going to buy an Echo," Kett said.

What's Important

- ATM manufacturers whose mainstay business has been embedded systems have introduced PC-based ATMs
- Some retail deployers are interested in the increased flexibility offered by these machines, particularly for placements
- Some ISOs report they've gained operational efficiencies with PC-based ATMs

PC Primer

Tidel: The 3800, a reworked version of the company's earlier Chameleon that runs Windows NT. Optional

sidecar can support scanners, bill validators and other peripherals.

Coming soon: the 3700, a through-the-wall version of the 3800, and the 3600, a PC-based machine that runs Windows CE.

Triton: The RL5000, a walk-up machine based on an Intel Xscale platform that runs Windows CE. The FT5000, a through-the-wall version of the same machine.

Tranax: The MiniBank 2500, a walk-up that runs Windows XP embedded. The MiniBank 5000, a side-access, drive-up version of the same platform. The embedded MiniBank 2150 can be upgraded to a MiniBank 2500 with the addition of a new monitor and XP operating system.

NexTran: The ComNet series. Depending on the model, the machines run Windows CE, Windows 2000 or Windows XP.

Wincor Nixdorf: ProCash 1500xe. Wincor's entry-level ATM runs Windows XP.

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COMPANY PROFILE ◀ ◀ ◀

Staying Ahead in a Fast-Paced Game



Shift4 Corporation

MLS contact:

Eric Hoke, Manager of Partners and Interfaces
Phone: 702-597-2480
Fax: 702-597-2499

Company address:

1491 Center Crossing Road
Las Vegas, Nev. 89144
www.shift4.com

MLS Benefits:

- As an ASP, develops powerful Web-based solutions for the entire enterprise
- Payment processing solutions include card-present and not-present; gift card; gateway; authorizations and settlement; currency conversion; comprehensive accounting; 24-month archiving and several fraud deterrents unique to Shift4
- Several channel partner programs offer a variety of opportunities to sell across industries

When you think about all there is to know about everything involved in payment processing, it can be overwhelming. It's kind of like looking up at the billions of stars in the sky on a clear night in the desert and pondering the hugeness and the nature of the universe.

Well, maybe not quite that big. But when you consider all the details that go into the processes of payments and transactions, you have to admit there is a lot more to it than meets the eye.

Integrating the pieces—debit cards, credit cards, gift cards, checks; brick-and-mortar merchants, telephone and Internet merchants; merchants with one corner store or international businesses; banks, acquirers, processors, consumers—into a seamless well oiled operation requires knowledge and experience.

Having a serious dedication to exceed customers' expectations for transaction processing applications and for customer service helps, too.

The people at Shift4 Corp. have succeeded in keeping pace with rapid-fire changes in the payment industry, thanks to their firm belief in leveraging their skills, gained through the years in a number of areas, and applying them to payment processing.

They take what they do very seriously, but not so much so that they've lost their sense of humor.

Take how they came up with the company name, for example. It had to be one that represented their core product's function, but with a twist. Despite meetings and discussions and lying awake at night, what it came down to was a couple of computer keyboard keys: Hold down "Shift" while striking the "4" key to make a "\$."

Taking what they know about accounting, information technology and business administration, they created a company that offers comprehensive, enterprise-wide solutions and provides real-time electronic payment processing services that support every type of merchant.

J. David Oder, Shift4's President, CEO and Founder, has an extensive background in developing accounting software and POS applications for his accounting clients; he earned MBA and Master's degrees in MIS and Accounting from UCLA. In the mid-1980s, when electronic payment transactions were in their infancy, he began creating middleware to enable communication between retailers and processors.

These applications became the foundation for their current products. The DOS-based program called \$\$\$ IN THE BANK (the "\$\$\$" is pronounced "dollars"), released in 1992, provided connectivity for merchants through third party vendors.

Shift4 became an official company in 1994; Oder and his crew were soon at work on another application, \$\$\$ IN THE BANK for Windows. This

application was a fully integrated, multi-merchant, bank-independent, real time payment solution and was the most powerful credit card middleware and management software at that time.

Shift4's location in Las Vegas proved to be lucky—several large resorts began to implement \$\$\$ IN THE BANK, taking advantage of its financial, operational and technical benefits. Within two years, the application was installed at most of the showcase hotels on the Las Vegas Strip.

This set the stage for Shift4's vertical expansion into the high-end hospitality market. The company now provides real time enterprise payment solutions to leading food and beverage, hospitality, retail and e-commerce organizations around the world, including Hilton Hotels, Foxwoods Resort Casino in Mashantucket, Conn. and the PGA.

Today, Shift4's team includes several members of Oder's family—and people who have been with the company long enough to qualify as family. Oder said he's now more of the "visionary," and able to depend on the bright people he works with.

These include his wife Katherine, Executive Vice President and COO; son J.D., Vice President, Research and Development/CTO; and daughter Stephanie Stowers, Vice President, Installations and Support.

Two members of the Shift4 management team, Steven Sommers, Vice President, Applications Development, and Kevin Cronin, Vice President, Systems Development, have each been working as part of the team for over 20 years, Oder said.

Shift4 focuses on offering solutions for high-volume accounts and entities with multiple interfaces and locations. These solutions give merchants the ability to centralize control of all their electronic payment processes.

Shift4 currently offers a variety of solutions, including \$\$\$ ON THE NET, a comprehensive accounting application with the ability to report, review and correct transactions before settlement to reduce the time required for month-end reconciliation.

\$\$\$ ON THE NET is the only ASP model middleware on the market that supports every type of merchant, including hotels, restaurants, retail stores, car rental agencies, ticketing, MO/TO and e-commerce.

It's a complete accounting application with the ability to report, review and correct transactions before settlement to ensure users receive the best possible interchange rates.

"We host everything," Oder said. "It's easy to set up, it integrates with existing equipment and Internet connections, and there is very little dedicated infrastructure or



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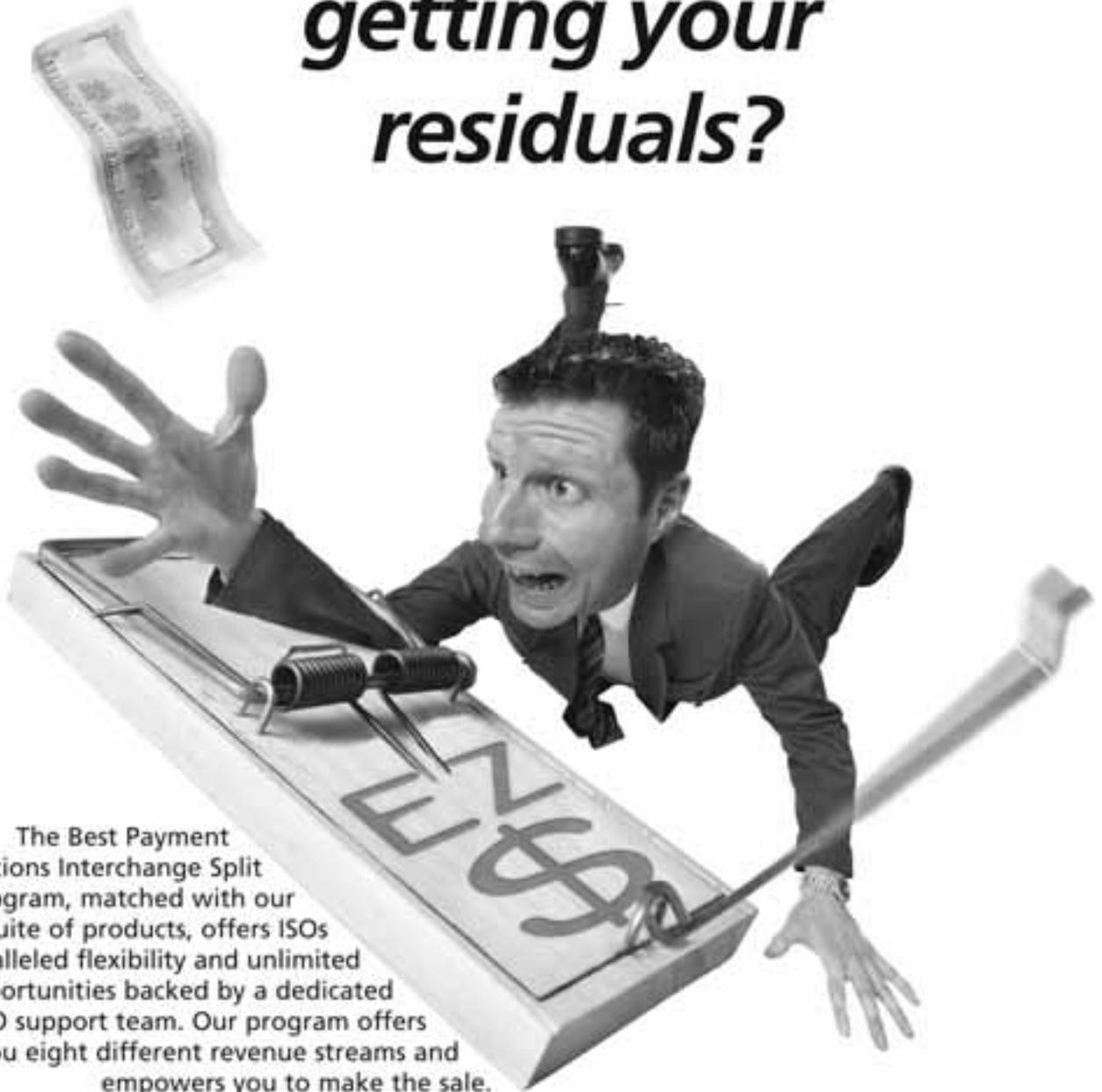


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hardware necessary."

One of \$\$\$ ON THE NET's key features is the 24-month archive of transactions the program creates. Comprehensive reporting allows users to defend themselves against disputes and costly chargebacks for two years.

"We maintain credit card transactions in a secure database," Oder said. "Merchants can peruse and review them before sending on for processing. Transactions can be reviewed for 24 months for chargebacks and retrievals."

The system includes a wide range of features including accounting for credit cards and gateways. It's ideal for large chains, where a corporate office needs to track individual reports for each location, and company wide. "It's a powerful tool in the hands of auditors," Oder said.

Working on the ASP model has allowed Shift4 to develop comprehensive and flexible solutions. It's now working to broaden the customer base by offering fast processing and authorization at lower costs than it ever has.

"Originally, we were known as being on the top of the high-priced pyramid," Oder said. "But with the technology we've developed, we're moving down that pyramid.

Our processing center has multiple broadband lines from diverse carriers, which enable us to deliver direct, high-speed processor connections to companies of all sizes."

Shift4 solutions are certified with 12 processors on all their platforms. Shift4 processed nearly \$6 billion in payments in 2003, representing nearly 32 million settled transactions.

The majority of the company's clients are in North America, but Shift4 is branching out to Europe, Latin America, Australia and the Pacific Rim, to capitalize on the growing tourism industries in those areas.

Another significant factor in Shift4's growth is the Channel Partner Program. While the company has a direct, in-house sales team, this growing network of partners are POS/PMS providers, consultants, solutions developers and MSP/ISOs who serve as resellers, or give referrals, for Shift4.

Partners earn recurring revenue by bringing \$\$\$ ON THE NET's robust payment processing solutions to those merchant customers, corporations and industries they know best. It allows them to offer a single solution to meet all of their customers' payment processing needs; numerous interfaces allow them to reach an even larger client base.

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Compliance is a major issue in payments these days and is definitely a critical area Shift4 pays very close attention to in developing its solutions. J.D. Oder II specializes in networks and telecommunications and works closely with Visa on system-wide security issues, Oder said.

Shift4 offers the highest level of compliance with card association regulations and is certified with Visa USA's Cardholder Information Security Program (CISP), MasterCard International's Site Data Protection (SDP) and American Express' Data Security Operating Policies (DSOP).

In addition to \$\$\$ ON THE NET, Shift4 solutions include fully-integrated add-ons. For example, "It's Your Card" is a comprehensive gift card and certificate solution using the ASP model and offers the same universal POS/PMS integration, processor neutrality, advanced reporting, high-speed connectivity and low costs.

"It's Your Card" supports both plastic and e-cards sold on the Internet. Shift4 also provides extensive Web capabilities allowing merchants to sell, activate, deactivate, conduct balance inquiries and denominate cards online.

Through recently established partnerships with a variety

of Dynamic Currency Conversion (DCC) Processors, Shift4 now offers DCC through \$\$\$ ON THE NET so that merchants can accept payments from cardholders anywhere in the world.

"Fraud Sentry," Shift4's proprietary "internal trusted employee" fraud control system, offers the most comprehensive solution to a major problem in the acceptance of credit cards.

According to the company, when trusted employees such as clerks, auditors or accountants issue credits to their or their friends' cards, it costs hotels, restaurants and retail establishments 0.1% to 2.5% of their gross credit card revenue each month.

With a little creativity, a lot of on-board talent and an open-minded approach to finding solutions to the challenges merchants of all sorts face each day, Shift4 is making it possible for these businesses to be a little more creative themselves.

"We support the POS vendor to deliver capabilities for their customers," Oder said. Sounds simple enough and not too overwhelming after all. ■



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Nationwide Check Services Files for Chapter 11

Baltimore-based ERN, LLC and its operating divisions, which include Nationwide Check Services, Nationwide POS Leasing and Nationwide Credit Card Center, filed a voluntary petition in U.S. Bankruptcy Court for the District of Maryland for relief under Chapter 11 of the Bankruptcy Code on April 28, 2004.

ERN specializes in providing electronic check—including conversion, guarantee and check imaging—credit, debit card and EBT processing and POS equipment to merchants through the ISO and merchant level salesperson sales channels.

ERN operates in six U.S. cities and employs about 50 people in its Baltimore headquarters.

According to court documents, ERN's bankruptcy filing was brought on by a series of disputes—followed by extensive litigation—between ERN's President and co-founder, Rony Natanzon, and his former partner, Sam Buchbinder.

"Right now the story is a dispute between two partners which fought," Natanzon said. "The company is being protected, and there is a negotiation that takes place to get this partner off my back so I can continue the company and take it out from the protection of the court. That's the only way to do it."

Natanzon and Buchbinder were partners in ERN and their relationship allegedly turned bitter when Buchbinder initiated efforts to open a business in Chicago that was in competition to ERN, according to a 2002 article in the Daily Record, a

Maryland-based business and legal news publication. Buchbinder said he now serves as a consultant to ABANCO International, LLC, a company he said was "started and owned by his wife" in 2002. ABANCO employs many former employees of ERN.

Supposed actions by both Buchbinder and Natanzon spurred several lawsuits between the two former partners, including one sought by Buchbinder to recover more than \$2 million he loaned to ERN and one for \$500 million sought by Natanzon, which included compensatory and punitive damages.

"These were really serious disputes," said Jim A. Vidmar, Partner for Linowes and Blocher, LLP and ERN's Attorney. "Buchbinder had five suits pending against Rony and



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ERN, and it got to be too much."

Court documents pertaining to the case state: "The lack of funding and the litigation have created an untenable climate for [ERN]...The filing was necessary to permit [ERN] to continue to operate as a going concern and to preserve the value of its assets."

The court appointed a trustee, Lawrence D. Coppel, to supervise and manage the affairs of ERN and report to the court.

Chapter 11-bankruptcy protection offers ERN the opportunity to reorganize and refinance in order to prevent final insolvency. In a recent filing with the court, ERN sought and was granted authorization to pay its ISO partners what is owed them for services rendered before April 27, 2004—an amount of approximately \$34,000. ■

NPC Considering Sale

National Processing Inc. said it's considering putting itself on the auction block. In a statement released Thursday, May 27, 2004, the parent of National Processing Company, LLC said its board of directors "is reviewing the company's various strategic alternatives, including but not limited to the potential sale of the company."

NPC, headquartered in Louisville, is the second largest provider of credit and debit card processing in the United States, behind First Data Corp. NPC processes for more than 700,000 Visa and MasterCard merchant locations—about one out of every five Visa and MasterCard transactions made in the United States each year—and employs more than 1,600 people.

National City Corp., a large financial services holding company based in Cleveland, owns an 83% stake in the company. In its statement, National City said "no assurance can be made that any transaction will be consummated," or that the company would get the kind of money it's looking for, but would not elaborate further.

Industry insiders have said the company has engaged to investment banking firm of Morgan Stanley to help price the potential sale. While no potential buyers have been identified, the industry rumor mill is buzzing with the names of likely suitors, including First Data, Heartland Payment Systems, Bank One and Wal-Mart. NPC shares rose \$3.27—more than 12%—in afternoon trading on Friday, May 28, at \$28.20 per share. ■



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$$(x-y)^3 = x^3 - 3x^2y + 3xy^2 - y^3$$

TYPICAL ACQUIRER/ISO REVENUE DISTRIBUTION

Merchant Processing Volume	\$2,100,000	\$18,000	\$12,000	\$6,000	\$200,000
Total Revenue	\$1,500,000				
Acquirer Revenue	\$1,000,000				
ISO Residual	\$500,000				

EVO One-Rate Revenue Distribution

Merchant Processing Volume	\$2,100,000	\$18,000	\$4,500	\$13,500	\$200,000
Total Revenue	\$1,500,000				
ISO Residual	\$1,000,000				
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Merchant Processing Volume	\$7,000	Total Revenue	\$60
\$6,000	\$40		
\$5,000	Acquirer Revenue	Total Revenue	\$60
\$4,500			
\$2,500	ISO Residual		

EVO One-Rate REVENUE DISTRIBUTION

Merchant Processing Volume	\$7,000	Total Revenue	\$60
\$6,000	\$45		
\$5,000	EVO Revenue	Total Revenue	\$60
\$4,500			
\$2,500	ISO Residual		

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Associations from Page 1

Dunn, who will lead the seminar, said it will be held one day and will include five sessions that cover a wide array of topics: how to build a "better mousetrap" in the ISO business; how to get financing; how to get to the next level as an ISO; how to handle contracting and compliance; and how to generate more revenue from your base.

Dunn has held positions ranging from sales to senior management during his fifteen years in the industry. The seminar costs \$100, includes lunch and will take place on Wednesday, July 28 from 9 a.m. to 3:15 p.m., preceding the MWAA conference (FGI is independent of MWAA, however a discount on FGI is available if you sign up for both events). For more information about the seminar or to register, please contact Mark Dunn at mdunn@copiacapital.com.

Institute for Payment Professionals (IPP)

The Institute for Payment Professionals (IPP) is dedicated to providing every MLS an equal opportunity to achieve maximum personal success. IPP offers a series of free seminars every month to six weeks in a major

metropolitan area.

IPP seminars disseminate critical information about the industry and how it works. Additionally, a variety of industry vendors provide both information about, and hands on experience with, leading-edge technologies and services. The half-hour presentations cover topics such as the history of the industry, payment flow, portfolio management, risk and underwriting, marketing.

Upcoming stops in summer 2004 include Atlanta, Chicago and Houston.

In addition to seminars, IPP offers a Web site: www.i4pp.org. IPP is not a trade association; rather, it is an independently owned and operated training company. "Membership" in IPP is used to allocate resources and provide access to the Web site.

Midwest Acquirers' Association (MWAA)

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Time and time again, these hardworking MLS also tell me the most important factor when choosing an ISO partner is not money...it's trust. So why trust me? My reputation for treating sales partners honestly and equitably is unmatched. I've built my entire business on that reputation and know that the fate of my company relies completely on continuing to do so.

I know first hand how hard it is to be a successful merchant level salesperson. I come from the streets, having sold my first few thousand accounts personally. I'm recognized as a long-time advocate and spokesperson for merchant level salespeople. My allegiance is to MLS because I value the hard work you do. I possess an unwavering commitment to insure you not only get treated fairly but also get paid generously.

SHOULD YOU TRUST ME?

How do I accomplish this? Before we ever start doing business, I provide you with a contract that protects your residuals for the life of the account. By doing so, I insure that your portfolio is built on a solid foundation. Next, I continue to offer the most lucrative pay plan in the industry with more Upfront Bonuses and Increased Residual Income! New 1.46% Buy Rate! Terminal Equipment Subsidies! New Check Conversion & Guarantee Program! New and Improved Lease Factor Rates! Residual Buy-Back Program! Health care benefits and the most comprehensive list of valuable Free Services!

But the one offering that is most important is my dedication to treat my sales partners...well, as partners! You can call me on this. Don't just take my word for it. Go ahead, ask anyone you know in the business. Send emails and make phone calls to other MLS, even vendors. Post something on the MLS Forum. When you see and hear all the positive responses, you'll quickly realize that partnering with Total Merchant Services is not only lucrative but the smartest business decision you can make this year.

I urge you to review Total Merchant Services' partner program in detail. Please stop what you're doing right now and take 10 minutes to check out our partner website - www.upfrontandresiduals.com - where all the specifics are laid out. Even if you have looked at us before, there are new program features that will make all the difference for you in 2004.

I'm making this personal appeal to you, the hardworking MLS. Make Total Merchant Services your primary merchant account acquirer. I won't let you down!

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Ed Freedman
President/CEO



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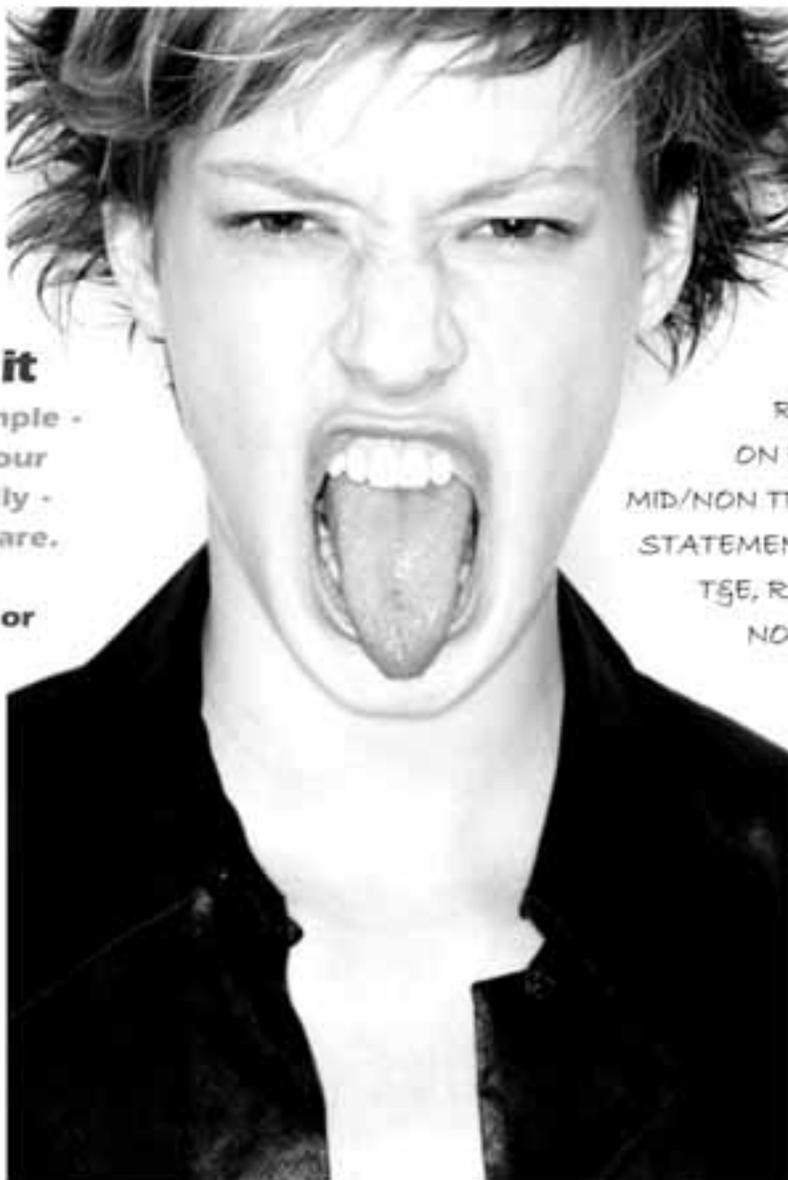
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Chicago that is convenient to travel into, our conference met and exceeded all expectations," said Jim McCormick, Vice President and Treasurer for MWAA.

McCormick said the success of MWAA last year—its very first event—should be partly credited to the regional acquirer associations that came before MWAA: the NEAA and SEAA.

"If it were not for our sister associations 'paving the way' (the NEAA, for example, for almost 20 years), we definitely wouldn't have experienced last year's tremendous success.

"The regional associations have become an amazing conduit to filter industry information and training to the 'feet on the street' MLS."

MWAA is expecting an even better turnout at this year's event. The meeting is scheduled for the last week of July, and it will be held in Chicago, which boasts beautiful, warm summer nights.

The focus will be on discussions of relevant issues and will offer plenty of meeting time with vendors. Presentations will cover value-adds, interchange compliance, fraud, POS innovations, Check 21 and the changing role of the MLS.

Northeast Acquirers' Association (NEAA)

Almost 20 years ago, two men pioneered the concept of a regional acquirers' association: Alan V. Forgione, Cardsystems Solutions, Inc., and Jacques Breton, General Credit Forms. Their goal was to provide a regional event to enable acquirers to network with vendors and potential sales representatives.

They helped form the NEAA as a non-membership association to host regional meetings.

NEAA now hosts two meetings a year, a winter and summer event. Recently, these have expanded into three-day events with training sessions, vendor expo and recreational/networking activities.

"We know that the educational forums are attracting a number of new attendees, and the fact that we are closer to home for many helps in saving money and travel time," Breton said.

The vendor area regularly sells out weeks prior to the meeting. Generous sponsorship has enabled NEAA to keep the price-point for attendees quite low, which enables individual, independent sales professionals to attend for a nominal fee.

The NEAA formula has been so successful that others have applied it to several other regions of the country. Both Forgione and Breton readily share the association's charter, bylaws and organizational knowledge with other groups to enable them to mirror the success of the NEAA.

Southeast Acquirers' Association (SEAA)

Founded in 2000, the SEAA was established on the belief that it is important to educate the ISO and MSP community with the constantly changing information that the payment processing industry dictates.

Following a format similar to the NEAA, Audrey Blackmon, John McCormick and Judy Foster organized the SEAA to host meetings in their area.

"The Southeast has always played a large role in the acquiring industry with a number of large banks, processors and ISOs calling this area home," said Blackmon, Vice President, ISO Channel Sales for POS Portal.

"This concentration of acquiring businesses has driven a strong demand for industry information."

Last year's SEAA event drew a crowd of more than 300 people. This year, the organization has some new things on the agenda, including more time for attendees to mingle with vendors, which Blackmon said has been the top request from attendees in SEAA surveys.

This year's event offers seminar presentations on choosing a processor, understanding interchange, best practices on prospecting and understanding and selling new technology.

The keynote speaker will be NFL legend, Pro Bowl Defensive End and Super Bowl Champion, Charles Mann, who will discuss the path to his many successes on and off the field.

Western States Acquirers' Association (WSAA)

The WSAA is the newest regional association formed to serve MLSs and payment professionals in the West.

"It's estimated that approximately one third of all the nation's 'feet on the street' reside and sell within the geographical region of the western United States," said Steve Eazell, Director of National Sales and Marketing for Secure Payment Systems, Inc., and one of the co-founders of WSAA.



"We on the West Coast felt it was time to speak to the needs of those that make their living in this part of the country. The show is centrally located; it's within driving distance for about 70% of all the MLS/ISO sales reps working in the Western part of the United States.

"We're also planning a surprise twist to make our show stand out a little differently than the rest."

WSAA recently finalized its articles of incorporation for non-profit status. The WSAA Web site and print materials will be available soon.

The National/ International Associations

The payment processing industry is served by three major trade associations:

- ATM Industry Association (ATMIA)
- Electronic Transactions Association (ETA)
- Financial Women International (FWI)

These membership-driven associations hold meetings regionally throughout the year, as well as annual business meetings and vendor expos.

ATM Industry Association (ATMIA)

ATMIA was founded in 1997 in the USA to provide an official voice for this growing industry. ATMIA is a non-profit trade association with members in 20 countries. It is now established in America, Canada, United Kingdom, Europe, Australasia and Africa.

ATMIA's membership includes manufacturers, ATM deployers, ISOs, private owners, financial institutions and all providers of related products, services and consultancies.

For this year's Conference West, ATMIA is partnering with Kiosks.org to present the "Self-Service Summit." Topics to be discussed include the role of the ATM delivery channels in the financial and retail sector, future trends of the kiosk and the ATM, smart cards, maximizing floor space through self-service, ATM legislative update, controlling the cost of cash while keeping costs down and a GASA update.

The Global ATM Industry Awards will also take place during this event. Recognition will be given to companies and individuals who have made a substantial difference in the industry over this past year.

Electronic Transactions Association (ETA)

The ETA 2004 Annual Meeting and Expo, held in Las Vegas in April, was highlighted in "ETA Annual Meeting & Expo a Resounding Success," The Green Sheet, May 10, 2004, issue 04:05:01.

ETA's new regional meetings called "ETA Expo Networks" are a series of low cost, tradeshow and educational programs targeted specifically to ISO and MLSs and are held in various geographic areas of the country.

As a standalone venture, the ETA Expo Network provides the ISO/MLS affordable local access to a tradeshow and quality education.

The Expo Networks will premier June 24 – 25 in La Jolla, Calif. ("Plenty of Reasons to Attend Industry Events," The Green Sheet, April 12, 2004, issue 04:04:01).

Financial Women International (FWI)

FWI was founded in 1921. Historically, this association was focused on commercial bankers, but in recent years has expanded its membership base to also include vendors and sales professionals in the payment processing industry. The group has a unique set of benefits to support women in building successful careers.

"One thing that sets us apart from most other membership associations for women is that we are 83 years old!" said Melissa Curzon, FWI Foundation Vice Chair.

"FWI's mission is to help women be successful in their careers. We strive to meet our mission on three different levels: the international, district and group levels."

FWI's 82nd annual meeting will be held Sept. 12 –14, 2004 in Nashville, Tenn. and FWI is expecting more than 250 women from all over the United States, Canada, Russia and Mexico.

CONTACT INFORMATION:

ATM Industry Association (ATMIA)

www.atmianortham.com

Contact: Lana Harmelink, lane@atmia.com

Electronic Transactions Association (ETA)

www.electran.org

Contact: Carla Balakgie, Carla.Balakgie@electran.org



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Field Guide for the Developing ISO (FGI)

www.fieldguideforisos.com
 Contact: Mark Dunn, mdunn@usbankfa.net

Financial Women International (FWI)

www.fwi.org
 Contact: Melissa Curzon, mcurzon@cox.net

Institute for Payment Professionals (IPP)

www.i4pp.org
 Contact: Paul Martaus, martaus@i4pp.org

Midwest Acquirers' Association (MWAA)

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Western States Acquirers' Association (WSAA)

Contacts: Steve Eazell, seazell@securepaymentsystems.com
 Sherry Friedrichsen, sfriedrichsen@gcfinc.com

NEXT EVENTS:

ATMIA

Sept. 20 – 22, 2004
 Manchester Grand Hyatt, San Diego

ETA

June 24 – 25, 2004
 La Jolla Hyatt Regency, La Jolla, Calif.

FGI

July 28, 2004
 The Drake Hotel, Chicago

FWI

Sept. 12 – 14, 2004
 Downtown Sheraton Hotel, Nashville, Tenn.

IPP

June 30, 2004
 Atlanta

MWAA

July 28th – 30th, 2004
 The Drake Hotel, Chicago

SEAA

Sept. 27 – 29, 2004
 Crowne Plaza Hotel, Atlanta

WSAA

Nov. 4 – 5, 2004
 Sir Francis Drake Hotel, San Francisco

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Update on Leasing

I'd like to share a story with you about my first day in the credit card processing business. It's funny, but this day (and what turned out to be my first year in this business) had less to do with credit card processing and bankcard acquiring and more to do with the business of leasing POS terminals.

Almost a decade ago, I responded to a sales recruiting ad in "USA Today." The company advertised promised a six-figure income selling a business service. After several years of selling long distance services to business customers this offer sounded pretty good, so I made the call.

This company was an ISO/MSP, and it required new sales reps to come to the corporate office in Cleveland for training. So, I hopped on a plane. In Cleveland, the trainer explained how we would make tons of money by leasing terminals, which, in those days, consisted of a Tranz 330, a Tranz 330 with a 250 printer or a Tranz 460. For an extra \$10 a month, the merchant could even have a PIN pad.

Here's what the sales pitch to Mr. First-day-in-the-bankcard-business (that was me) consisted of:

"You can buy these terminals wholesale from the ISO/MSP for \$250 – \$400. You can pay us a \$125 application fee, and you can lease POS terminals to merchants for \$59 – \$99/month (48-month leases) and earn \$1,000 – \$1,500 upfront on each deal. Now go get 'em!"

And the sales pitch to a merchant (who didn't currently accept credit cards):

"Hello, Mr. Merchant. How much more business could you do if you accepted credit cards? \$1,000 per month? \$500 per month? (Write down the merchant's answer). What is your gross profit margin? 40%? 35%? 30%? (Write this answer down, too).

"Well, if you accepted credit cards, you could earn another (insert the correct amount after multiplying the sales volume by the gross profit margin).

"For example, as you said, you could sell another \$1,000 a month if you accepted credit cards and your margins are 35%. That means you'll earn another \$350. The cost to get set up and running with this credit card machine and the service needed to accept all major credit cards (Visa, MasterCard, AmEx, Discover) is \$59 – \$99 per month, depending on the personal credit for your lease and the type of terminal.

"Even after factoring in the cost for the terminal, you will earn another \$300 per month. And, even if we lower our sales figures 50% to \$500 per month, you'll still earn \$150 more.

"Anyway you look at it, this is a money making proposition that won't cost you anything. You'll start making more money the minute you start using and promoting the use of credit card acceptance at your business."

If the merchant showed any skepticism, you'd break out some statistics from Visa and MasterCard about increased amounts of business from accepting credit cards. Selling bankcard services was still at the stage where business owners needed to be convinced that they should accept credit cards at their businesses.

The other funny thing was that the presentation on the processing fees (discount rates, per item fees, other fees, etc.) was glossed over. They told us to sell a certain set of rates and fees and, in return, we'd get paid \$5 per merchant per month.

During this "training" session, I actually asked, "How

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much money is there in the processing fees? It doesn't seem like you guys are making any money here." That's when they told us there wasn't much money to be made in the processing fees.

And then I did what I tell everyone not to do: I signed a contract that permitted this company to stop paying my residual commissions the minute I stopped doing business with them.

At that time, I wasn't sure how much money there was in the bankcard business, and this technicality didn't seem very important. Thankfully, we've come a long way from those days.

The bankcard processing business has witnessed great transformations in the past decade. Residual income not important? Boy, has that changed. So has the POS equipment leasing business.

These days, no one has a business plan centered around upfront money on sales and leases of equipment. Income from leasing may still be a part of an MLS's income and business plan but should not be the major component.

So where is leasing headed in 2004? In the past, MLSs could make a living on leasing. Today, word on the street is that they can't. Rather, they're selling at cost and relying on residual income.

Is leasing still a viable service for MLSs? What is its true value proposition? Is equipment becoming obsolete? How has leasing changed in the past few years? What types of equipment are being leased? What are the price points? What kinds of credit mix ratios do MLSs need to maintain to stay in good standing with their leasing provider?

To get answers to some of these questions, I sought the expertise of two leading industry professionals in the leasing arena, Lee Ladd, President/CEO of LADCO Leasing, and Tom McCarthy, Executive Vice President of Lease Finance Group (LFG), a division of CIT.

"Without a doubt!" Ladd responded when I asked him if leasing is still viable for MLSs. "It's not only viable, it's a necessity. Without POS leasing as part of the POS history there probably would not be MLSs as we know them today. Leasing has been the life blood of the industry."

Ladd sees the value proposition of leasing as somewhat one-sided. "Where could you get a 1985 Oldsmobile financed for five times the blue book value?" he said. "Only at a POS lessor! Not only do we lease antiquated equipment, we do it for many times the cost."

Ladd is quick to point out he's not complaining since each

lease company makes its own policy. His bottom line is that the POS lessor provides a service that does not exist in any other industry. Does he see equipment becoming obsolete? His answer is true politics.

"Yes and no," he said. "We still see leases for 330's and 250's every month, but we are also seeing substantially more of the newer lines from the major companies."

Ladd acknowledged the leasing industry has changed. He believes that as the quality of the ISO/MSP has improved, so has the quality of the lease business. "The incidence of fraud and gross misrepresentation has reduced in recent times," he said. "We are no longer seeing lease requests for 48 x \$139.00 on XLs.

"For the most part our business has been pretty static. We did not get involved in any of the business opportunity, computer, virtual terminal or software leases when they were the hot ticket for leasing. Our constant has been to do a lot of good deals for a few good people."

In regards to advising MLSs on how to be successful when it comes to leasing, Ladd recommends looking to the bigger providers for product. "I would suggest selecting a major lessor that will have no problem funding your

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leases when times get tough," he said.

"Treat your lessor like a partner in your business. Be aware of your portfolio performance and be available to assist your partner when the inevitable dispute with your customer takes place."

Ladd also predicts substantial opportunity for equipment upgrades in 2004. "As new equipment becomes available and more marketing takes place to sell smart cards, check conversion and other new processing products, existing lessees will be prime for upgrade conversions," he said.

"It will be a great opportunity for the well managed ISO that has good contact with his existing lease and processing customer base. Those that give good customer service will prosper."

LFG's Tom McCarthy also sees leasing as a viable service for MLSs, especially if they deal with merchants with limited capital that need equipment. McCarthy believes leasing can offer those types of merchants very favorable terms.

He also believes that as ISOs build a larger merchant base and begin to reap the rewards of residual proceeds, the emphasis on the large upfront commissions for leases becomes less of a necessity. Consequently, the lease is still a very valuable commodity for MLSs.

"I think the true value to MLSs is when they provide a service and pricing to the merchant that is competitive," McCarthy said.

"The key is to retain the merchant. Disclosure, pricing and service are the secrets. Retain the merchant, and you'll retain processing residu-

als...and a leasing company will be more than willing to fund as much business as you can provide."

When asked if he sees equipment becoming obsolete, McCarthy responded with insight from years of experience. "Over the years there have been improvements in equipment, but the basic functionality is still pretty much the same," he said.

"There has been more development and improvement in the software application, but the basic card swipe terminal is still very similar to the terminal of 10 years ago. Memory has increased (for higher volume merchants) and additional track readers have been added to read additional data added to the magnetic strip."

From a provider's perspective, McCarthy said he has not witnessed too many significant changes in the

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leasing marketplace. "Leasing in the POS market has not changed that much over the years," he said.

"Although, the percentage of leases to merchants boarded has declined. Payment caps have also declined over the years. What has remained constant in leasing are delinquencies and defaults."

McCarthy has very clear advice for the MLS looking for success in leasing: "Be reasonable with your expectations of your leasing company. The leasing company will be successful if it can get a fair return on the leases submitted for funding.

"If delinquencies and charge offs are higher than industry standards, then the leasing company is not making a fair return on the leases. Make sure that the merchant understands that they are leasing equipment. Do not try to bundle every-

thing together and hide the fact that he is paying to lease the equipment."

McCarthy said MLSs and leasing companies will continue to work together in 2004. "The POS leasing market is still controlled by a few leasing companies that have been around for many years," he said.

"It's a capital intensive industry that needs to be managed with good systems and good personnel. Managing the risks and defaults is the key to survival. The partnership that forms when an MLS and a leasing company start doing business together will thrive when they work together to satisfy the merchant."

Since the voice of the MLS is vital to any industry-centric discussion, I posted the following on The Green Sheet Online's MLS Forum:

"How has the business of leasing equip-

ment changed for you? What are the biggest challenges you face in leasing? What is the value proposition for MLSs in regards to leasing?"

Here are some of the responses I received:

"Today, more merchants are buying equipment for cash, and some merchants go on the Internet to price out equipment. It's more important than ever to offer value-added services to get a good price for a terminal even if it's for cash instead of a lease...

"As an MLS, you need to sell other value-added products along with your terminal to be successful and to get the price up, i.e. a terminal and a check imager, gift cards, PIN pad or free check recovery.

"Think up things to bring up the value of what your selling and then the price is high enough to lease. To

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get leases you need to be creative" —cc guy

"I use two different providers and get great service from both. I use two so I will not have all my eggs in one basket...I do 10 or more equipment deals a month and not more than three leases a month on average.

"I make about 40% more money when I lease, so there is the value. When I sell cash it's lower profit, and when I sell a lease it's a great deal more." — bankcardrep1

"I used to lease a Zon and a printer for \$59.95: 'the good 'ole days.' Now you're lucky to get \$39.95 out of a 2085-plus. The biggest challenge I face is keeping the credit mix, merchants that are afraid of a 48-month lease, getting verifications done on sales made over the phone or the Internet (face-to-face has never been a problem) and leasing Internet solutions.

"I see leasing as a means for agents to put a little money in their pocket on the front end. It's a great concept: You can get paid up front and keep the long term residuals." —SalesAMS

"We have not leased a terminal in years for the following reasons:

- 1) It's very hard to justify the cost of a lease to a merchant. When you can buy an entire computer today for \$500, how can you justify a simple credit card terminal costing several thousand dollars on a lease?
- 2) The paperwork required by the leasing companies is more work than it's worth.
- 3) If the merchant prefers a small monthly payment, we offer our own rental program. This builds long term revenue." —ecom

"...the idea is you are leasing the whole package...'what good is a refrigerator if it has no electricity?' We lease the fridge and supply 'enhanced' electricity to make our package a better value. Moving forward, I see true enhanced lease opportunities as:

- 1) 90-day instant credit;
- 2) gift/loyalty, phone card;
- 3) medical.

"I also see the opportunity for leasing in cash advance scenarios. If a business is going to switch processors to get a high interest loan, they must sign a lease of some sort or a long-term processing agreement of some sort...if the bad credit will fly." —Adam Friedman

Ten years ago, there was no easy place for a merchant to purchase a terminal. Today, a merchant can go online to ebay.com or other Web sites and purchase a terminal right

off the Internet with no obligation to set up service.

They can buy the terminal online or even purchase a terminal at a wholesale club such as Costco. I do not think that leasing of lower end or older machines is really viable. Instead, I believe the best use for leasing right now would be for one of the newer generation—multi-application terminals.

Based on the comments posted to the MLS Forum, it appears that salespeople are looking to maintain long-term relationships with quality leasing companies. Today, MLSs value their relationship with their leasing provider. They care about their "credit mix." They are not leasing to bad credit guarantors.

MLSs would rather sell or rent a terminal to the D/E credit grade guarantors and are clearly looking out for the best interests of their leasing partner.

The bottom line is that leasing terminals is a good means to an end. Unlike years ago, it's not our primary business and should not be the main focus of your business plan. Leasing will help you close deals, and will earn you extra upfront money.

You just need to use it to implement your real business plan—building a stable group of processing merchants that provide you with recurring revenue every month.

Look for my next post on the MLS Forum. Your opinions and support of "Street Smarts" is invaluable. Please send your feedback on this and any other issue to streetsmarts@totalmerchantservices.com .

"Life consists not in holding good cards but in playing those you hold well."

— Josh Billings

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.

To learn more about Total Merchant Services, visit the Web site at www.totalmerchantservices.com . To learn more about partnering with Total Merchant Services, visit www.upfrontandresiduals.com or contact Ed directly at ed@totalmerchantservices.com .

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We Have a Winner!

The Green Sheet announced the "Street Smarts" Feedback contest on May 10, 2004 ("Street Smarts' Gets Smarter," The Green Sheet, issue 04:05:01), and our first winner for May 2004 is Mark Sandos. Sandos' "Feedback Story" (below) is a terrific example of how our readers, like you, use information in The Green Sheet to improve their businesses.

Each monthly winner receives a paid registration to the regional event of his or her choice—either a regional acquirers' association or ETA Network Expo—and a paid membership to the National Association of Payment Professionals (NAOPP). Sandos plans to attend NEAA's Summer Event, June 8 – 10, 2004 in Woodcliff, N.J.

We strive to supply you with the best "education, inspiration, and actionable advice" in the payment processing industry. We want to hear from you, and we're looking for YOUR stories on how you've taken action based on something you've read in The Green Sheet. Send your FEEDBACK to us at streetsmarts_feedback@greensheet.com.

Sandos is a graduate of Temple University with a bache-

lor's degree. He sold medical supplies for a few years, and then moved into the bankcard industry, where he has worked for five years. Sandos said this career move was the "best move I've ever made besides meeting my wife."

He also said, "The Green Sheet has been an integral part to growing my business as well as maintaining a strong portfolio. I've been reading it for a long time." Following is Sandos' "Feedback" on how he applied something he read in "Street Smarts" to his business:

Dear Green Sheet,

I have always found The Green Sheet to be informative as well as insightful to our industry. There's more to our business than just getting someone a good processing rate. I would like to think that I started off in the bankcard industry as a salesman, but now I consider myself a consultant to how merchants should accept credit cards.

The most profound growth in my business started after I read Ed Freedman's article "Taking the Lead" (The Green Sheet, Aug. 11, 2003, issue 03:08:01). I was setting up five to 10 accounts per month, with a typical merchant processing under \$10,000 a month. I would have to make at least 60 calls a month just to get 10 accounts. Freedman's article provided me with the insight and motivation to contact associations and get an endorsement to help out their members.

After several hours of making phone calls and many face-to-face meetings, I finally landed the state Car and Truck Dealers' Association. I put together a great pricing package along with excellent customer support for this association's members. I am now doing 30 – 40 accounts per month. The average merchant processes \$75,000.

My business has grown so much I have hired someone to help me out with office work and answering the phone. I still have to work to get the account; however a ringing endorsement from the association makes the sales process a lot easier. I have merchants from this association calling me saying, "I hear you are doing great things for our members, and I would like you to help me."

This association has also put me in touch with other associations across the country. Next month I will be presenting at a conference in front of 35 associations and their presidents and directors of membership benefits. This is a situation that I have fantasized about since I started my career in this industry.

I want to thank Ed Freedman for taking the time to help people like me grow their businesses. I also want to thank The Green Sheet for getting Freedman to continue writing this series for another year. The advice and education that you provide not only inspires me, but you also help make running my business easier. This ultimately has given me and my family a better quality of life. ☐

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▶▶ EDUCATION [CONTINUED]

Bankcard 101**Equipment Sales Versus
Building a Portfolio****By Lazaros Kalemis***Alpha Card Services, Inc.*

Most of us starting out in the industry become blinded on commissions made from selling equipment and forget about the future. A day doesn't go by when one of our agents or friends in the industry isn't on the phone with either Dimitri or me asking our opinion on this very subject.

In the ideal world we would all still be in 1990, making \$2,500 per sale and also earning residual income on 1% of our accounts. Merchants would still thank us for making their lives easier and we would all be happy.

But, my friends, times have changed. Now it seems you



have to choose between making big dollars on each equipment sale and giving away the rate, or vice versa.

Everyone reading this article is probably thinking the same thing right now: "I have car payments, house payments and other bills I have to pay every month. I need to make at least \$5,000 a month to pay for these things, or I'll be living on the street."

So you go out and give away the rate and sell the equipment. And whenever you come across a nice potential merchant account, not only does it take you two weeks to get a quote for the merchant, but then you lose the merchant anyway. The reason I know this is because I've been there.

When Dimitri and I started Alpha Card Services, Inc. we worked with a sales rep—we'll call her Amy—who sold about 12 accounts a month. Amy averaged \$10,000 in sales a month but earned only \$3 dollars a month in residuals from each of those accounts.

We kept prodding her to sell the rates higher and try to go after bigger accounts, but to no avail. Amy—as would any merchant level salesperson (MLS)—thought she could keep up the high number of sales forever.

However, eventually she grew tired and her sales volume fell—and so did her income. Her 200 accounts brought her residuals of only \$1,000 a month. That was nowhere near enough to live on, and eventually she moved into

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Most MLSs feel they have to sell as many pieces of equipment at the highest profit possible and move on to the next merchant. These reps make a nice living and bring in \$10,000 or more a month in commissions.

I try to instill in my reps the following: Yes, make money with equipment—sell as much as possible—but also build a future for yourself. Otherwise, burnout will eventually set in. I don't care if it is one, five or 13 years down the road. You want to build something that can pick up the slack for your lost sales.

another line of work. Amy is a perfect example of an MLS focusing too much on equipment sales.

Now, let's take a look at what Amy could have done differently. If she had set goals to make \$25 per merchant per month, she would have earned \$5,000 a month in residual income. She could have sold only five accounts and still have made the same amount.

Amy would not have become burned out and could have focused on larger, more lucrative accounts without changing her lifestyle.

There is a strong contingent of MLSs who are selling just like Amy. I've heard the stories, and their arguments for doing business this way make perfect sense. The main point in their reasoning is: What if my ISO stops paying me my residuals?

Years of hard work get flushed down the drain because an ISO is sold or it stops paying residuals because of certain violated clauses.

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I try to instill in my reps the following: Yes, make money with equipment—sell as much as possible—but also build a future for yourself. Otherwise, burnout will eventually

set in. I don't care if it is one, five or 13 years down the road. You want to build something that can pick up the slack for your lost sales.

We are all in this industry for a better future and the road to the brightest future is by way of building your residual stream.

We consistently train our reps not only on new equipment but also on building their portfolios through conversions or the value-added services we offer.

I would highly recommend that you ask your ISO as many questions as you can in order to help you build your residual stream.

If your ISO is not willing to help you or tells you to focus on smaller accounts or selling equipment I think it's time to find an ISO that is willing to help you grow. ■

Lazaros Kalemis and Dimitrios Tsikoudis founded Alpha Card Services, Inc. to be an agent- and merchant-friendly ISO. To learn about partnering with Alpha Card Services contact Lazaros at Lkalemis@alphacard-us.com or call him at 866-253-2227 ext 13.

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MasterCard Programs, Updated and Explained

By David H. Press

Integrity Bankcard Consultants, Inc.

In early May 2004, I attended MasterCard International's West Coast Fraud Strategy Forum in Phoenix. Discussions during the Forum emphasized the growing problem of identity theft, fraud statistics, account data compromise and new card products. Other topics covered were Merchant Online Status Tracking (MOST) and the Excessive Chargeback Program, which are significant areas for the ISO/MLS community.

MOST

In a recent reminder to its member financial institutions, MasterCard reinforced the MOST mandates. MasterCard originally announced the MOST system in its Aug. 15, 2003 Global Security Bulletin No. 8; the associations asked acquirers to register for MOST by March 31, 2004.

As of April 1, 2004 acquirers must also use MOST to submit responses regarding merchants identified in the program for exceeding MasterCard-defined fraud thresholds. Each initial identified merchant response not submitted via the MOST system is subject to a US\$100 "processing fee" beginning April 1, 2004.

This is a one-time only assessment per merchant violation. If you are an ISO responsible for your own MasterCard fraud reporting, you need to sign up for MOST to prevent being charged for processing fees.

There are no registration or other fees required to use the MOST system. Registration is simple: Licensed MasterCard Online users go to MasterCard Online, www.mastercardonline.com, login and under the Fraud/Risk Management column, go to the Product Information Catalogue menu, click on the Merchant Online Status Tracking (MOST) link and complete the online Product Registration Form.

In the MOST system, a user must be licensed for each acquiring Interbank Card Association (ICA)—MasterCard's equivalent of Visa's BIN—regardless of what MasterCard calls a "parent/child relationship." (ICA members are parents; children are ISOs, MSPs, etc.) In addition to submitting the request via MasterCard Online to register for MOST access, a user must also provide written authorization from the Principal, Security or MATCH contact listed in the Member Information Manual for the respective ICA.

MasterCard regional Security and Risk Management representatives handle questions and problems. Contact MasterCard Online Solutions and Services Help Desk for the U.S. region at 800-737-5019 for registration support; access technical support by calling 800-288-3381 or by e-mail at mosthelp@mastercard.com.

Excessive Chargeback Program

MasterCard laid out the consolidation of various excessive chargeback programs into a global standard, called the Excessive Chargeback Program ("the Program"), as announced in the June 3, 2002 Global Operations Bulletin No. 6.

The Program's standards apply to merchant locations that, for two consecutive months, have exceeded MasterCard's chargeback thresholds; criteria include:

- A minimum of 15 chargebacks
- A monthly ratio of chargeback dollar volume-to-interchange sales volume of greater than 2.5%
- A monthly ratio of the number of chargeback transactions-to-total sales transactions of greater than 1%

The Program stipulates a recovery fee structure (i.e. fines) and provides for issuer reimbursement. MasterCard can also, in its sole discretion, request that an acquirer terminate a merchant that has exceeded the excessive chargeback thresholds as described above. Recovery fees are structured as follows*:

- Months 1 – 2None
 - Months 3 – 5\$25 per chargeback; a \$25,000 fee
 - Months 6 – 7\$50 per chargeback; a \$50,000 fee
 - Months 8 – 9\$75 per chargeback; a \$75,000 fee
 - Months 10 +\$100 per chargeback; a \$100,000 fee
- *All fees are in U.S. dollars and on a per-month basis.

MasterCard will consider a credit to a chargeback if it believes, in its sole discretion, that the member generated the credit to avoid applicability of the Program rules. The recover fee for credits so designated is \$25 for each credit processed. It is also the acquirer's responsibility to monitor for excessive credits.

MasterCard can also initiate an audit to determine whether an acquirer failed to monitor chargeback thresholds for their merchants. You know who pays for the audit.

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Key-entry telecom merchants, electronic commerce adult content (videotext) merchants and merchants identified under the Excessive Chargeback Program must be registered with MasterCard and provide all of the information requested.

A \$1,000 registration fee is required for electronic commerce adult content (videotext) merchants and merchants identified under the Excessive Chargeback Program.

There is also a minimum Tier 1 capital requirement of three times the aggregate of all the bankcard transactions processed by the member's electronic commerce adult content (videotext) merchants and merchants identified under the Excessive Chargeback Program in each month.

MasterCard may assess a fine on an acquiring member with merchants,

including those listed above for not first registering the merchant in accordance with the Program requirements. The first violation results in a fine of up to \$5,000 and each subsequent violation may result in a fine of up to \$25,000. The acquirer must also ensure that the action or inaction that resulted in the violation is corrected promptly.

For electronic commerce adult content (videotext) merchants and merchants identified under the Excessive Chargeback Program with monthly fraud in excess of \$25,000 the fines are increased to:

- Month 1.....\$25,000
- Month 2.....\$100,000
- Month 3.....\$150,000

It is the acquirer's responsibility to monitor its merchants in accordance with MasterCard's requirements.

If the acquirer determines as a result of routine monitoring or periodic audits, that the Excessive Chargeback Program thresholds were exceeded, it must immediately notify MasterCard Security and Risk Management staff and declare the merchant an Excessive Chargeback Merchant.

Now that this Program has been in place for two years, I think that ISOs and member banks should expect increased enforcement activity by MasterCard.

If you are not in compliance it would be a good idea to get your organization up to speed with the Program requirements ASAP. 

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



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►► EDUCATION [CONTINUED]

When IP Makes Sense for Your Merchants

By Peter Scharnell

Electronic Exchange Systems

There has been a lot of discussion and anticipation about using the power and speed of the Internet to process transactions at brick and mortar establishments. We now see Internet Protocol (IP) processing turning into a reality.

The high cost of bandwidth that was once a limitation to most retail merchants is now becoming a non-issue. In fact, IP solutions now provide cost savings to the merchant, as they reduce the need for additional phone lines and other related costs. Standard Internet connections such as DSL and cable modems allow merchants to free up essential telephone lines and continue to take calls and send faxes while they process transactions.

Also, using an IP connection for credit and debit authorizations means that merchants will experience reduced network communication expenses and faster transaction speed because the communication connection constantly remains on.

Because of the need for speed in the marketplace and the cost saving capabilities, more and more networks, terminals and software products are being certified for IP processing. But with all of the new technology and processing options, where does IP processing really make sense for the small and mid-sized merchant?

Do you Want Fries with That?

One very obvious place where the speed of processing is critical is in the quick service (QSR) or fast food restaurant environment. We now see more and more terminals at multi-lane fast food restaurants, due mainly to the ability of using the Internet to provide two- to four-second transaction times.

In addition, Visa and MasterCard have put together some great QSR processing programs that do not require a signature and guarantee the transaction against chargebacks. This enables the restaurants to process an order in the same amount of time and as securely as a cash purchase.

A faster transaction means more sales and quicker turnaround times and the ability to attract new customers that want the convenience of using their credit and debit cards. Also, studies show that when customers use credit and debit cards for purchases, the average bankcard sale

runs 30 – 80% higher than the average cash sale. These are only a few of the compelling reasons for using IP processing at a QSR establishment.

There are other scenarios where IP processing also makes sense. Busy establishments including nightclubs, theaters, independent grocery stores and convenience stores that have multi-lane settings and the need for quick transaction times will benefit from using high-speed transaction processing.

Yeah, But Is it Safe?

Whenever you mention processing over the Internet to your prospective merchants, security always becomes an issue. Equipment manufacturers are now adding sophisticated security features at the terminal level.

Advanced IP-ready terminals such as VeriFone's Omni 3750 and Lipman's NURIT 8320 feature Visa and MasterCard's PIN Entry Device (PED) and Triple Data Encryption Standard (3DES) security regulations that help reduce fraudulent tactics such as card skimming. These security regulations also ensure secure software downloads and prevent inter-application data access and tampering at the merchant level.

Additional products such as Paymentech's NetConnect contain security measures that go beyond standard practices. With NetConnect, merchants' transactions are transmitted with the highest degree of security because Paymentech authenticates every single transaction and requires them to be encrypted using SSL encryption.

This gives your transactions an additional layer of security not provided by a typical Internet connection. And, NetConnect's built-in security features make it a powerful tool against hackers who steal merchant ID numbers and use them to make fraudulent card refunds. When looking at IP products and services for your merchant, always make sure that the security issues are addressed and that you can effectively sell the features and benefits of the secure IP solution.

It's All About Networking

Another area where it makes sense to use high bandwidth technology is when merchants need to integrate multiple locations or terminals into a single payment and reporting system. Retailers are always looking for ways to integrate their payment processing with a back-end system for data retrieval, reporting and reconciliation. IP processing is not exclusively about speed. Merchants can

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In this day and age, the merchant processing industry is becoming increasingly more competitive. By learning how to sell IP processing and which solutions to sell, you can increase your chances of offering your customers something that your competition cannot.

now take advantage of the powerful networking capabilities that the Internet provides.

Networking processing, inventory and accounting systems together in one location can drastically help companies run more efficiently and effectively. Think about franchise or multi-location establishments that have a need to tie all their systems together.

Integrating multi-establishment payment processing with back-end customer relationship management (CRM) and inventory management systems previously required big budgets and a development team; however, IP technology and software advancements are making it much less painful to accomplish. MLSs should check with their processors or service providers to see what kinds of integrated solutions are available to sell today.

Virtual Reporting and Reconciliation

In addition to credit card processing, retail merchants

now use many value-added products and services such as electronic check conversion, gift and loyalty, and pre-paid cards. The need for keeping track of all these transactions is crucial to the merchant.

That's where Internet reporting comes in.

Most value-added service providers offer an Internet reporting system that lets the merchant view all of the transaction and processing data via a Web site. While you could use a dial-up connection to access this information, a high-speed cable or DSL connection makes it much quicker and easier to access, download and run reports.

Merchants now have 24-hour access to research and can reconcile transaction and settlement information, confirm ACH transfers, obtain statement information, and access it all at high-speed via a secure Web site.

By partnering with value-added service providers that use the Internet to provide reporting, you can now help your merchants manage their businesses more effectively; they will be less likely to jump to another processor that can lower their rates a few basis points. In addition, providing your merchants with products that use Web-based reporting will also be another good selling point as to why they should upgrade to a high-speed connection at their places of business.

In this day and age, the merchant processing industry is becoming increasingly more competitive. By learning how to sell IP processing and which solutions to sell, you can increase your chances of offering your customers something that your competition cannot.

While many high-speed transaction processing products and services are currently in use today, it is important for you to learn what works and what is still vaporware. Work with your processor to find out the solutions currently certified and functioning and then, learn the features and benefits available to your customers. ■

Peter Scharnell is VP Marketing for Electronic Exchange Systems (EXS), a national provider of merchant processing solutions. Founded in 1991, EXS offers ISO partner programs, innovative pricing, a complete product line, monthly phone/web training, quarterly seminars and, most of all, credibility.

For more information, please visit www.exsprocessing.com or e-mail Peter at peter.scharnell@exsprocessing.com.



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▶▶ EDUCATION [CONTINUED]



Marketing 101

How to Play the Trade Show Game and Win

By Nancy Drexler and Jessica Rubin

Cynergy Data

Do you attend trade shows? If so, do you come home with a pocketful of new contacts and a list of people already waiting to hear from you? Or, do you bring back an empty wallet, a bad headache and a couple of business cards from people you don't remember meeting?

Do you know in advance which shows are worth attending? Do you know if you will benefit more as an exhibitor than as an attendee? Do those dozens of flyers and postcards mailed to attendees in advance of a trade show drive people to a booth? And once there, do leggy models, toy cars and flashy pens lead to profitable sales?

While trade shows invariably provide ample opportunity to rub elbows with peers, customers and suppliers, if you view them simply as that, you are missing out on an important marketing tool.

Because just like advertising, direct mail, publicity and promotion, trade shows represent an expenditure of time and money—and an opportunity to reach a target market in a way that delivers sales.

Following are some things to consider in advance of the next trade show:

To Go or Not to Go?

That is the question. And it is one of the easier questions to answer, because it depends on only two variables: who will be there, and how much it will cost you to go. Usually those are the first questions answered by event management and posted on the Web site of the organization hosting the show.

Let's assume an event will attract 800 people, of whom 200 are competitors, 200 are suppliers, 200 are current customers and 200 are prospects. Let's also assume it will cost \$2,000 for you to go.

Ask yourself: If I meet with 15 suppliers and learn about one new product, how much time or money will I save? If I wine and dine twenty of my current customers, how much will that boost my retention and save me future travel time and cost?

If I visit all 200 prospects and leave with one new customer, how long will that customer have to be with me for my investment to pay off? If I attend one class or listen to one panel, how much value does that add to my business?

To See or to Be Seen?

Should you exhibit, or simply attend? Once again, that depends on your objectives and your budget. If, for instance, your goal is to "shop the industry" by staying on top of new products and shaking a few hands, then the cost of exhibiting is probably better spent elsewhere.

Even if you hope to make a splash, exhibiting is not the only option. You can throw a party; you can give tickets to a hot show, you can distribute outstanding gifts. These options allow you to target only that part of the audience in which you are interested.

If your party is different and attractive, if your show tickets are in demand, or, if following the show, your gift sits on a desk as a visible reminder, you might even make more of a splash than you would by exhibiting.

At the same time, these "events" are not as conducive to actually doing business as they are to making an introduction and collecting a business card.

Exhibiting, on the other hand, gives you access to current



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customers, suppliers and prospects in the same environment; set yourself up right, and you can do business right there on the trade show floor.

As an exhibitor, you typically have a few other marketing advantages over non-exhibitors: You can get a free ad, you can get a mailing list in advance, and you get invited to select events. You've paid for these perks by registering for floor space. Take advantage of them.

Do You Really Need the Blonde and the Robot?

So you've decided to exhibit. This is a unique opportunity to showcase your products and services, and demonstrate to others how you exceed expectations; it should not be taken lightly.

Your goal is to create an exhibit that will attract the people you want to attract, communicate the message you want to communicate, make and leave the right impression, and be a working part of your overall marketing plan.

Be clear about what you hope to achieve and develop a budget that makes sense within these parameters. If the show is small and exhibitors are limited to tabletop displays, the wisest expenditure may be in the staff you bring with you to the show. If the show is large and booth space is the size of a room, you've got some thinking to do.

A professional booth will likely cost a minimum of \$15,000, and that's only for the space and what you put in it. Plan to pay more for audio, Internet connections, cleaning, carpet, shipping and so forth.

Still want the blonde and the robot? Maybe. If your booth is in the back corner and doesn't tower above the competitors', you may need help getting people to visit it. Sending a robot out to cruise the floor, or announcing that visitors get a kiss from JLo might help. So might less expensive give-aways, contests and marketing prior to the show.

Even if you manage to attract every trade show attendee, the crowd won't count for much if you don't have a solid and noteworthy demonstration of your company's products and services behind all the glitz.

Carefully determine the image you want to project, the objectives you need to reach, and a budget that will provide adequate ROI. Then take the straightest road there.

Whether you attend as an exhibitor or a surveyor, don't forget the basic logistics of your attendance—registra-

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tion, flights, hotel reservations and booth details if you're exhibiting. These shows, regardless of how personal and intimate they may seem when you arrive, are large and complex to plan.

The sponsors and show organizers will not be calling you to remind you of deadlines or particulars that you should have thought of.

No matter what your role, "bystander" should not be an option. For you to gain something from the experience, your eye should be on specific goals and determining how to reach them.

If you're going to the show as a regular attendee, planning is just as crucial. You must know why you plan to attend and the number of leads by which you intend to increase your portfolio at the end of the show.

Have a brief but convincing bio about yourself, your company and what makes you great, along with a snazzy business card, ready to hand out in an instant, which is all the time you might have with an influential individual.

Also consider which courses are important to you. Sign up before space runs out.

Are there individuals that you would really like to tie down for a meeting? Contact them now and ask if you can get together for breakfast, lunch, dinner, or for five minutes in between, if necessary. Don't forget to make a reservation at a restaurant. When thousands of people are in town at the same time, seats fly quickly.

Strategize to take advantage of every minute. Most likely, you will be able to get an attendee list, an exhibitor's list and a floor plan in advance of the show.

Get them. Study them. Write a tentative schedule of which booths you intend to visit and with which people you want to talk about which products or ideas.

Be prepared for your carefully formulated plan to be completely changed at the last minute when Mr. Smith cancels dinner and Ms. Brown—a very important executive who showed up unexpectedly—wants to have lunch to talk about a partnership when you were scheduled to go to a course on Time Management for the ISO.

You Came, You Saw, You Conquered?

After weeks of preparation and a day or three of no sleep and too many faces, you should have had several productive discussions and acquired a stack of new business

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cards if you followed your plan successfully.

Don't go back to the office in a state of post-trade show exhaustion and leave these great leads at the wayside along with your plane ticket stubs and receipts for over-priced dinners.

This is the time for the 3Rs: regrouping, re-evaluation and reaching out.

The sooner you follow up, the more likely it is that your newfound buddies remember you and your fantastic ideas. You should have a few notes about each person with whom you want to keep in touch. Move quickly and with conviction.

Then measure. You spent X dollars, you yielded X number of new clients, which produced X dollar volume. Did it pay? Think about which of your strategies worked and which didn't. Prepare to improve your plan of action for the next show, either by cutting costs or boosting reach and conversion.

But don't give up on these events. Despite rising costs and loads of potential stress, industry shows provide an invaluable tool for you and your company to

gain exposure in the industry.

So, plan ahead, prepare yourself, and follow the trade show circuit to success. ■

Nancy Drexler is the Marketing Director of Cynergy Data. Jessica Rubin is the company's Communications Supervisor. Cynergy Data is a Merchant Acquirer that provides a wide array of electronic payment processing services while continually striving to develop new solutions that meet the needs of its agents and merchants. In addition to offering credit, debit, EBT and gift card processing, along with check conversion and guarantee programs, the company offers its ISOs the ability to borrow money against its residuals, to have Web sites designed and developed, to provide merchants with free terminals, and to benefit from state-of-the-art marketing, technology and business support.

Founded in 1995 by Marcelo Paladini and John Martillo, Cynergy Data strives to be a new kind of acquirer with a unique mission: to constantly explore, understand and develop the products our ISOs and merchants need to be successful and to back it up with honest, reliable and supportive service.

For more information on Cynergy Data contact Nancy Drexler, Marketing Director at nancyd@cynergydata.com.

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BOOK REVIEW

Old Habits Die Hard? Not When You Have Power to Change Them

What are your habits? Many of us have a few good habits, and most of us have many bad ones. We're only human after all: procrastination, impatience, criticalness—sound familiar? How much do these affect your business? We do try to change bad habits, but unfortunately, our efforts are often in vain. We're irrevocably set in our ways. As English poet John Dryden once said, "We first make our habits and then our habits make us," right?

Stephen R. Covey's best-selling book, "The 7 Habits of Highly Effective People: Powerful Lessons in Personal Change" has sold more than 10 million copies and has been translated in 32 other languages. He must be on to something when he reminds us "our character, basically, is a composite of our habits."

And unfortunately, our habits—most of them deeply imbedded in our person by the time we're in our thirties—have what Covey calls "a tremendous gravity pull." It's going to take more to alter them than just a little will power and a few minor changes in our lives.

In fact, it's going to take rocket boosters of effort. But once we achieve "lift off" and break out of gravity's wrench, our freedom and our character take on a whole new facet.

"The 7 Habits of Highly Effective People: Powerful Lessons in Personal Change"

By Stephen R. Covey

Free Press, New York, New York, 1989

ISBN: 0-671-66398-4; 0-671-70863-5 (Pbk) 360 pages

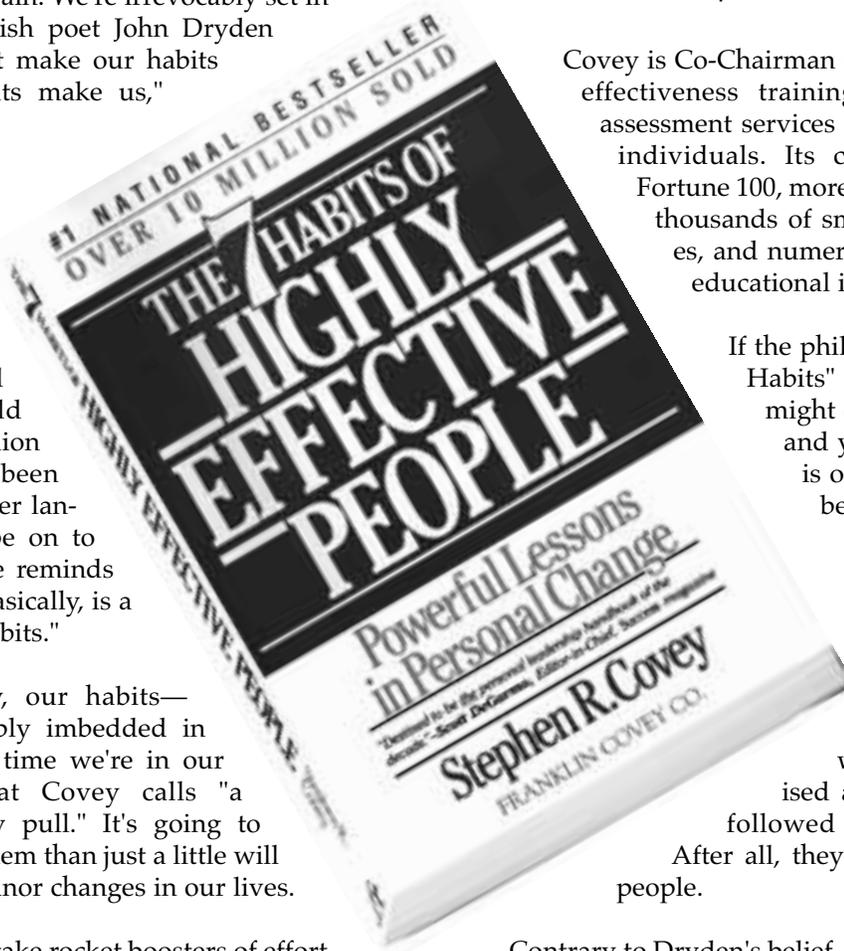
Available at most major bookstores and online at www.amazon.com

Covey is Co-Chairman of FranklinCovey, a leader in effectiveness training, productivity tools, and assessment services for organizations, teams and individuals. Its clients include 90% of the Fortune 100, more than 75% of the Fortune 500, thousands of small and mid-sized businesses, and numerous government entities and educational institutions.

If the philosophies described in "The 7 Habits" can help these guys, they might certainly be able to help you and your business. But one factor is of utmost necessity: You must be willing to change.

The book's title is self-prophesizing: Covey outlines a different "habit" in each chapter. These aren't bad habits, but positive ones, and those who embrace them are promised at first evolutionary growth, followed by revolutionary growth. After all, they are the habits of successful people.

Contrary to Dryden's belief, Covey says whatever our situation we are not our habits. That instead we truly can replace old patterns of "self-defeating behavior" with new ones—those of "effectiveness, happiness and truth-based relationships."



"The Seven Habits are habits of effectiveness. Because they are based on principles, they bring the maximum long-term beneficial results possible. They become the basis of a person's character, creating an empowering center of correct maps from which an individual can effectively solve problems, maximize opportunities, and continually learn and integrate other principles in an upward spiral of growth."

— from "The 7 Habits of Highly Effective People"

The first step in this change is a shift in our perceptions in the way the world works and especially of other people. Covey calls this a paradigm shift. He illustrates this idea—how easily we can be fooled by our perceptions—in a picture of a young woman.

She is strikingly beautiful, her head is turned to the left; she's wearing an elaborate hat and a thick fur around her neck. However, when someone else looks at the picture, they see something different. They see an older woman, much older, with a very large nose and thick bangs; she is wearing a scarf and her face is turned downward, as if she is very sad.

Which one is correct?

Surprise! Both are correct. The idea, Covey says, is that two people can see the same thing, disagree, and both be right. Different influences in our lives—our families, friends, work and our belief systems have conditioned us and helped frame our references, our maps and our paradigms.

When we recognize this, it serves as the "A-ha!" that helps us change the way we look into the lens through which we view the world. And often this process is not immediate, but rather it takes some time.

Covey's seven habits (and seven of the 11 chapters) are as follows:

- Be Proactive
- Begin with the End in Mind
- Put First Things First
- Think Win/Win
- Seek First to Understand, Then to Be Understood
- Synergize
- Sharpen the Saw

Each chapter offers an in-depth explanation of the "habit" and includes diagrams, exercises and many examples from Covey's personal and professional life to illustrate his points. Each chapter ends with a homework assignment, called "Application Suggestions," which allow you to begin applying what you have learned.

Covey also includes two appendixes—both very detailed. Appendix B presents a business setting scenario in which you can test your new knowledge of the "7 Habits" to effectively schedule and prioritize your day.

If your "habit" is to skim business or self-help books, here is one place you can already make a change. "7 Habits" is not a book you should skim through over your lunch break. Take the time to carefully read each chapter, study it, take notes, do the exercises and process and digest what you have learned. There is a lot of great stuff here, and if you are truly committed to making a change, this is one good place to start. 📖

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Metavante to Acquire NYCE

First Data Corp. has found a buyer for NYCE, the second largest ATM and PIN debit network in the United States. Metavante Corp., subsidiary of Marshall & Ilsley Corp., plans to acquire NYCE for approximately \$610 million in cash. When Metavante owns NYCE, it will directly compete with First Data's STAR network, the largest in the country.

As a majority shareholder in NYCE, First Data will receive approximately \$389 million in cash in the transaction. Minority shareholders of the network have the right, within 30 days, to match the terms of the acquisition agreement and acquire First Data's NYCE shares.

First Data owned a 64% stake in NYCE. In April 2003, when First

Data proposed a \$6.9 billion merger with Concord EFS, Inc., former parent company of the STAR debit network, the U.S. Department of Justice (DOJ), eight states and the District of Columbia raised antitrust concerns and filed a lawsuit seeking to block the deal.

First Data had initially planned to combine STAR with NYCE; however, the DOJ speculated the combined companies would then control nearly 50% of the PIN debit market, potentially reducing competition and increasing prices for debit card holders. In December 2003, First Data settled with the DOJ—obtaining approval to acquire Concord by divesting its share of NYCE.

Metavante sought to purchase NYCE to expand its EFT business and presence in the payment pro-

cessing business—a PIN debit network is a capability the company currently does not have. The company said NYCE will become a Metavante subsidiary, and will operate as an independent business line, using NYCE's brand name and under NYCE's current senior management team.

Metavante also recently announced plans to acquire two other companies. In preparation for Check 21, Metavante will acquire Advanced Financial Solutions Inc. (AFS), a check-imaging technology provider, and its affiliate, CheckClear LLC, which owns and operates Endpoint Exchange, currently the only operational electronic check image clearinghouse in the United States, and The Medical Banking Exchange, a healthcare payment-processing platform; and it will also acquire The Kirchman Corp., a 36-year old financial services software company. ■



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Company: Fake-Finder Products

Considering the fierce competition these days between MLSs trying to get their feet off the street and in the door, having an unusual "door opener" to show merchants might lead to increased success.

And considering the uphill battle against fraud merchants face everyday, if that door opener could help them identify counterfeited cash, checks or payment cards and prevent them from losing money, surely that would help seal a few deals.

Fake-Finder Products is a company that offers just such a solution. Its line of counterfeit detection and loss prevention devices are used by chain and independent retailers, banks, fast food restaurants and law enforcement agencies across the country.

Bob Myatt, Fake-Finder Products' Master Distributor, said the readers scan money, including cash, checks, cashiers checks and money orders, credit and debit cards—and many forms of identification such as drivers' licenses, Social Security cards and Alien Registration Receipt Cards (Green Cards).

All money, whether cash or money orders, contains spe-

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cial features to help foil counterfeiting. Myatt said these features go beyond the kind of paper used, watermarks in the paper or special inks. These factors can be copied somewhat easily, as crooks become skilled at using computers and printers.

Chemicals that turn color when exposed to high-powered UV light and specially placed nylon threads in paper currency cannot be replicated. Under these types of lights, any money that has been reproduced on a copy machine will turn blue, reflecting that spectrum.

Fake-Finder Products has two patents pending and its products are designed for use in brightly lit retail environments. The devices use one or two eight-watt commercial grade fluorescent bulbs, depending on the model, to generate the required UV light. They also include color-coded lines that coincide with the placement of nylon threads in cash.

It seems that everyone is catching on to UV security. Myatt said that all credit cards—Visa, MasterCard, American Express, Discover—have UV features in them that cannot be added to a counterfeit card produced from a stolen account number.

All new government documentation and even Kinko's cash cards now include UV security features. Twenty-seven states are putting them in their drivers' licenses; 60% of currently issued California licenses have them, he said.

Banks, including 23,000 Bank of America branches and 9,000 Wells Fargo locations use the products. Sears Roebuck & Co. uses them; so do many Burger King, Carl's Jr. and KFC outlets.

Law enforcement agencies, including the Los Angeles County Sheriff's Department and both the Sacramento sheriff and police departments use one of the smaller models to locate fake IDs because it fits in their pockets, Myatt said.

The devices come with lifetime warranties, are constructed of steel for long wear and are very simple to install and use—just plug in, slide the bill, check or card into the

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reader and look for security features. There is no programming required to read foreign currency.

The Fake-Finder Products' compact size and low costs, which are reduced even further when the units are purchased in volume, make them an essential tool at the point of sale. The bulbs are specified to last 1,000 – 1,500 hours, but Myatt said they last much longer, even when running 16 hours a day, and cost \$8 to replace.

Fake-Finder Products

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Countertop and Handheld High Speed Multi-App Terminal Options

Products: Optimum T4100 and Optimum M2100 Terminals

Company: Hypercom Corp.

Keeping up with all the payment options available on the market today means merchants need the right tool for the job—no easy task, considering all the choices there are in business types and equipment. Hypercom Corp. has introduced two terminals to give both brick and mortar merchants and mobile merchants access to high speed transactions—and help them boost profits.

Each terminal is compact and powerful enough to deliver integrated multi-application performances. The high-speed terminals are the latest releases in Hypercom's line of 32-bit POS card payment terminals introduced in the last five months.

They offer ISOs/MLSs and their customers plug and play set-up, intuitive operations, and multiple profit-building applications for revenue generating opportunities.

The Optimum T4100 is a countertop terminal that lets merchants offer their customers a range of payment options and services. These include credit/debit processing; value-added, revenue-generating services such as gift cards, cash and promotion/loyalty programs; pre-paid services; age and ID verification; and payroll or government check cashing.

The T4100 features in-mold decorating technology, allowing retailers to customize the terminals with their own



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distinctive branding and colors, which reinforces customer recognition and impressions at the point of transaction. The T4100 builds on the key features found in Hypercom's T7Plus terminal, with the addition of Intel Xscale technology to enhance the terminal's functionality. An Intel PXA255 processor lets the device run fast, but consumes little power.

On the compliance front, it supports the entire set of DES requirements, including 3DES Master Session and 3DES DUKPT.

A few of the terminal's other features include magnetic stripe and smart card readers; a high contrast LED backlit display; One-Touch short-cut keys; a 35-key full keyboard or optional 19-key keyboard; Ethernet connectivity and built-in modem for back-up, standard 200 MHz processing speed and multiple high-speed communications options.

For printing receipts, the T4100 has the first drop-in paper loading capability in the card payment industry; it prints a fast 18 lines-per-second and is virtually jam-free.

For mobile merchants who need the same speed, low processing fees and security offered by countertop terminals, the wireless handheld Optimum M2100 features the same design as the T4100. Merchants whose businesses are not in fixed locations will appreciate the speed and simplicity of electronic payments this terminal provides.



M2100 Terminal

The M2100 supports Bluetooth, GPRS and GSM wireless technologies; the GSM version is designed to offer an "always online" communication link to shorten transaction processing times.

The wireless handheld terminal has a long-life battery that processes up to 100 transactions and an "always-on" GPRS wireless modem to ensure fast transaction turn-arounds.

It features 32 bit architecture, a vertical magnetic stripe reader, smart card reader and high contrast LED backlit display and keyboard keys.

The M2100 is now in certification with all major gateways.

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Give Me an "M"!

Motivation. It's an intangible thing, but you know when you have it—and certainly you know when you don't. When you're motivated, nothing can stop you. Impediments are just trivial setbacks and large projects are simply new challenges.

When your motivation is waning, a setback can stall a project, possibly forever, and tasks can seem overwhelming. There is good news, however. Motivation can be, and should be, nurtured, cultivated and restored. Here are a few tips for getting and staying motivated:

Take care of yourself.

Think about it: Before you go on a long trip you take your vehicle in to the mechanic to be serviced. You make sure he inflates the tires properly, tops off the fluids, and makes any necessary repairs. You know that getting on the road in a car that isn't road-ready is a risk. The same is true for your body. Take care of yourself so that you can take care of your business.

- Make time to exercise. Even a 20-minute walk after lunch will do wonders.
- Get enough sleep. If you're staying up late, ask yourself why. Are you working instead of going to bed? How productive are you? If you're tired and groggy, it probably takes you longer to accomplish tasks than it would if you were refreshed. Going to bed a little earlier will save you time in the long run.
- Eat healthfully. You don't have to live on spinach and carrot juice to be healthy. Just make some smart choices. For instance, forgo the heavy sandwich that will make you sleepy after lunch in favor of a lighter option. Pass on the too-sweet caffeine-laden soda once in a while and you might avoid the 4:00 p.m. sugar and caffeine crash.



Find a cheerleader.

There is nothing wrong with asking others for help and support. We are truly our own worst critics and many times it takes someone else to point out our good features. Find a mentor, colleague, co-worker or friend who appreciates your accomplishments and encourages you.

Ask this person to help you recognize all the good things about yourself. And then return the favor and cheer her on. You'll be surprised by how good it makes you feel to focus on someone else and share in their successes.

You may feel awkward at first, but try this exercise: Ask yourself specific questions about your traits and abilities making sure to keep it positive.

Write down your answers and then ask your partner the same questions. For example:

- What do you think I do well?
- What do you think is my best asset?
- What do you think is my biggest success to date?



ETA's Expo Network

Highlights: ETA's Expo Network is a series of low cost, easily accessible tradeshows and educational programs targeted specifically to ISO and merchant level salespeople (MLSs) and held in various geographic areas of the country. As a standalone venture, the ETA Expo Network provides ISOs/MLSs affordable local access to a tradeshow and quality education. For companies that employ independent sales agents—and in particular those that hold ETA membership—this becomes an additional benefit through the provision of business and educational opportunities to their workforce. ETA University courses and a full agenda of sessions, expo and networking at meals and receptions are all planned. ETA members and Affiliate Service Provider (ASP) members receive discounted registration; all attendees receive discounted hotel room rates.

When: June 24 – 25, 2004

Where: Hyatt Regency La Jolla/San Diego, Calif.

Registration: Visit www.electran.org or call 800-695-5509

Midwest Acquirers' Association MWAA

Second Annual Conference

Highlights: This regional association's inaugural conference last year brought 400 payments industry professionals together; they're expecting an even better turnout this year and the venue was selected to accommodate the increased attendance. The focus will be on discussions of relevant issues and plenty of meeting time with vendors. Presentations will cover value-adds, interchange compliance, fraud, POS innovations, Check 21 and the changing role of the MLS. Receptions, meals, a luncheon cruise and golf tournament are also part of the fun. MWAA will also present its second "Lifetime Achievement Award" at the conference and is currently accepting nominations. An opportunity to participate in a related seminar on Wednesday, July 28, "Field Guide for the Developing ISO," is available either as part of the conference or separately. Attendees can take advantage of the discounted hotel room rate.

When: July 28 – 30, 2004

Where: The Drake Hotel, Chicago

Registration: Visit www.midwestacquirers.com

You might be amazed at how self-critical and hard on yourself you've been and how blind we can be to our own best qualities.

Associate with winners.

Enthusiasm is contagious, so surround yourself with people who have qualities you admire, both professionally and personally. If you have a colleague who has been leading in sales quarter after quarter, take the time to get to know him or her. Just being around success will help you think like a winner.

If there are people in your neighborhood who volunteer their time to help an agency or other non-profit group, and you admire this quality, get to know them and maybe spend a day with them at the organization they help. There's no money in volunteering, but the many other rewards it offers more than compensates for that.

If there is a parent at your child's school who never seems rundown or overcome by the rigors of daily life, get to know him and see if you can learn from his life skills and strategies.

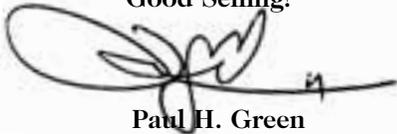
Focus on the positive.

What successes have you had recently? If you've been down due to a drop in sales, focus instead on what you've achieved or on something you did that turned out well. Maybe you didn't close the sale but the presentation went well and the prospect complimented you on it. Or maybe you set a goal to complete six presentations this month and you did.

And don't forget your contribution to a successful team effort. Too many of us have the tendency to trivialize our successes when we are part of a team. If your team was triumphant, you were triumphant, too. Celebrate all your achievements. Even if you haven't succeeded on a grand scale, each milestone gets you closer to your goals, and you are entitled to be proud of all your successes, big and small.

Motivation can be tricky—you can't just conjure it up. But you can help keep it from going dormant. Take care of yourself. Seek encouraging influences. Support others. Acknowledge your successes. Once you're focused, continue those healthy habits to maintain your motivation and nothing will stop you!

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