



The Green Sheet

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

December 13, 2004
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Opportunities in Prepaid Cards

As we migrate from using more traditional payments such as checks and cash to electronic payments, adoption of newer payment methods continues. One of these is the prepaid/stored value card, which has proven to be quite popular with consumers.

Prepaid cards make up a rapidly growing segment of payment options. So what is it about them that is so appealing?

Many of the reasons are psychological. For one, it's free money! What's on the card has already been paid for. Funds on a prepaid card are "pre-loaded" by a friend or family member for a gift card; by an employer for a payroll card; or even by oneself (for oneself) for a convenience card, and can then be used for making purchases and other types of payment transactions.

Who can argue with the wonder of paying for something using plastic with no strings attached and no payments to make later?

But merchants and other entities and ISOs and merchant level salespeople (MLSs) who sell to them are finding benefits in this relatively new payment product as well.

If you're an MLS, this is an opportunity you don't want to miss.

Many types of products fall under the umbrella of prepaid cards, including gift, payroll/benefit, phone or wireless, "teen" and travel cards. It's a broad and burgeoning market, and it's not only attracting consumers and merchants but also the attention of regulators, analysts and the government.

Aaron McPherson, an analyst for research firm Financial Insights, predicted that the prepaid/stored value card market overall will grow to \$298.8 billion by 2008, up from \$93.9 billion in 2003.

Gift Cards

One of the most popular prepaid cards is the merchant-issued or "private" gift card. These are also called "closed-loop" cards because merchants sell them directly to their customers, who usually can only redeem them through that merchant.

This type of prepaid card transaction tends to be made in high volumes, but with low dollar value.

Last year, almost half of all U.S. adults purchased a gift card (\$45 billion

See Prepaid on page 63

NotableQuote

"'Twas the night before New Year's and all through the house ISOs tallied profits with the click of a mouse. Using technology and much concentration They calculated residuals with great trepidation."

- See poem on page 59



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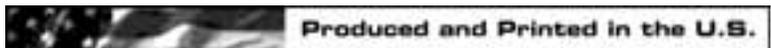
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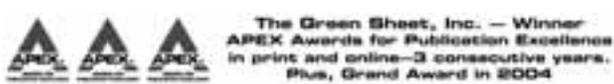
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SEASON'S



AND BEST
WISHES FOR
THE YEAR
TO COME

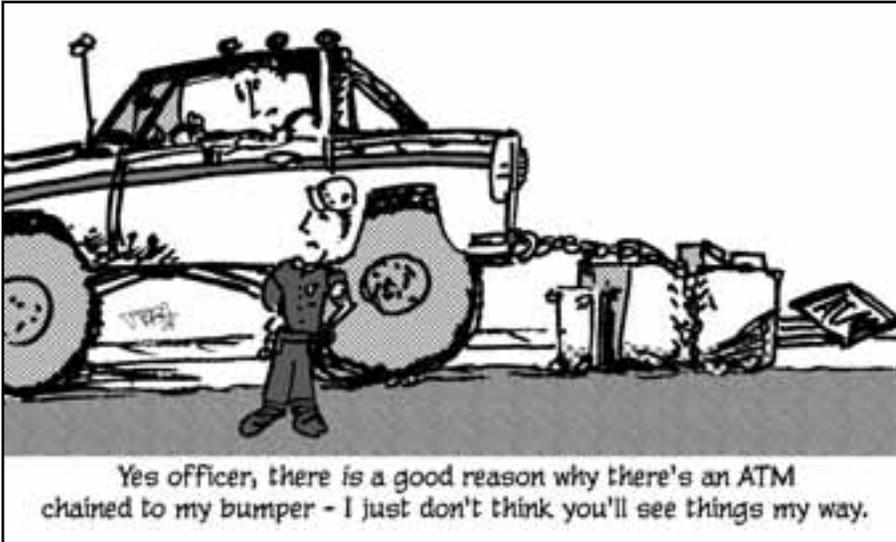
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GREETINGS



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tioned to register directly with the card Associations as an ISO. I recognize you're not a lawyer and aren't in a position to offer me legal advice. However, you're very much an expert in this field. In your view, am I at legal risk?

Lynwood Johnson
Better BankCard Services LLC

Thanks, Green Sheet!

A great big "thank you" to The Green Sheet for your Nov. 8, 2004 article of my company, TechTrex, and our products ("TechTrex Low Cost POS Terminal Class-B Certified," issue 04:11:01). As a newer company in a very mature market, we are very excited and thankful for your article. Keep up the great work! Is it possible to get an electronic copy or a "clean" copy for our records?

Dave
TechTrex

Dave:

We will contact you shortly to discuss reprints. In the meantime, you can access this article online at www.greensheet.com.

Editor

Using Card Association Logos

I'm probably best described as an independent contractor (IC). I'm my own LLC, currently working with two MSPs (Redwood Merchant Services and Merchant Service Center). I'm aware that in making an exhibit display that promotes my own LLC as opposed to my MSPs, that I cannot use Visa, MasterCard, American Express or Discover logos without at least being registered (I guess as an ISO) with Visa and MasterCard.

I don't have \$1,000 – \$5,000 to register with these Associations. I just want to do a good job as an IC/MLS serving my merchants well and building a large book of business. Once the cash is flowing much better and I add service and salespeople, I'll be better posi-

Lynwood:

The card Associations have specific rules regarding the use of their logos. The Industry FAQs in the MLS Portal section of GS Online have some information regarding the Visa and MasterCard regulations: www.greensheet.com/onlinemlsportal.html.

We also suggest that you contact your MSPs' ISO representatives for more information.

Editor

Know of Any Good Books ... ?

Aside from the book I received titled, "Good Selling! 2," by Paul H. Green, are there any other sales books that are specific to this industry that you know of? I've searched and can't seem to find any. I'm more geared toward telephone sales. Please advise.

Thanks,
Nadine House

Nadine:

This topic has been discussed on The Green Sheet's MLS Forum on GS Online. One thread in particular comes to mind: "Any Good Books to Read ... ?" There are a number of books suggested on this thread. If you are a member of the Forum, you can access the thread on www.greensheet.com/forum. After signing in, click on "Search" and type in the words "Sales Books" (include the quotation marks). If you are not yet a member of the Forum, I highly recommend registering. Hope this helps!

Editor

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NEWS

Attempted Check Fraud Increases to \$5.5 Billion

Attempted check fraud at U.S. banks rose to \$5.5 billion in 2003, according to the latest **American Bankers Association** (ABA) "Deposit Account Fraud Survey Report." While attempted check fraud continued to increase, actual dollar losses remained stable at \$677 million, down from the \$698 million that banks lost in 2001, the last year of ABA's biennial survey.

Regardless of bank size, the most common type of check fraud was forgery, with about one third of fraud losses attributed to forged signatures and endorsements. Non-sufficient funds (NSFs) ranked second (17%), and counterfeit checks ranked third (15%). To purchase the report call 1-800-BANKERS or visit: www.aba.com/Surveys+and+Statistics/default.htm.

Security Concerns to Affect Online Holiday Shopping

According to a new survey, 58% of consumers might reduce their online shopping during the holiday season, due to identity theft and privacy concerns. This is an increase from 49% last year. Half of the 1,071 people surveyed for the 2004 Holiday Shopping/Online Privacy Study conducted by TNS and TRUSTe plan to limit their holiday online shopping to some extent. Eight percent are so concerned that they do not plan to shop online at all, up 2% from last year.

According to a recent survey on identity theft released by **American Express Co.**, this holiday season, 28% of

those shopping online will head for retailer sites they know, 14% will go to manufacturer's sites and 11% will go to sites where they can sell, buy and barter directly with other consumers.

Capital One to Outsource Production Services, Cut 750 Jobs

Capital One Financial Corp. plans to transition the majority of its production operations to **First Data Corp.** As a result, approximately 750 positions will be eliminated. Capital One will maintain a production services department of approximately 230 associates. As part of the company's agreement, First Data will provide job opportunities and transition assistance to qualified Capital One associates at one of several First Data locations across the country. First Data also signed an agreement to provide production services functions to Capital One. The services include statement services, plastics personalization and remittance processing and will be supported by First Data's Card Issuing Services and REMITCO business units.

MasterCard Predicts Busiest Shopping Times

The busiest shopping day of the year most likely will occur on Dec. 23, 2004, and the busiest hour most likely will be from 2 p.m. to 3 p.m. CDT on Christmas Eve, according to **MasterCard International**. These patterns are based on analysis of MasterCard's transaction data from the past several holiday seasons.

Shoppers Cite Value, Customer Service as Key Drivers

A survey of shopping preferences conducted for **Sears, Roebuck and Co.** found that more than three quarters of consumers surveyed cite good value and friendly,



- **Kmart** announced on Nov. 17, 2004 that it will buy **Sears, Roebuck & Co.** for \$11 billion. The merger will create the third largest retailer in the country. The new company will be known as Sears Holdings.
- **The Conference Board's Consumer Confidence Index** declined in November 2004 for the fourth straight month. The Index fell to 90.5 from a revised 92.9 in October.
- More than 133 million people shopped over the Thanksgiving holiday, according to the **National Retail Federation**. The average shopper spent \$265.15 and total spending over the weekend reached \$22.8 billion.

"Simply The Best!"



"I had nine merchant accounts approved in one month and was paid \$46,468.55 by AmericaOne. During my eight years of merchant services experience, I have worked with several other service providers and built many merchant portfolios, only to see them disappear without any personal benefits from their sale. I will never know that feeling again! Thank you AmericaOne!"

Michael K. Severna Park, MD

"I had six very satisfied customers approved and received \$6,827.30 from AmericaOne. After my 14 years of experience in the industry, I found someone who has finally come up with a program that eliminates waiting years to get paid. AmericaOne's Upfront Cash Program is definitely one of a kind. AmericaOne is a true partner and is always there to help make every sale."

Lewis C. Worcester, MA

"I had twelve merchant accounts approved in a one month period and I earned \$5,959.21. The AmericaOne Merchant Acquisition Program is the most rep-friendly program I have ever experienced. It is the best planned program, from the application, to the cash in my hand."

Ray E. Redding, CA

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helpful staffs as the two most important factors in determining where they will shop this holiday season. The survey also found that two-thirds of moms are most likely to be the main gift buyer in their families.

U.S. Businesses Plan to Reduce Check Use

Findings from Visa U.S.A.'s second annual cash management survey indicate that 51% of financial executives plan to reduce their organization's reliance on checks as a form of commercial payment and 40% plan to increase their use of commercial payment cards.

ANNOUNCEMENTS

Atlantic Synergy Completes Name Change

Atlantic Synergy Inc. changed its name to **Acies Corp.**; its new ticker symbol is ACIE, which became effective Nov. 18, 2004. Acies' name reflects a shift in business focus, which the company announced in July 2004. Acies provides payment processing and online banking services to small, medium and large merchants across the United States. Acies also offers POS terminals. Its banking services offer customers traditional banking services, the ability to apply for an online bank account and to pay bills electronically.

MBNA Issues American Express-branded Cards

MBNA and **American Express Co. (AmEx)** launched the first MBNA Affinity Rewards AmEx-branded credit cards to members of more than 1,000 affinity groups. MBNA has issued more than 300,000 AmEx-branded cards. MBNA is offering the new cards to members of a broad range of organizations, including alumni associations, professional groups, and recreational and philanthropic organizations.

Lightbridge's Payment Gateway Certified on Lynk's Processing Platform

Authorize.Net certified **Lightbridge Inc.**'s Internet protocol payment gateway on **Lynk Systems'** processing platform. As a result of the certification and integration, Authorize.Net is now available to Lynk's merchant customers, financial institutions and ISOs.

Payment Data Systems Fulfills Order for 50,000 Debit Cards

Credit Payment Services Inc., a provider of consumer-oriented loans, selected **Payment Data Systems Inc. (PDS)** to provide and support stored value cards as a supplement to traditional automated clearing house (ACH) credits. The agreement is expected to create approximately \$1 million in gross revenue for PDS. The functionality of the offering will provide an immediate funding of the loan rather than the customary delays associated with the ACH credit process.

EMG, Q Comm Honored as Fast Growing Companies in Utah

Q Comm International Inc. was recently named the 12th fastest growing company in Utah at the annual MountainWest Venture Group's Utah 100 awards. **Eliot Management Group (EMG)** was named the 15th fastest growing company in the state. Rankings are based on sales growth demonstrated over the last five years. EMG won in the "Emerging Elite" category in 2002.

Ingenico's IngeCab Solution Honored

Ingenico's IngeCab solution won the Sesames Award for the most innovative transport application at the Cartes 2004 trade show held in Paris in November. IngeCab, Ingenico's solution for the taxi industry, is a first for that industry in that it combines all "in-car" functions, payment, metering, dispatch and communications into a single system.

MasterCard OneSMART Debuts in Iceland

MasterCard International released its new OneSMART MasterCard retail package to cardholders in Iceland. The solution is a chip package that combines payment,

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WARM WISHES FROM GLOBAL ELECTRONIC TECHNOLOGY

THIS IS SUCH A WONDERFUL AND SPECIAL TIME OF YEAR. THE HOLIDAY SEASON REPRESENTS A TIME FOR FAMILY, A TIME FOR CARING, A TIME FOR PEACE, A TIME FOR JOY, AND YES, A TIME FOR SHARING. THIS IS TRULY A TIME FOR HARMONY. LIKE MANY OF YOU, OUR WISH IS TO MAKE THINGS RIGHT IN THE WORLD, FOR ALL PEOPLE, IN WHATEVER SMALL WAYS WE CAN.

IF YOU ARE READING THIS LETTER, IT IS A SAFE BET THAT YOU HAVE ACHIEVED SOME LEVEL OF BUSINESS SUCCESS. AS A RESULT YOU ARE MOST LIKELY NOT HUNGRY, HAVE A PLACE TO LIVE, AND HAVE TRANSPORTATION TO GO ABOUT DAILY LIFE.

I WOULD LIKE TO ASK EACH OF YOU, AS WE HAVE DONE, TO LOOK INTO YOUR HEART AND TO FIND A WAY TO HELP SOMEONE IN NEED THIS HOLIDAY SEASON. I BELIEVE THAT WE HAVE A RESPONSIBILITY TO SHARE OUR BLESSINGS WITH THOSE LESS FORTUNATE THAN US. I KNOW WITH YOUR HELP, TOGETHER WE CAN MAKE A DIFFERENCE IN OUR LOCAL COMMUNITIES.



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loyalty and cardholder preferences management in a single POS transaction using MODS (MasterCard Open Data Storage) features.

This single system application allows cardholders to receive on-the-spot loyalty bonuses and customized offers from participating retailers. The package will be rolled out by SPRON, the largest savings bank in Iceland, and will be based on its multi co-brand program "Ekort."

NACHA Requests Nominations for Awards

NACHA – The Electronic Payments Association is accepting nominations for the 2005 George Mitchell Payments System Excellence Award and the 2005 Kevin O'Brien ACH Quality Award until Jan. 21, 2005. NACHA presents the George Mitchell Award to an individual, company or other organization that has demonstrated superior leadership in the development, implementation or advancement of electronic payments. The Kevin O'Brien Award recognizes best practices in ACH. NACHA will recognize winners at its Payments 2005 conference to be held in San Antonio, April 10 – 13. For more information visit NACHA's Web site at www.nacha.org/ACHNetworkACH_Quality/ach_quality.htm.

POS World Ranks #169 on Inc. 500

POS and bar coding reseller **POS World** was ranked #169 on "Inc." magazine's annual Inc. 500 ranking of the fastest-growing private companies in the country. The company had a five-year average annual sales growth of 201.6%. The Inc. 500 ranks privately held companies according to averaged year-over-year sales growth over the past four years.

TransFirst Adds Employees, Moves Headquarters; Announces New Partner

TransFirst, the nation's largest privately held credit and debit card transaction processor, moved into a new 73,000-square-foot facility in Louisville, Colo. As a result of the move, TransFirst has hired 100 people to work in the new facility. In other news, **FundsXpress**, a provider of Internet-based financial products, partnered with TransFirst. The partnership will provide financial institutions access to a single-source suite of merchant processing and personal banking products to offer commercial customers. This partnership allows FundsXpress to integrate its online financial offerings including cash management, online checking management and online bill payment with TransFirst's transaction processing services, merchant acquiring and proprietary reporting product, TransLink.

Visa U.S.A. Works to Expand Card Acceptance at Utilities

Visa U.S.A. will launch a campaign to expand card acceptance at residential utilities companies. A key component of the effort is the creation of a new fee structure that provides incentives for utilities to accept payment cards. Effective April 2, 2005, a lower interchange reimbursement fee program for consumer card transactions will be adopted for the acquirers of utility merchants that do not charge convenience fees to consumers paying with Visa cards.

Wincor Nixdorf Announces New Partners

Wincor Nixdorf selected **A2iA CheckReader** software for use in its check/cash deposit module (CCDM). The Wincor Nixdorf CCDM allows up to 50 checks or bank notes to be scanned and deposited through a single opening. A2iA CheckReader automatically locates and reads all of the information on a check and performs validity and usability tests on the check image.

AmeriChoice Federal Credit Union installed the Wincor Nixdorf ProCash 2250xe ATM for its main office in Mechanicsburg, Pa. AmeriChoice plans to install additional ProCash 2250xe ATMs by the beginning of 2005. Designed for drive-up ATM banking, the ProCash 2250xe is an ATM that fits any standard drive-up installation in the United States.

Setting the Standard for Quality and Integrity

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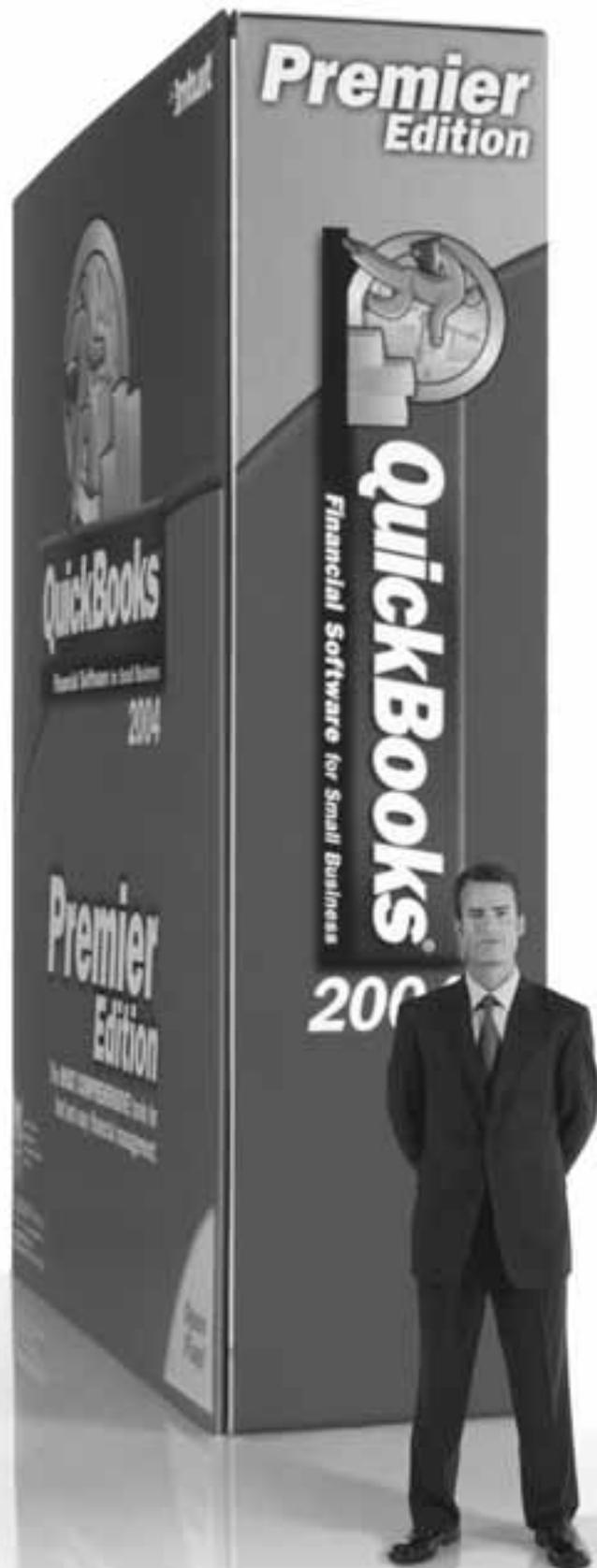
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| Omni 3200 | \$225 | |
| Nurit 2085 | \$225 | |
| Talento T-1 | \$209 | |
| T7P Thermal | \$185 | |
| Tranz 460 | \$159 | |
| Tranz 380 | \$139 | |
| <u>T 330/250 COMBO</u> | <u>\$139</u> | |

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PARTNERSHIPS

Alliance Data Systems Signs Agreement With Trek Bicycle Corp.

Alliance Data Systems Corp. signed a five-year agreement with **Trek Bicycle Corp.** Alliance Data will provide a turnkey private label credit card solution to Trek's dealer base of 2,300 merchants nationwide. Trek and its dealers will also benefit from a proprietary Alliance product, Universal Web Solution, that facilitates the processing of credit applications within 30 seconds.

Alogent Forms Agreement With Siebel Systems

Alogent Corp. formed a development agreement with **Siebel Systems** to deliver deposit automation capabilities in Siebel Branch Teller, Siebel's solution for banks. Alogent's Sierra Xpedite, extensible deposit automation technology will be used by Siebel Branch Teller to automate the image capture of checks and paper deposit documents at the teller.

BankServ Partners With The Bancorp Bank

The Bancorp Bank partnered with BankServ to provide

a set of banking, ACH processing and originating depository financial institution (ODFI) services. The platform allows the use of various technologies to process transactions, providing improved access to the Federal Reserve and faster movement and clearing of funds. ACH processing enables the electronic transfer of funds through Bancorp's network; as an ODFI, Bancorp is able to originate commercial ACH transactions via the Federal Reserve Banks' Fedline system.

Debit Card Acceptance, ATM Access Expanded for Military

The Armed Forces Financial Network (AFFN) and **MasterCard International** formed an alliance giving AFFN-branded cards access to Maestro merchant and Cirrus ATM terminals worldwide. AFFN is an electronic funds transfer network that supports chartered military banks and defense credit unions providing financial services to U.S. armed forces and civilian personnel. AFFN serves more than 335 financial institutions and 89 million cardholders. The agreement does not require production of new card stock or include new branding or membership standards. Effective Q1 2005, cards carrying the AFFN-brand mark will be accepted for purchases and/or cash withdrawals at Maestro merchant and Maestro/Cirrus ATM locations.

Hypercom's HBNet Signs SiVault Systems

Hypercom Corp.'s HBNet Inc. subsidiary formed an agreement with **SiVault Systems**. The companies will implement Hypercom's advanced HBNet information delivery service to provide transaction processing to the medical, financial and retail communities.

Kurant Announces Partnership With ECX

Kurant Corp. announced a partnership with **E-Commerce Exchange (ECX)** to integrate ECX's virtual merchant application into Kurant's StoreSense solution. Under the agreement, ECX's virtual merchant application is integrated into the store setup wizard and administrative areas of StoreSense, allowing merchants to apply for and obtain a merchant account and payment gateway. ECX will provide all service, support and merchant account and gateway billing directly to the merchant.

DCI Joins Lynk's Alliance of Aloha Resellers

Lynk Systems Inc. formed a strategic alliance with Michigan-based POS dealer **DCI Food Equipment Inc.** (DCI). DCI is a reseller of **Radiant Systems'** Hospitality Division Aloha POS solutions. Combined with Lynk's electronic payment processing, Aloha POS software provides transaction processing and eliminates the expense of separate restaurant management equipment and payment terminals.

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IndustryUpdate

Tobacco Dealers Choose US Merchant Services

US Merchant Services LLC formed a partnership with the Retail Tobacco Dealers of America (RTDA). The RTDA is the leading organization for retail tobacco shops across the United States. The RTDA will market US Merchant Services suite of products to their membership base consisting of credit card processing, check conversion, gift cards and payroll management.

VeriFone and McAfee Join to Battle Viruses

VeriFone Inc. and McAfee Inc. are jointly developing the POS payment terminal industry's first virus protection solution. The companies will develop software for real-time monitoring and attack pattern update services using McAfee VirusScan for VeriFone IP-enabled payment devices, including those already installed. VeriFone will work with credit card processors and ISOs to activate and support the anti-virus protection solution at the merchant level. The companies expect to make the solution available in North America early in 2005.

ACQUISITIONS

Harland Acquires Fair Isaac's Software Business

Harland Financial Solutions Inc. acquired Fair Isaac Corp.'s core processing business based in Heathrow, Fla. The acquisition includes the Phoenix System, an integrated core banking solution. Also included in the transaction are the Phoenix Internet Banking System, also known as IBANK, and the TradeWind international trade finance management system.

Merrick Acquires Credit Card Portfolio From Provident

Merrick Bank, a subsidiary of CardWorks and an issuer of MasterCard and Visa credit cards, acquired a portion of Provident Bank's Visa and MasterCard ISO sponsorship merchant business. Through this acquisition, 22 of Provident Bank's ISOs, merchants, and their associated transaction volume will now be administered by Merrick Bank. CardSystems Inc. acted as the data processor for the Visa and MasterCard merchants in this portfolio and will continue to process for them in the Merrick relationship.

APPOINTMENTS

Paradata Appoints New Board Members

Paradata Systems Inc. appointed Steve Elefant as Executive Chairman of the Board and Jeff Marcous as

Director. Elefant is the former Chairman, President, Chief Executive Officer and co-founder of ICVerify Inc. Throughout his career, he has raised more than \$45 million in venture capital equity financing and completed a \$75 million merger with CyberCash Inc. where he then became Vice-Chairman. Elefant served as Executive Vice President and Co-founder of PriceRadar Inc., and was the former President and Chief Operating Officer of Yaga Inc., an application service provider (ASP) for Internet publishers and merchants.

Marcous, a 13-year veteran of the merchant bankcard industry, is President of Dynamic Payment Solutions and Senior Vice President of its sister company, Mtrex Inc. Marcous was the driving force behind the payment gateway, Authorize.Net. He served as the Northwest Regional Manager of Cardservice International and held sales and management positions at First Data Merchant Services, Card Establishment Services and Harbridge Merchant Services.

ATM Alliance Corp. Hires National Sales Director

Ty Hoffer joined ATM Alliance Corp. as the company's first National Sales Director. Hoffer brings 10 years' experience in sales and marketing with him. Prior to joining ATM Alliance he launched an Internet marketing company specializing in financial newsletters. His experience also includes working as a National Sales Trainer for a direct sales company for six years.

Pflaumer Joins the New Wholesale Payment Solutions

Wholesale Processing Consultants, an ISO based in Riverside Calif., has changed its name to Wholesale Payment Solutions. Chief Executive Officer Jody Wallace appointed Adam Pflaumer to serve as President. Pflaumer joins Wholesale Payment Solutions with 10 years' experience in the payments industry.

ECHO Hires Chief Information Officer

Steven Smith joined Electronic Clearing House Inc. (ECHO), as CIO. Smith brings more than 22 years of IT and business transformation experience to ECHO. Previously he was Vice President of Engineering for Digital Insight. Smith was also a partner with Ernst & Young/CAP Gemini.

Teer Joins Cynergy Data

Wendy Teer joined Cynergy Data as Director of Client Services. Teer has an extensive background in the credit card processing, electronic payment and POS industries. Most recently she was Vice President of Product Management at U.S. Wireless Data. Teer's previous experience includes nine years with MasterCard International and Global Payment Systems.

Is The Payment Gateway You Resell All It Can Be?

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| Robustness | <ul style="list-style-type: none"> • Automated Recurring Billing • eCheck.Net* • Fraud Detection Suite • Card Present Capabilities | ✓ | ? |
| Security | <ul style="list-style-type: none"> • CISP Certified • Stable and Solid • Industry leading anti-DDoS solutions | ✓ | ? |
| Reliability | <ul style="list-style-type: none"> • Competitive Buy Rates • Reliable Residual Payments | ✓ | ? |
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IndustryUpdate

Equifax Names Chief Technology Officer

Robert J. Webb will join **Equifax Inc.** as CTO. Webb will be responsible for managing Equifax's global information technology infrastructure, including software development, research, technology relationships and intellectual property.

Most recently, Webb served as Managing Director of Canadian Vendor Financing for General Electric (GE). During his career with GE, he held the position of CIO for several GE divisions including GE Capital's Mid-Market Finance, Global Consumer Finance group in Japan and GE Power Systems. Before joining GE, Webb was a consultant in Asia with Electronic Data Systems and Andersen Consulting.

Payment Data Systems Expands Sales Force

Integrated electronic payments solutions provider **Payment Data Systems Inc.** (PDS) added two people to its sales team.

John M. Welsh joins PDS as the Vice President of Sales. Most recently Welsh served as VP of Sales for NetNearU Corp. And prior, Welsh served as VP of Sales for Qwest. Welsh will be located in the company's corporate offices in San Antonio.

Connie Allen joined PDS as a Sales Manager. Allen has more than 16 years in direct retail and merchant sales. She most recently served as a Regional Territory Manager for Global Payments Inc. Allen will work out of the company's new sales office in Ooltewah, Tenn.

Visa U.S.A. Names Chief Financial Officer

Visa U.S.A. appointed **R. Neil Williams** to Executive Vice President and CFO. Williams succeeds **Vic Dahir** who becomes EVP of Finance and Operations for Visa.

Williams will be accountable to Visa's CEO and Board of Directors for the financial management and operations of the company, including responsibility for financial and business planning, budgeting and financial monitoring.

Williams began his banking career in 1978 with Deposit Guaranty National Bank as Senior Vice President and Controller. He has held senior positions at First Commerce Corp. and Premier Bancorp. Following the acquisition of Premier Bancorp by Bank One Corp., Williams was named EVP and Group Manager of National Enterprise Operations within Bank One. In 2001 Visa named him EVP of Finance.



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Trade Associations Cite Successful 2004, Announce Plans for Year Ahead

From January through November 2004, the payment processing industry's national and regional trade associations brought together payments professionals from across the country and in all types of weather and other conditions.

Overcoming snowstorms, hurricanes and hotel strikes, this year's event calendar was filled with many exciting opportunities for ISOs, merchant level salespeople (MLSs) and representatives from payments companies to meet, greet and further their education.

As the year draws to a close, the trade associations have already begun making plans for their 2005 events. Upcoming meetings are listed in the Trade Show Directory on GS Online (www.greensheet.com). Look for additional information on the conferences, such as agendas and direct links for registration and hotels on each association's Web site.

National and International Associations

ATM Industry Association (ATMIA)

www.atmia.com

ATMIA, the only international independent forum for the ATM industry, is a six-year-old nonprofit trade association with more than 550 members that make up six chapters spanning 28 countries. ATMIA encompasses terminal deployers, ISOs, private owners, financial institutions, manufacturers, network processors and technology providers.

"The growth in membership has been phenomenal during 2004, showing 169 new members with an 80% renewal rate," said Lana Harmelink, ATMIA's International Director of Operations.

ATMIA increased its overall membership by 77% in 2004. Harmelink said the growth is attributed to the

many new programs, such as the Global ATM Security Alliance (GASA), initiated by ATMIA throughout the year.

In 2005 ATMIA plans to expand its international insurance program, initiate ATMIA accredited education programs, implement changes based on the 2004 ATMIA member survey and industry audit, add an ATMIA Debit Council, and continue its committees' efforts.

ATMIA's ISO Committee will host a reception during ATMIA's Conference East, to be held Feb. 14 – 16, 2005 in Miami Beach, Fla. at the Fontainebleau Hilton Resort. For more information about ATMIA or upcoming events, contact Dana Benson, ATMIA's Director of Conferences by phone at 605-528-7270 or by e-mail at dana@atmiaconferences.com.

Electronic Transactions Association (ETA)

www.electran.org

ETA is the international trade association serving the needs of organizations offering transaction processing products and services. Following are some of the events ETA has planned for 2005:

- ETA Expo Network, Jan. 27 – 28 in Orlando, Fla. "Since ETA is new to this regional market, we've been gathering information from attendees and exhibitors to make sure we're responding to the market," said Kevin Brosnahan, ETA's Director of Communications.
- ETA Annual Meeting and Expo, March 15 – 17 in Las Vegas. This year, the event will take place at the Mirage Hotel and Casino. "It's more compact and centrally located," Brosnahan said. "No more long walks from the elevator to the exhibit floor. And it allows us to expand the space for exhibitors." Check ETA's Web site in early 2005 for more information about the event.
- ETA Strategic Leadership and Networking Forum (SLNF), Sept. 27 – 29 in Charleston, S.C. Brosnahan said

ETA is already planning for the event, even though it's nearly 10 months away. "We have an all-year planning cycle," he said.

ETA has 15 active committees that are made up entirely of volunteers, and the groups meet throughout the year. Some of these include the Technology, Emerging Markets, Best Practices, Government Relations and Program Planning committees.

In other news, ETA now offers its "Encyclopedia of Terminology for the Acquiring Industry," a 300-page book created by ETA's Education committee that contains definitions of all commonly used terms in the payment processing industry. The book is \$50 for members and \$75 for non-members. For more information, call 800-695-5509 or visit: www.electran.org/info/eta_glossary.asp.

National Association of Payment Professionals (NAOPP)

www.naopp.com

MLs created NAOPP for MLs. Its purpose: To exist for all those selling in the payment processing industry by providing education, benefits, liaison/representation and certification.

"It'll be two years in February 2005 since NAOPP officially started," said Steve Norell, NAOPP's Interim President. "It's been a long and winding road to say the least, but after many ups and downs, we're finally on the right track and moving in a positive direction for all MLs."

In less than two years as an association, NAOPP has made significant accomplishments for its members. NAOPP now offers access to low cost legal consultation and representation, a 401(k) plan for all 1099 MLs, and a health insurance plan available for one person or up to 100 people.

NAOPP's Web site provides the latest information about what's going on with the organization. NAOPP board members, all volunteers, have also initiated an e-mail list where NAOPP members automatically receive information about the organization and other things going on in the industry. Once you become an NAOPP member, you are automatically added to the list.

Norell said NAOPP membership cards have been mailed to all members; e-mail www.admin@naopp.com if you have not received your card.

NAOPP is currently interviewing candidates to fill a new Executive Director position, which the association

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expects to fill by the end of 2004. Look for an announcement in the first quarter of 2005.

At the recent Western States Acquirers' Association (WSAA) meeting in November 2004, NAOPP presented a panel discussion on legal issues, with attorneys Adam Atlas, Tony Ogden and Paul Rianda serving as panelists; following the discussion, NAOPP hosted a luncheon for members.

NAOPP plans to attend the ETA Expo Network in Orlando at the end of January 2005, where it will have a booth. At the Northeast Acquirers' Association (NEAA) conference in early February 2005, NAOPP will hold its first ever elections for the NAOPP Board of Directors. NAOPP members currently serving on the Board have been interim members.

Anyone interested in running for an NAOPP board position must meet the following criteria: 1) You must be an NAOPP member and 2) You must notify an NAOPP board member in advance of the meeting so your name is included on the list for the elections.

Contact board members by e-mail. Their addresses are available at www.naopp.com/boardmembers.html.

Regional Associations

Midwest Acquirers' Association (MWAA)

www.midwestacquirers.com

Planning for MWAA's third annual conference is currently underway; the 2005 event will return to Chicago for the third straight year and will take place July 26 - 29.

"We will enhance the ability of ISOs, banks and payments vendors to meet with MLSs and prospects and stay up to date on the most important developments in the industry," said Mark Dunn, MWAA's President. "Several new programs are being developed that will add more interest and value to the already worthwhile MWAA trade conference experience."

Members of MWAA's Board selected the elegant and inviting accommodations of the Renaissance Chicago Hotel, which is located on the corner of State Street and Wacker Drive. This site offers scenic views of Lake Michigan, the Chicago River, the skyline of "The City of Big Shoulders" and all of the excitement of being in the heart of downtown Chicago, within a few blocks of "The Magnificent Mile" and five-star restaurants.

"Chicago has never looked better from our 2005 location," said Jim McCormick, MWAA's Vice President and Treasurer. "We anticipate the Renaissance Chicago to meet and surpass the traveling and conference needs of all those in attendance. It should be another exciting and successful conference."

Stay tuned for more information about MWAA's upcoming meeting or contact Jim McCormick at jimmccormick@gcfinc.com.

Northeast Acquirers' Association (NEAA)

www.northeastacquirers.com

At the recent NEAA Board of Directors meeting, the association changed its by-laws to expand the number of board members from seven to nine in order to address and fulfill "the ever increasing need of education." NEAA welcomed Chris Butts of Paymentech; Henry Helgeson of Merchant Warehouse.com; and Jared Isaacman of United Bank Card as new members of the Board. NEAA also appointed Linda Ford of CardSystems Solutions to serve as NEAA's Education Coordinator.

"NEAA has become a very popular regional seminar for all (financial institutions, processors, ISOs/MSPs, MLSs

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and industry consultants," said NEAA Treasurer Jacques Breton. "Vendor space is always limited but NEAA welcomes all attendees."

NEAA is now finalizing all plans for its annual Winter Seminar and Outing. The event will take place Tuesday through Thursday, Feb. 1 – 3, 2005 at the Grand Summit Hotel in Mount Snow, VT. Those who register before Jan. 19, 2005 will receive a discount.

Following an NAOPP meeting, NEAA will host a pre-conference educational seminar in the afternoon, covering important issues such as fraud, risk, security, the USA PATRIOT Act and more. On Tuesday evening, join other NEAA members for a tubing party, followed by the conference's opening cocktail reception.

On Wednesday, attendees will have time to "meet the vendors" and attend seminars throughout the afternoon. A dinner and social gathering will be held in the evening. On the last day of the conference, attendees are encouraged to dress according to the activity of their choice including skiing and snowmobiling.

This summer, NEAA plans to celebrate 20 years as a regional acquirers' association at its upcoming Summer Event to be held June 7 – 9, 2005 in Wilmington, Del.

Visit NEAA's Web site for more details on the association and the meetings, or contact Jacques Breton by phone at 603-692-2408 or e-mail at jbreton@gcfinc.com.

Southeast Acquirers' Association (SEAA)

www.southeastacquirers.com

The SEAA superbly hosted a successful and well attended conference Sept. 27 – 29, 2004 in Atlanta regardless of the wind, rain and remnants of Hurricane Jeanne ("SEAA Triumphs Over Jeanne," The Green Sheet, Nov. 8, 2004, issue 04:11:01). And not taking so much as a breath, SEAA board members are busy planning the Fifth Annual Information and Educational Conference, to be held in New Orleans in October 2005.

If you're planning to attend the event, you can look forward to some of the attractions of this popular destination: an evening or two spent walking around the French Quarter, dining on some of the best food in the country, including red beans and rice, crawfish etouffée, beignets and po-boys, or taking in a river boat cruise if your schedule allows for it.

SEAA's Vice President, Audrey Blackmon said more information about the meeting will be available on SEAA's Web site in early January 2005. For more information about SEAA or the upcoming meeting, e-mail Audrey at ablackmon@posportal.com.

Western States Acquirers' Association (WSAA)

www.westernstatesacquirers.com

Radiant from its successful inaugural meeting held Nov. 3 – 4, 2004 in San Francisco, WSAA members are already putting that positive energy to work by beginning to plan for their next event. The next WSAA conference is still months away, but the group hopes to announce details about the meeting in the first quarter of 2005.

"The inaugural meeting turnout was so successful, we were thrilled beyond our wildest dreams," said Steve Eazell, a WSAA Director. "We were very pleased with attendance and overall participation that we had from vendors, sponsors and attendees." ("Wussup at the First WSAA Conference? Nothin' But Net," The Green Sheet, Nov. 22, 2004, issue 04:11:02).

In order to plan for the next event, members of WSAA's board are looking for input on where to hold it.

If you have a suggestion, or for more information about WSAA, please contact Steve Eazell at 866-300-3376 or by e-mail at stevee@westernstatesacquirers.com.

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Sales Contest

Comstar Interactive



The Comstar gateway has successfully processed over \$60,000,000 of wireless credit card transactions in the first three quarters of 2004. We are poised to exceed \$100,000,000 in wireless transactions processed this year.

We want to thank you, our sales partners, for our success. We want you to share our excitement about the future of wireless POS transactions and our future sales successes with you as well.

Therefore, Comstar Interactive, the leading wireless point of sale gateway and transaction management solution for credit card processing is celebrating our success with a first class sales contest ...



DETAILS. Accumulate points for each Comstar product sold and/or activated on the Comstar Gateway. There will be fifty-two prizes awarded.

The point values:

| | |
|-----------------------------------|------------|
| Comstar Charge Anywhere Device | 100 points |
| Lipman Nurit 3010/8000 Activation | 25 points |
| Comstar VT Account | 25 points |
| Battery Powered Printer | 10 points |

Points will be tallied each month and updates will be available from your processor/ISO.

REGISTER. Dealers and Resellers can register their MLS via Comstar account reps or at www.comstarinteractive.com/corvettecontest.htm. Call 1-800-211-1256.

CONTEST DATES. Contest starts at the conclusion of the 2004 mid year ETA meeting in Miami and concludes the last day before the start of the 2005 ETA annual meeting in Las Vegas.

PRIZES AWARDED. The prizes will be announced and awarded at the ETA Annual Meeting at the Comstar Booth on Day 2 of the show.



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AgenTalk

MLS Balances Work and Single Motherhood

By **Matthew Swinnerton**

Merchant Services Direct

Do you ever feel as if you have too much on your plate and too many things going on at once? If you're out there selling and making a living in this industry, then the answer most likely is "yes."

This business keeps us all very busy. Just imagine doing all of the things you do while at the same time being a single mom. **Kathy Harper** of MLS Direct Network, based in Griffin, Ga., doesn't have to imagine. She does it every day and happens to be very good at it. I interviewed Kathy for this month's AgenTalk.

Matthew Swinnerton: What brought you to the credit card processing business?

Kathy Harper: My brother, Jerry Gibson, introduced me to this industry. Jerry had been in the industry for about six months at the time and was doing well. I had just lost a lease on an antiques mall that I had opened six months before and was desperate to find work.

Although I had never been in outside sales before, my situation necessitated that I become a salesperson. I guess you could say that the threat of poverty led me to this industry.

MS: What has kept you going for the last three years?

KH: My children are always what keep me going. When you have children, you have no choice but to keep moving forward.

MS: Is there a certain market you focus on?

KH: I spent 20 years in the restaurant and hospitality industry, so my main focus is on that market.

MS: Who do you look up to in this industry?

KH: Paul Green for starting The Green Sheet is the obvious number one answer here. Ed Freedman's column, "Street Smarts," has been a wealth of information. And if I had to name one person who has helped me the most, it would have to be Neil Mink.

I met Neil on The Green Sheet's MLS Forum long before I met him in person. He has been a tremendous help to

me in finding my footing in this industry. Neil has definitely been a mentor and friend and continues to do so.

MS: As a woman, do you find it easier or harder working in this industry?

KH: There are some advantages to being a woman. I get the feeling that sometimes merchants trust me simply because I am a woman and a mother. The down side is that, on my own, I have to be there for my children. Their doctor and dentist appointments as well as extracurricular activities can sometimes severely cut into my workweek.

MS: How has The Green Sheet helped you?

KH: Finding The Green Sheet was like seeing this industry for the first time in the light of day. I had so many

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questions that I couldn't get the answers to that when I literally stumbled across The Green Sheet, I stayed up for days reading past issues and MLS Forum posts.

I had no direction or real idea of what I was doing until I found The Green Sheet. It has kept me from violating Association rules that I didn't even know existed, and it has opened my eyes to the seemingly endless possibilities in this industry. I can't say enough about what a difference The Green Sheet has made to me. Thank you, Paul!

MS: Who would be your ideal merchant to work with, and who would be your "nightmare" merchant?

KH: From my experience, merchants who process the highest number of transactions seem to be the least demanding of my time, while merchants who process the least in volume can sometimes be extremely demanding of my time.

My ideal merchant would be a restaurant with a POS system, not a terminal, doing a million or more per month, or a MO/TO merchant producing the same volume. Nightmare merchants include, but are not limited to, hard-to-place accounts and merchants who speak little or no English.

MS: Do you attend any regional or national association conferences?

KH: I attend every association conference that I can. I have learned a tremendous amount from meeting industry veterans in person at these events. The educational opportunities provided by the events are phenomenal. Just being able to speak with other agents from around the country has given me a huge advantage.

MS: What interests you most about this industry?

KH: The fact that it's always changing. If you stay up to date and continue to educate yourself about the industry, you can gain a definite advantage over your competition.

One of the most exciting changes that I have seen recently is the forming of an association made up of agents called MLS Direct Network. Although this is not the first time this has been done, it is certainly not the norm in this industry. Agents are part owners and actually have input in the direction of the organization. The percentage paid out in residuals is much higher than what I have ever seen.

MS: What keeps your spirits up on a day-to-day basis?

KH: From association meetings, The Green Sheet's MLS Forum, and my affiliation with the National Association

of Payment Professionals (NAOPP), I have met some great people from all over the country.

I actually have a group of friends who are also agents that I speak to on a regular basis. Between appointments, we call each other to chat or moan about the day and even challenge each other to monthly competitions, just between ourselves.

It's great to be able to share with people who understand what you're going through and can help motivate you through a bad patch.

MS: Describe a typical day in your life.

KH: I get up between 5:30 a.m. and 6:30 a.m. to do some work on the computer and get the kids off to school. If I have an early appointment, I head straight to that; if not, I set appointments over the phone and check back in with people I didn't sell to on the first go 'round.

Most days you'll find me on the road where I make stops at new merchant locations that I come across between appointments. While I'm on the road, I answer various service issue calls and check back in with merchants on my list to sell. Although I don't like to, I sometimes work until 7:30 p.m. or 8:00 p.m. for merchants



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MS: What challenges do you face in this industry as a single mom?

KH: I'm in the middle of a presentation when my cell phone vibrates. I look down at it to see the principal of my son's school on the caller I.D. Now that's a challenge!

that can't meet any other time. When the day finally ends, I cook supper for the kids and help with homework. Many nights I continue working by faxing in applications and preparing for the next day.

MS: What challenges do you face in this industry as a single mom?

KH: I'm in the middle of a presentation when my cell phone vibrates. I look down at it to see the principal of my son's school on the caller I.D. Now that's a challenge!

MS: What goals do you have in relation to this industry?

KH: Within the next year, I would like to have an office outside of my home, several agents and more than one bank relationship. In five years, I would like to take a vacation. In all seriousness, I love this industry and see myself in it until I can't physically work anymore.

As a board member of NAOPP, I have been able to give back somewhat to the industry that has embraced me, and I look forward to being part of some of the positive changes happening in our industry.

Thanks, Kathy. I think you're one of the first people I have interviewed for this monthly column who has talked about giving something back to our industry.

Maybe that's why you're doing so well. You know what they say, "The more you put in the more you get out." I guess it has worked for you. 📧

Matthew Swinnerton of Merchant Services Direct is an independent agent for AmericaOne, Comerica Merchant Services and POS Card Systems. He has been in the credit card processing business for seven years selling merchant services to small- and mid-sized retail and online establishments. To find out more about Merchant Services Direct, visit www.msdirect.net or contact Matthew directly by e-mail at matt@msdirect.net or by phone at 512-255-9791.

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Business Sense

Creating Your Business Vision

By Vicki M. Daughdrill

Small Business Resources LLC

Editor's note: This is the second article in a series on thinking about and building a business. Daughdrill's first article, "Are You an Entrepreneur?" appeared in the Oct. 25, 2004 issue of The Green Sheet (issue 04:10:02).

So you've decided that you're an entrepreneur. You've considered the reasons you want to start your own business.

You've identified and determined that you exhibit the traits and characteristics of successful entrepreneurs. And you've studied the common reasons and poor habits that contribute to failure. You are also resolute that you will not engage in any of these activities.

You are now ready to move into the next phase and create your business vision.

We hear all the time, "It's the vision thing." What exactly is vision? The "Webster's II New College Dictionary" defines vision as "the way in which one sees or conceives of something; a mental image created by the imagination."

According to John Thomas, of JL Thomas & Company LLC, on www.MBNet.com, an Internet-based minority business network:

"The vision serves as a context for your business and your life. It shapes your thoughts, your feelings and your actions. It's the big picture, and it expresses a part of who you are."

When you think of vision, or visionary leaders, what examples come to mind? In 1960, President John F. Kennedy told the nation, "We will

put a man on the moon by the end of the decade." Microsoft's Bill Gates' vision was to put a computer in every home. These are two examples of clear, well articulated visions.

The next step in creating your specific vision is to design the ideal business. It's answering the questions: Who are we as a business? What do we do? What is our distinctive competency? Why do we do it? For whom do we do it?

This critical phase in the business development process provides an outline to guide you in establishing a successful business. This important process will assist you in narrowing your focus so that you can exhibit the discipline discussed in my previous article regarding limiting the number of projects to pursue.

On the Web site www.selfgrowth.com, Jacqueline Cornaby, Chief Executive Officer and Founder of Jacqueline International Inc., which helps individuals and businesses implement effective tools and strategies for maximum personal and professional outcomes, provides a three-step process for developing and articulating vision in an article titled, "Create Your Business Vision." I found her process interesting and helpful and hope you will also.

Step 1: Create Your Vision

If you could design the ideal business, exactly what would it look like? I'm assuming since you read The Green Sheet that you also currently work, or plan to work, in the payment processing industry.

Therefore the questions you need to ask yourself include:

- What is my distinctive competency?
- What can I do better than my competition?
- What is my product or service?
- Who will I sell it to?
- Who will I hire to work for me?
- What kind of customers will I seek?
- What level of revenue can I generate?
- What geographic location will I serve?
- What self-talk will I use to ensure my vision becomes reality?

Whatever vision you create for your business, that's where you need to focus your attention. As we discussed last time, one of the traits exhibited by successful entrepreneurs is their ability to pursue only the very best opportunities and avoid exhausting themselves and their organizations by chasing after every option.

By clearly defining and articulating your vision, you will be able to focus on only those opportunities that are in concert with your company's mission. What happens if you don't create a vision for your business? When you avoid spending the time and effort required to develop your own vision and leave all of the decisions to "fate," you allow external factors to determine your success.

Creating a vision is about taking control of your business and accepting responsibility for the choices you make. It's a proactive approach to business that says you refuse to let peripheral circumstances get in the way of your success.

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By keeping your vision firmly in mind, sharing it with those who work for and with you, and letting it guide your decision-making process, you provide the environment that creates a foundation for success.

As you create this initial vision, take time to examine all areas of your company in order to determine the focus of each individual facet. For example, you need a vision for your products and services, your employee relations, your community contributions, etc.

The more focused you are on each aspect of your business, the more clarity you have for your future direction and more opportunity for success.

Step 2: Create Your Company Identity in Relation to Your Vision

What three qualities or values do you want to articulate in your vision? What adjectives best describe your ideal business? Is your vision to be "customer-oriented," "innovative," "unstoppable," "strong" or "committed"?

It's essential that you create an identity that is consistent and will be easily identifiable with you and your business to both your internal and external customers. Each decision you make concerning products and services,

employees and community relations should reflect your company's identity. Creating your identity can also be described as creating a "brand." In a future column, I will discuss branding in detail.

What happens if you fail to create an identity for your company? Identity is about taking ownership of your vision and for what you want your company to become; it's entirely too easy to fall into the "excuses trap."

It's easy to blame external factors if your vision fails to come to fruition when, in actuality, it's your fault for avoiding the effort required to establish an identity for your company.

When you choose the qualities you want your business to possess, you prohibit outside factors from controlling your business. You are the one in control. You choose to add a new product or service or expand your market area so you can grow your business.

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longer dictate your company's direction.

If you do your homework and work through the process of defining your business, you identify both your resources and the obstacles that you must overcome in order to be successful. When you're in control, you set and act on the goals you develop.

Step 3: Commit to Your Vision

Nothing happens without action. Remember, the first characteristic of successful entrepreneurs described in my previous column was "action oriented." The same is true for making your vision a reality. Napoleon said, "Take time to deliberate, but when the time for action has arrived, stop thinking and go in."

With a clear vision and identity, you can now take the steps that will have a positive impact on your business and transform it into your ideal company.

I can hear all of you thinking to yourselves, "This is simply too much trouble. Why can't I just start a business and start making some money? I don't want to take the time and effort to work through this complicated process."

In the last article, we found that one of the major reasons

for a business's failure is the lack of a solid business plan. You're probably thinking, "Then why don't I just write a business plan?"

The steps of creating your company's vision, creating an identity in relation to your vision and committing to your vision, are actually the first steps to writing your business plan.

Once you have completed this thoughtful process, you are on the way to formalizing and writing your business plan.

Now that you feel confident you can achieve success as an entrepreneur, and now that you've created your vision and identity and are committed to your business success, it's time to write a mission statement and business plan. I will discuss these two items in my next column.

In the meantime, let me hear how you're doing. Send me suggestions for future topics as well as your success stories. I want to hear from you.

Vicki M. Daughdrill is the Managing Member of Small Business Resources LLC, a management consulting company. Reach her by e-mail at vickid@netdoor.com or by phone at 601-310-3594.

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Visa, MasterCard Face AmEx Lawsuit in U.S. and Scrutiny Around the World

Following the Supreme Court's Oct. 4, 2004 decision to not hear an appeal by Visa U.S.A. and MasterCard International in a long-standing anti-trust suit, American Express Co. (AmEx) made good on its threat to sue the card Associations.

AmEx also named eight of the largest issuing banks that are members of the Associations, including Bank of America, JPMorgan Chase & Co., U.S. Bancorp and Wells Fargo & Co., in its complaint.

On Nov. 15, 2004, AmEx filed suit in U.S. District Court in Manhattan seeking monetary damages for business it claims it lost as a result of the illegal, anti-competitive practices of the card Associations and issuers. The suit does not specify an amount for compensation, but AmEx said it expects to seek damages totaling in the billions of dollars. Anti-trust law could triple the damages awarded.

Discover Financial Services filed a similar suit immediately following the court's October decision.

The Supreme Court's decision to let an appellate court's ruling stand effectively ended restrictions that prevented AmEx and others, including Discover Financial Services, from competing for credit card business. Visa and MasterCard have long prohibited their member banks from issuing rival brands.

The U.S. Justice Department began the proceedings in 1998, suing Visa and MasterCard for anti-trust violations. The agency won its suit in 2001, but the case went into appeals until this past October.

In a statement regarding the latest lawsuit in the card Association battle, AmEx Chairman and Chief Executive Officer Kenneth I. Chenault said in a statement, "Visa, MasterCard and their member banks restricted competition for years.

"The federal courts have already found that Visa and MasterCard broke the law. The card Associations functioned as a cartel. Banks who had expressed an interest in working with us were stopped before they could start.

"We intend to hold the Associations and their member banks accountable for their illegal actions and seek compensation for the value that would have been generated for our shareholders."

Visa and MasterCard have both vowed to fight the lawsuit.

Daniel Tarman, Visa U.S.A.'s Senior Vice President, said in a statement, "Visa will vigorously fight this lawsuit because American Express already got what it wanted from the court, [which is] the ability to issue its products through Visa members. It's time for American Express to stop looking to the courts to solve its problems and compete in the marketplace instead."

MasterCard General Counsel Noah J. Hanft said, "MasterCard believes that this lawsuit is misguided. American Express may have been successful in pressuring the Department of Justice to sue the bankcard payment networks on its behalf, but as a private plaintiff, it will face significant obstacles that the government did not face.

"This will be a very different case, as American Express will need to prove that it was injured and suffered damages as a result of MasterCard's policy, claims that the reality of the marketplace demonstrate are entirely unfounded.



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News

"American Express can no longer hide in the shadow of the government."

Earlier this year, AmEx announced a partnership with MBNA Bank to begin issuing AmEx-branded cards, which will be processed over the AmEx global network; the first of those cards were issued in November.

MBNA was not named in the lawsuit and AmEx has agreed to reimburse the issuer for certain costs that Visa and MasterCard might impose as a result of the lawsuit. Citigroup Inc., one of the nation's largest card issuers, was also not named.

Associations Under Fire Internationally

Anti-competition fever seems to be spreading around the world, too. In early November, The Office of Fair Trading (OFT), a watchdog group in the United Kingdom, announced it has undertaken an investigation into what it said are excessive interchange fees that Visa member banks charge retailers there. The group said that Visa has agreements in place with British card issuers that restrict competition.

A government study in the UK in 2000 found that interchange fees amount to about 1.1% of transaction totals. Independent research also in 2000 showed that retailers

were being overcharged between £500 million and £1 billion as a result of the high interchange fees, according to the British Retail Consortium.

The OFT also announced it confirmed its preliminary findings on MasterCard UK, which the group has been investigating since 2000. The OFT reported that its probes showed that interchange agreements between MasterCard UK and its member banks breach European and British anti-competition rules.

As credit card spending in Britain increases, so does scrutiny of credit card issuers. Last year, credit card spending reached an all-time high at £120 billion (US\$223 billion), up from £30 billion in 1993, according to Bank of England figures. Credit card debt has also increased, jumping from £10 billion to £52 billion in the same 10-year period.

In addition, Russia's Federal Anti-trust Service (FAS) is investigating Visa International's violation of market share laws. FAS will gather information from Visa's Russian member banks to substantiate charges the Association has more than the 40% of the market share allowed. ❏

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As a reader of The Green Sheet, you know that merchants continually seek new ways to increase sales, encourage loyalty and attract new customers. You understand that merchants will work with the processors and banks that can help them grow their businesses.

As a member of the financial services community, you also understand that the credit and debit card market is more competitive than ever. Banks, processors and acquirers are always looking for new ways to drive usage and increase revenue.

Finally, as a parent or community member, you realize that many local schools and non-profit organizations are in financial crisis. With the bursting of the tech bubble and the recent downturn of the economy, budgets for these groups have become even leaner. As businesses and individuals have less discretionary income to contribute, multiple organizations are scrambling for the same dollars.

There is one company that thinks outside the box to help bring revenue to all three of these groups, and without changing the way any of these entities process transactions. That company is Nietech Corp.

Nietech provides payment technologies that automate transaction-based philanthropy by distributing a por-

tion of a cardholder's purchases to the charities of his or her choice.

The five-year-old company is based in Northern California and provides transaction processing and payment services to businesses, financial institutions, payment processors, card Associations, card issuers, retailers and consumers.

The Force Behind the Products

Nietech has pioneered some distinctive products, but first it's necessary to understand the engine behind those products, the Nietech Administrative System, or NAS. NAS is a transaction processing and settlement platform that collects and disburses multi-sourced payments and provides flexible Web-based reporting.

With NAS, payments and data generated from cash, checks, credit and debit cards can be split and disbursed to multiple parties. Payments can be of any size, including micropayments.

"We are an application service provider for anyone that processes payments: banks, processors, etc.," said Christine Koncal, Chief Marketing Officer for Nietech. "We are able to send payments to beneficiaries, with complete accounting and reporting transparency."



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Equipment - Deployment - Help Desk - Repair



NAS is the first transaction processing, accounting and reporting platform that can calculate affinity points and cash payments from all transaction types, including credit and debit cards, checks, and cash, and electronically distribute points and cash payments to multiple recipients, with full accountability and Web-based reporting. Major benefits include systems compatibility, scalability and flexible applications.

NAS is different from other transaction systems in that it receives its data from the card issuer or processor, rather than from the point of sale. Since NAS receives data directly from the processor, there's no need to connect directly with POS systems, which eliminates the need for compatibility with all POS systems, protocols and operating systems. NAS requires no custom integration.

In addition to electronically collecting and disbursing cash payments from multiple sources to multiple parties, NAS enables payment processors to electronically collect and distribute merchant rebates and loyalty points from multiple sources to multiple parties.

Payments can be split, and all involved parties have access to electronic reporting. The company markets its products through direct sales to retailers and partners,

such as card Associations, corporations and financial institutions.

"Our business is structured to benefit our customers, who then utilize our services and products to market to their customers and consumer end-users," Koncal said.

A Community Benefit

Using the power of the NAS, Nietech has developed two card-based loyalty and rewards programs: COMMUNITYsmart and COMMUNITYcash. Both programs support schools and nonprofit organizations, reward cardholders and offer retailers and financial institutions a tool to generate new and recurring business.

In 2003, Nietech launched COMMUNITYsmart. Through their everyday spending, parents and community supporters can generate recurring cash back to qualified 501(c)(3) beneficiaries and schools, while earning rewards for themselves.

Through NAS, COMMUNITYsmart purchases are tracked, and cash contributions from participating merchants are distributed electronically. At the same time, points are collected toward the cardholder's COMMUNITYsmart personal rewards.

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Cardholders can redeem these points for unrestricted air-line miles, gift certificates, merchandise or additional cash contributions to schools and nonprofits. No other service allows cardholders to redeem points for cash contributions to schools and nonprofits of the cardholder's own choosing.

Enrollment in the program is free of charge and consumers can choose which type of card they prefer: a MasterCard-branded debit or credit card or a non-payment card. The non-payment card is swiped at the POS to trigger donations when paying with cash or check. Personal rewards and charitable donations accrue from usage of all three cards.

Currently the company has 150 merchants participating in the program. Merchants receive POS signage and decals, and Koncal said that some merchants have taken it upon themselves to aggressively promote the programs, thus drawing more consumers into their stores. For example, some have put the COMMUNITYsmart logo on their bags or stuffed bags with applications for the COMMUNITYsmart card.

In October of 2004 Nietech launched COMMUNITYcash, a program that enables cardholders earning points when making purchases with enrolled MasterCards to redeem reward points for cash contributions for schools and nonprofits of their choice. Like COMMUNITYsmart, COMMUNITYcash is free of charge and uses NAS to electronically disburse the payments. COMMUNITYcash is available to all MasterCard credit card and debit card issuers in the United States.

Nietech can customize COMMUNITYcash for financial institutions of any size. Participating institutions determine point accumulation criteria and redemption levels that best suit cardholders' expectations. The platform provides transaction reporting, including a Web-based interface, to simplify reward account management and customer service and to provide transaction-detail transparency and accountability for all program participants, including cardholders, card issuers and beneficiaries.

Benefits for All

Both the COMMUNITYsmart and COMMUNITYcash programs offer benefits to cardholders, card issuers, processors, merchants, and of course, schools and non-profit organizations.

Cardholder Benefits

Research has shown that many loyalty points are never redeemed. Either consumers don't have enough points to redeem them for something they want, or they aren't even aware of a loyalty program. With COMMUNITYcash, cardholders can redeem their

points for cash contributions to the organizations of their choice.

With COMMUNITYsmart, a merchant rebate is automatically generated for the cardholder's designated organization when the COMMUNITYsmart card is swiped at the point of sale. Cardholders can choose up to three organizations to receive their points, and they can change their beneficiaries as often as they wish. They are also free to choose the percentage each group receives.

Card Association, Issuer and Processor Benefits

Card Associations, banks and processors benefit from both the COMMUNITYsmart and COMMUNITYcash programs by becoming an integral part of their community, local schools and non-profit organizations.

However, this is business so the benefits are not all altruistic. Banks and card Associations also benefit by increasing the number of cards they issue, as well as the activity on those cards.

Nietech cannot disclose how many cards are in circulation with Summit State Bank, its partner in the COMMUNITYsmart program, although Koncal said, "We can say that issuing this card has caused an increase in their [Summit State Bank's] accounts without much formal marketing. Their card base increased by 20%.

"The average ticket is above industry average. We have nine months of data, and what it suggests to us is that consumers know they can convert points to cash, and it is a motivator."

Merchant Benefits

Both Nietech programs benefit merchants because cardholders visit their establishments to benefit their chosen charities and schools. For the COMMUNITYsmart program, merchants determine what percentage they contribute, usually between 3% and 20%. They also set their own minimum transaction amount, usually around \$25, depending on the merchant type.

They are free to change the contribution amount or the minimum purchase at any time, and can tailor the program to drive sales. For example, Koncal said that some restaurants offer "Smart Tuesdays" as a way to drive business on what would otherwise be a slow business day. Merchants can also "pulse" the card. For instance, if a slow time is between 2:00 p.m. and 3:00 p.m., merchants can offer double points during that time to attract more customers.

Merchants also benefit from the online reporting and the transaction level detail. "Merchants are paper averse; it's just one more complication," Koncal said. "With this solution, there's no paper to manage; it's all online."



Company Profile

Merchants can go online and see what amounts are going to which charities. They can also track usage to determine what days or times the program is being used.

There are also potential tax benefits for merchants. Since tax laws vary by state, merchants should check with their accountant. However, since all rebates are documented, any accounting or tax paperwork needed is simplified.

Non-Profit Benefits

Obviously, the schools and non-profits benefit from the contributions they receive. Sixty to seventy percent of the money donated goes to the beneficiaries, with the remainder going to Nietech for processing costs and back to the cardholder in the form of additional merchant-funded points.

"We have structured the programs to keep the administrative costs low," Koncal said. "We don't mail out paper statements; there is a lot of self-service involved." The non-profits are paid once a quarter, usually via the automated clearing house.

Going Beyond Community Programs

Nietech is not just about COMMUNITYsmart and

COMMUNITYcash, or even retail applications. "NAS not only serves as a platform for loyalty programs," Koncal said. "Since it is able to process transaction data from multiple sources to multiple parties, the technology can be extended to other applications, such as the insurance industry."

The technology has market applications in the banking and health care industries as well. Koncal said it is an ideal fit for any entity that accepts micropayments or payments that have to be split.

Currently Nietech works only with MasterCard, but the company hopes to develop partnerships with other organizations as well. "We are interested in talking with anyone right now," Koncal said. "Our target market is issuers and financial service providers, but we are open to talking with processors and other types of companies."

If your company is a processor, bank, card Association or other entity seeking new ways to increase business, Nietech may be your answer. Through its COMMUNITYcash and COMMUNITYsmart programs, you can earn revenue, benefit local non-profits and increase your company's brand recognition, all with the swipe of a card. ■



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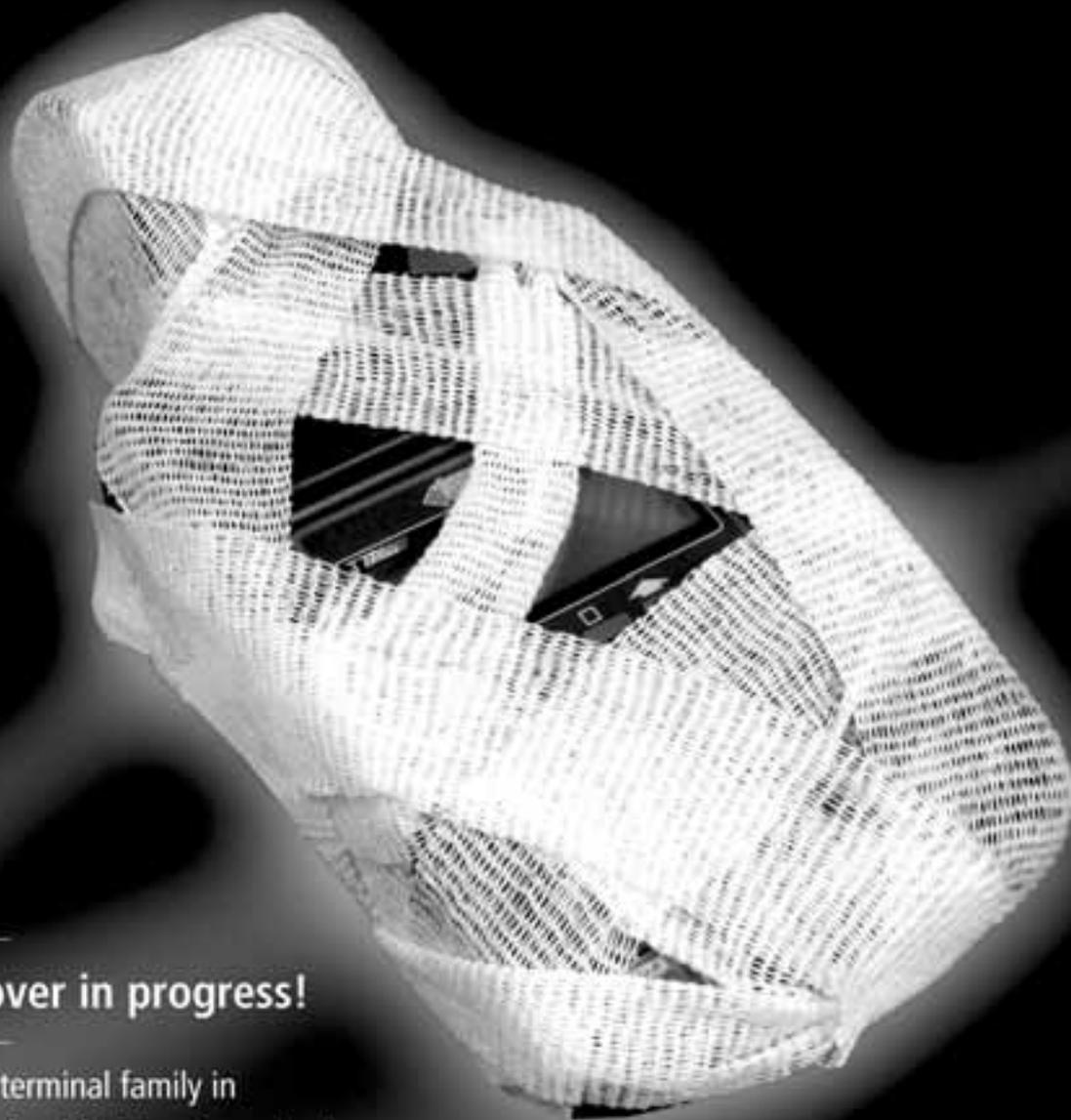
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Fed Reports to Congress on Debit Fees

Even though consumers now use their debit cards more often than they use credit cards, the fees charged at the point of sale (POS) remain problematic. It seems that people don't know how much it costs to use a debit card with a personal identification number (PIN) vs. one requiring a signature for authorization.

The Federal Reserve Board presented a report, commissioned earlier in the year by the Senate Committee on Banking, Housing and Urban Affairs, to Congress on Nov. 18, 2004 regarding the disclosure of fees for POS debit transactions. Lawmakers are concerned that as debit use grows, consumers aren't given adequate information on fees charged by banks or at the POS.

According to the Fed's study, the steady growth and economic importance of debit card transactions warrant close examination.

It's estimated that by the end of 2004, U.S. consumers will conduct 18.6 billion debit card transactions, which will comprise 53% of all card-based transactions. One-third of all debit transactions will be secured with a PIN and the remainder will be signature-based.

Members of the Senate committee expressed concern over the fees some banks, savings and loans and credit unions charge when their customers use PIN-based debit cards; these are fees that many consumers might be unaware they're paying.

The Senate committee requested information from the Fed on three specific areas: whether there is adequate consumer notification of debit fees at the POS; whether there is sufficient notification of the fees in consumers' monthly bank statements; and whether the amounts, sources and recipients of those fees are clearly accounted for monthly and annually.

To complete the report, the Fed surveyed 800 depository institutions (banks, etc.) and 1,500 consumers.

The study also incorporated information gathered from more than 120 responses to a notice published in the "Federal Register," the official daily publication for rules, proposed rules and notices of Federal agencies and organizations, as well as executive orders and other presidential documents.

These responses came from the public and members of the payments industry including financial institutions, processors, networks, reserve banks and merchants. The

Lawmakers are concerned that as debit use grows, consumers aren't given adequate information on fees charged by banks or at the POS.

study identified four main areas of concern: the prevalence of PIN debit fees; how well banks and other financial institutions comply with current disclosure requirements; the adequacy of existing disclosures and the benefits and costs of implementing new requirements; and the feasibility of developing a real-time disclosure standard.

The report's findings concluded:

- Large institutions are more likely than smaller ones to charge PIN debit fees; roughly 14% of institutions that offer debit cards charge fees for PIN-based transactions. A small fraction of customers is charged a fee for signature-based debit transactions.
- In the past year, about 15% of all customers with debit cards had accounts that were subject to PIN fees; many institutions do not impose fees on all of their customers' accounts.
- Regulatory compliance data indicate that more than 95% of depository institutions satisfy all current regulatory requirements for any electronic funds transfers and an even higher percentage satisfy the specific POS debit fee disclosure requirements.
- Consumers and merchants said debit fee information provided in initial and change-in-terms statements is of limited value. Improvements to the periodic statements regarding fee disclosure would be a low-cost way to upgrade information and consumer understanding.
- Real-time disclosure of debit fees at the POS terminal would greatly improve consumers' awareness of the fees; however, this solution would involve the most extensive changes to the payments infrastructure and involve the highest costs.

The 54-page report covers industry basics including how debit transactions are processed, interchange rates and provides background analysis on topics including the costs to merchants of debit acceptance, compliance and consumer perception issues.

The Fed's report to the Senate Committee on Banking, Housing and Urban Affairs on debit fees is available online in its entirety at www.federalreserve.gov/boarddocs/rptcongress/posdebit2004.pdf. ■

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Merchants Missing Gift Cards? Plenty of Opportunities Exist Beyond the Holiday Season

By **Patty Colby**

VeriFone Inc.

Has the pre-holiday consumer binge on gift cards left you feeling like the Grinch, watching from afar as everybody else celebrates? By most accounts, ISOs and merchant level salespeople (MLSs) have yet to cash in on a booming gift card market.

Although gift card hype abounds for the upcoming holiday season, it's far from being a once-a-year opportunity, and gift card program providers are eager to work with you to expand sales.

Gift card program providers have grown savvy and now offer generic gift cards in addition to customizable cards in order to appeal to the "mom and pop merchants" who are often looking for a low cost, fast and easy way to get in the gift card business. This means you can often work with a selection of generic preprinted cards, rather than trying to design a custom look and feel with limited resources.

Some gift card companies have focused on developing hot leads programs. Rather than trying to create instant experts in the field, they partner with ISOs/MLSs who are closing on a credit card solution. The idea is to funnel a gift card referral to the gift card company to close the sale and then pay a commission.

Whatever approach makes sense for you, don't look at the coming holiday season and roll your eyes at a "missed opportunity." Gregory R. Grove, Vice President of Marketing for Valutec, a company that has provided gift and loyalty programs to merchants since 1998, said it's a mistake to think of gift cards as only a seasonal holiday product.

"Birthdays are the number one occasion for gift card purchases, which means that NOW is always the best time for a merchant to implement a gift card program," Grove said. "Plenty of merchants will act too late for the 2004 holiday season, but they can still put a program in place for the next string of important gift holidays from Valentine's Day to Mother's Day, graduations and weddings."

But there's no doubt that interest in gift cards is at its height during the holiday retail season. Over the last few years, the phenomenon has soared. According to Valutec's Web site, gift cards represented 7% of all retail sales and outsold paper certificates \$45 billion to \$6 billion in 2003.

This year, 64% of consumers said they intend to buy gift cards, according to the 19th annual consumer survey of spending plans and trends commissioned by Deloitte & Touche USA LLP. That puts gift cards as the number one gift purchase of choice, ahead of apparel, CDs, DVDs, tapes and books. Market research firm TowerGroup found that gift card dollar volume grew by 50% from 2002 – 2003 and projects it will grow to more than \$90 billion in sales by 2007.

Yet the ISO/MLS channel has not fully capitalized on this burgeoning

"By becoming a revenue-generating partner, it is much harder for a competitor to take your customers."

- Edward Ayala
Director of Channel Sales,
Open Payment Technologies Inc.

demand. That, in large part, may be because it's been hard to imagine gift card programs at the small merchant level, where there's no infrastructure to support it.

Many people undoubtedly think that gift card programs only make sense with national brands such as Home Depot or Blockbuster Video.

That's far from the case. Gift cards should be as ubiquitous for small merchants as that other stored-value phenomenon: the phone card. (Neither small merchants nor ISOs/MLSs had the infrastructure to support a phone card system, yet phone cards have become a wildly popular moneymaker.)

The Deloitte & Touche survey found that half of surveyed consumers will purchase cards for stores or products; 34% will buy cards for restaurants, and 27% will buy them for services or experiences.

Various surveys indicate that 65% – 75% of consumers have purchased or received gift cards; this represents a phenomenal leap from only four years ago when about 33% of surveyed consumers had purchased or received cards.

With such solid consumer demand, it's only a matter of time before your smaller merchants get sold on the benefits of gift cards. The issue then



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"A key point that is often overlooked and is just beginning to be realized is that 'gift' creates a direct and constant dialog between you and the merchant," said Edward Ayala, Director of Channel Sales with Open Payment Technologies Inc. (OPT), a division of Magex Holdings.

OPT provides stored-value products and electronic payment processing services to vertical markets, including retail, hospitality, restaurants and supermarkets.

"Gift card programs typically only get bigger, not smaller. You quickly become a revenue-generating partner with your customers, not just a vendor. As sales increase, they will need more cards, more processing, etc."

Providers of gift card programs such as Valutec and OPT have developed programs to help ISOs/MLSs make the sale to smaller merchants.

Valutec has introduced two small merchant quick startup packages, Jumpstart and LaunchBox, designed to simplify the sales process for ISOs/MLSs.

"We have developed a wide variety of corresponding sales materials and promotional pieces that ISOs may use to get in the door with new merchant prospects and to sell gift card to their existing merchant customers as a retention strategy," Grove said.

"OPT strives on giving our ISO partners the greatest control when offering a gift card program," Ayala said. "It has always been OPT's goal to provide the best training to our ISO partners."

That training includes live or telephone-based classes with ISOs/MLSs and regional managers. The training focuses on: pricing methodology; the card devices on which OPT's Opticard is certified; the card manufacturing process; merchant setup; application downloading; and using the documentation to train merchant customers.

Once you're primed to sell gift card programs, the issue then becomes how to convince smaller merchants to try something new.

"We find that most merchants are interested in gift card, but aren't as eager to change their credit card processing vendor," Grove said.

"One effective strategy is to bundle a discounted gift card program into a credit card processing offer that includes a new multi-application terminal lease that will allow the merchant to run multiple applications on a single piece of equipment.

"The value proposition is speed, convenience and a total bundled cost that is lower than an a la carte approach."

Recent advances in POS terminal technology have provided the basis for this level of flexibility available to ISOs/MLSs.

However products such as VeriFone's Omni 3750 multi-application terminal must be backed up by a program like VeriFone's Value-Added Partner (VAP) program to ensure cross vendor compatibility.

These types of solutions ensure that gift card companies adhere to strict guidelines for everything from software quality, user interface and documentation to Class A support and terminal management capabilities.

Grove encourages ISOs/MLSs to keep the initial programs simple rather than trying to simultaneously launch multiple programs such as loyalty, promotional and other prepaid programs.

Valutec also preaches the ability to get the merchant up and running quickly so that they can start generating sales and profits immediately.

Some of you might still question whether there is a life for gift cards in the channel. But ask yourself, if you've got 1,000 merchants in your portfolio, how many are in the retail and restaurant categories?

The real opportunity is with your existing installed base. It's fairly cheap to sell to somebody to whom you've already made a sale.

The goal for ISOs/MLSs should be to combine the best terminal with the best value-added programs to create "stickiness" and to enhance merchant retention.

If you haven't developed a targeted marketing strategy to offer programs beyond credit and debit acceptance, you're opening up your merchant base to someone else who will come in and trump you by selling services that you have not yet offered.

"By becoming a revenue-generating partner, it is much harder for a competitor to take your customers," Ayala said. ■

Patricia L. (Patty) Colby is the Manager of VeriFone Inc.'s North America Value-Added Program (VAP). She manages the company's strategy regarding all VAP initiatives. She also coordinates the acquisition and execution of new value-add relationships and launch programs. E-mail her at patty_colby@verifone.com. E-mail Eddie Ayala at eddie@optinc.com and Gregory Grove at ggrove@valutec.net.

Discover Buys PULSE, Explores New Banking Relationships

Discover Financial Services is exploring new horizons in a wider realm of banking relationships. On Nov. 15, 2004, the company, wholly owned by Morgan Stanley, announced it will acquire PULSE EFT Association for \$311 million.

The merger marks Discover's first step into the fast-growing debit market. Discover is the fourth-largest credit card brand in the United States; now that the anti-trust case against Visa U.S.A. and MasterCard International is finalized, the gates of competition are open. Discover and its rival and co-plaintiff, American Express Co. (AmEx), both benefited from the recent Supreme Court decision to not hear the appeal by Visa and MasterCard in the six-year long anti-trust suit (see related story, page 39 of this issue).

Discover appears to be looking for new ways to go toe-to-toe with the two long-standing giants and as well as with AmEx, the third-largest card brand. Discover and PULSE jointly announced the signing of a definitive agreement for the merger, which is expected to close within 60 days pending approval by PULSE members and regulatory agencies.

PULSE is an ATM and debit network owned by thousands of small to large banks and savings institutions, many of which are based throughout the middle section of America. It has ATMs and 3.3 million point-of-sale terminals in retail locations around the country.

Both Discover and PULSE say the merger will create an entity providing opportunities and advantages for financial institutions, merchants and consumers. By combining PULSE's PIN-debit network with its own signature-based credit operations, Discover hopes to be a more attractive alternative to card issuers, merchants and cardholders, who increasingly use debit cards more often than credit.

"This strategic partnership will join the forces of PULSE and its 4,100 member banks, credit unions and saving institutions with Discover Network and its more than 4 million merchant and cash access locations," David W. Nelms, Discover Chairman and Chief Executive Officer said in a statement. Both companies expect a seamless transition. PULSE will retain its brand, pricing and operating platform, as well as its management team, staff and Houston headquarters. ■

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'Twas the Night Before

By Nancy Drexler

Cynergy Data



was the night before New Year's
and all through the house
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They calculated residuals with
great trepidation.

Their stockings were hung by the chimney with cheer
Next to cards from their processors
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And promises sure to make ISOs read twice.
They said, "Stick with us, and you'll be reimbursed
With the piles of residuals we always disperse.
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Just ignore those small fees and be happy with us.

"No matter what happens, your merchants are yours
So bring us your restaurants, MO/TOs and stores.
You'll profit on them for the rest of your days
Regardless of whether you go or you stay.

"And our service is tops; you can call any time
Just ignore the machine that says, 'Hi, it's your dime.'
These are our promises, and we honor our word
So keep signing merchants, and don't be disturbed."

Unless, of course, you're tired of moving
To processors that guarantee merchant approving
Plus service, residuals, guaranteed money
And then, of course, there's the Easter Bunny.

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Please join us in making these new resolutions:

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Come ISO, acquirer, those processing checks.
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To give all our merchants more bang for their dime.



No back-end fine print and no hidden fees,
Language that they can understand, please.
Rates that are clear and straightforward and true
Will limit the times that they have to call you.

Speaking of which, please answer the phone
Without so much anguish and pain in your tone.
Rather, rely on good faith and composure
To answer their questions with full disclosure.

Give your ISOs support, and help them to find it
With clearer direction, and training behind it.
Plus the tools that they need to close a good deal
And pricing that helps them afford their next meal.

Remember that honesty always comes first.
Integrity should never be coerced.
If these are the goals to which you adhere
You and your partners should have a good year.

If we work together with chemistry
It will benefit all in our industry.
Let us join forces to do what is right
Happy New Year to all, and to all a good night. ■

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Nancy Drexler is the Marketing Director of Cynergy Data, 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 that ISOs and merchants need to be successful and to back it up with honest, reliable, supportive service.

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

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Prepaid from page 1

worth) and the average person used 5.6 gift cards, according to First Data Corp.'s gift card processor ValueLink. And this is a rapidly growing segment within the prepaid cards market. In 2002, ValueLink reported that about 23% of Americans used a gift card.

The National Retail Federation (NRF) predicts that U.S. gift card sales could top \$17.34 billion in the 2004 holiday shopping season, a \$100 million increase from last year equaling about 10% of total retail sales of nearly \$220 billion. At least 75% of consumers will give at least one card, news wire service Reuters reported.

ISOs/MLSs have added gift card programs to their sales toolbox as a way to open doors and approach merchants on credit card processing. The cards also create add-on opportunities for new equipment sales; many have found that this product ultimately aids in merchant retention.

Steve Eazell, Director of National Sales and Marketing for Secure Payment Systems Inc., a gift card processor, said that gift cards create merchant retention that is unmatched by selling other value-added services. They also provide long-term monthly residual income.

"There's no better merchant retention tool on the planet than gift cards," Eazell said. "The only one who truly knows the balances on these cards is the gift card processor. If I'm a merchant, I cannot switch processors (without a lot of trouble) until every single solitary gift card has come back to my store.

"If merchant retention is important to you as an MLS because of the residuals, then there really is no greater product than this."

Merchants love gift cards for many reasons, including improved customer loyalty, faster check out, and capabilities offered in tracking customers' preferences, but the two most important: When redeeming gift cards, most consumers tend to spend more than the dollar amount on the card, or just the opposite: They never redeem it at all. The latter is called "breakage."

As a response to accounting issues with gift cards, many retailers instituted expiration dates and/or the practice of deducting fees from the balance of the gift card for non-use, and this has received scrutiny from consumer advocates and regulators. In fact, many U.S. states, including the state of California, have now made this practice illegal.

In "Stored Value Cards: A Tale of Two Markets," a report published in July 2004 by Financial Insights' McPherson said that growth opportunities in the gift card market will be with:

- 1) Smaller merchants who have not yet implemented this type of program
- 2) Prospects such as corporations that want to provide incentives and gifts to employees and
- 3) Retailers that want to use new applications with their gift card programs such as for consumer refunds, rebates and rewards.

"The opportunities are still huge for selling gift cards because it's now trickling down to smaller retailers, which are always last to jump on board with a product that is a little bit different than the status quo," Eazell said.

Gift cards aren't only popular during the holidays, either. Consumers buy them for birthdays, anniversaries and other occasions (see "Merchants Missing Gift Cards? Plenty of Opportunities Exist Beyond the Holiday Season," by Patty Colby, on page 52 of this issue).

Branded Cards

"Open loop" or "open system" cards are branded with a card Association logo such as Visa, MasterCard or American Express. Banks or their partners sell these cards and they can be used at any merchant location around the world that accepts Visa, MasterCard or American Express.

Consumers use open loop cards as if they were linked to a bank account; they can use them for signature- or PIN-based transactions. However, rather than linking to an individual account for each prepaid cardholder, the cards are tied to one general account at a bank, and the card number enables tracking of the balance.

"Teen cards" are examples of open loop cards. Parents buy and load the cards with preset amounts and give them to their teenage children in order to track and control their spending.

Another is the increasingly popular travel card. The Visa TravelMoney card, for instance, is a preloaded card that enables cardholders to make purchases at retailer locations and withdrawals from ATMs around the world that accept Visa-branded cards. American Express offers a TravelFunds card as well.

Payroll Cards

Payroll cards, another type of prepaid/stored value card, function in a similar manner to an "open system" card. These cards tend to have higher values than merchant-issued gift cards, but typically produce a smaller number of transactions.



Payroll cards are also reloadable and function similarly to a debit card. Employers load employees' wages onto the cards, and cardholders use them at merchant locations such as grocery stores or wherever there is a Visa or MasterCard logo.

They can also use them at ATMs, which is a significant benefit to the "unbanked," or people with no access to a traditional bank checking account or credit cards.

Payroll cards can be an attractive payroll option for not only the unbanked but also non-direct deposit employees, independent contractors and short term or temporary hires.

When cashing paychecks, employees are vulnerable to robbery, and check cashing establishments deduct high fees from the transaction. Like debit cards, payroll cards can be replaced if lost or stolen.

At the Federal Reserve Bank of Philadelphia's recent prepaid card conference, "Prepaid Cards: How Do They Function? How Are They Regulated?" held June 2 - 3, 2004, Peter Davidson of Genpass Card Solutions said he sees prepaid offerings moving beyond payroll to enabling people to provide funds to family members in other countries.

Davidson addressed representatives from banks, payment networks and processors, providers of prepaid card services, major retailers, state and federal regulators and legal experts who attended the Fed's event to discuss the growing demand for prepaid cards and the legal and regulatory issues surrounding them.

He called payroll cards a "bridge product," and since the cards can be reloaded at the point of sale, the unbanked will use them as a standard product.

Heartland Payment Systems is one company offering this type of product, which it calls the Heartland PayDay Visa card. It's branded with the Visa logo and marketed to small and medium sized businesses (see "Wage Earners and Employers Find Benefits in Payroll Cards," The Green Sheet, April 14, 2003, issue 03:04:01).

Secure Payment Systems recently introduced its enCASH Access card, a PIN-based ATM and POS debit card that can also be used for domestic and international card-to-card electronic funds transfers to replace more traditional funds transfer methods such as with Western Union wire transfers (see "Secure Payment Systems Unveils New enCASH Access Card," The Green Sheet, Nov. 8, 2004, issue 04:11:01).

With payroll cards, ISOs/MLSs earn revenue from the

fees charged to the employer, merchant and payroll cardholder.

"Every time the card is used, a small fee is charged; there are fees charged when the card is loaded, when it is redeemed or when cardholders withdraw funds," Eazell said. "Set up fees for each employee or retailer can be marked up or passed through, too."

Even with all the fees, many employers find payroll cards, where funds are delivered electronically, a less expensive option than issuing paper paychecks, which are expensive to print, mail or replace.

Financial Insight's McPherson said, "payroll and benefit cards represent the largest market opportunity in the United States, an estimated \$175.1 billion in payroll and benefit card volume in 2008."

For ISOs/MLSs, these cards create tremendous opportunities, and there are many processors and providers of prepaid cards and services looking to work with sales reps. Just a few of these include:

Blackstone; Business Payment Systems; EWI Holdings; First Data's ValueLink; Genpass; PRE Solutions; Prodigy Prepaid Solutions; Q Comm International; Radiant Telecom; Secure Cash Network; Secure Payment Systems; Tendercard; Touch n Buy; TSYS Inc.; United Merchant Services' Flex Gift; Valuetec; and WildCard Systems.

Look for a future article in The Green Sheet about regulatory issues surrounding prepaid/stored-value cards.

Other research to consider:

- Conference Summary, "Prepaid Cards: How Do They Function? How Are They Regulated?" Mark Furletti, Federal Reserve Bank of Philadelphia (www.phil.frb.org/pcc/papers/Prepaid_Cards.pdf)
- "Prepaid Card Markets & Regulations," Mark Furletti, Federal Reserve Bank of Philadelphia (www.phil.frb.org/pcc/discussion/feb_04_prepaid.pdf)
- "Stored Value Cards: A Scan of Current Trends and Future Opportunities," Kathy Jacob, The Center for Financial Services Innovation (www.cfsinnovation.com/managed_documents/storedvaluecard_report.pdf)
- "Payroll Cards and Benefit Cards: The Opportunity for Banks," Aaron McPherson, Financial Insights, September 2003 (www.financial-insights.com)
- "Stored Value Cards: A Tale of Two Markets," Aaron McPherson, Financial Insights, July 2004 (www.financial-insights.com)





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Wondering what to give your merchant prospects for the holidays? Especially the ones who've been telling you "maybe" for months, but have not yet agreed to sign on the dotted line?

Hampton, N.J.-based United Bank Card (UBC), a payment and transaction processor, has the perfect gift for those merchants *and* for you, an ISO/merchant level salesperson (MLS): free equipment!

As part of a new program UBC rolled out on Nov. 22, 2004, the company now provides Lipman NURIT 8320 terminals free of charge to its ISOs/MLSs, who can then turn around and offer the product free of charge to their prospects. "We're the first processing organization to go nationwide with a free equipment program," said Jared Isaacman, Chief Executive Officer of UBC.

"All of our ISO and MLS partners now have the ability to sell two to three times the number of merchants, thereby increasing their overall portfolio dramatically."

Isaacman said UBC's program is very similar to one offered by a cable TV company or wireless cell phone company in that the "box" is free in exchange for the service.

He also said there are no hidden fees or long-term contracts as part of the deal.

UBC will pay ISOs/MLSs an additional \$100 up-front bonus per merchant application to counteract the loss resulting from giving away the terminals, which ISOs/MLSs usually sell or lease to merchants.

The NURIT 8320, ideal for small and medium-sized businesses, is an all-in-one POS terminal that supports credit and debit, loyalty, gift and proprietary cards and enables value-added applications such as prepaid services. It includes a secure internal PIN pad, a high-speed modem and a thermal printer.

UBC also offers a free Ingenico eN Check 2500 check reader and a free e-Pad signature capture system, which provides merchants with a full payment solution.

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ATMs, Kiosks May Move Toward the Middle

By Ann All, Senior Editor

ATMmarketplace.com

This story was originally published on ATMmarketplace.com, Nov. 2, 2004; reprinted with permission. © 2004 NetWorld Alliance LLC. All rights reserved.

If ATMs and kiosks are "cousins if not brothers of each other" as Mike Lee, Chief Executive Officer of the ATM Industry Association recently said, why haven't the two industries experienced a closer kinship?

The two terminals share similar footprints, functionalities, and, in many cases, overlapping audiences for their services. It's not unusual to find an ATM and one or more kiosks offering services like phone cards or ticket purchases in a single location.

Yet with the notable exception of 7-Eleven's Vcom, which offers check cashing, money order purchases, bill payment and even electronic shopping in addition to cash dispensing via a single terminal, few ATM/kiosk combos exist in today's market.

The Challenges

Hamed Shahbazi, CEO of software developer and kiosk deployer Info Touch Technologies, said it's traditionally been difficult to offer more complex transactions at ATMs because few of the machines, especially those in retail locations, currently run a Microsoft Windows-based operating system.

Touchscreens on ATMs are also relatively rare and cash acceptors virtually non-existent. ATM manufacturers serving the retail market have resisted adding such features because they drive up the price of machines in a highly cost-conscious environment.

"You can't drive acceptance of a product like prepaid phone top-ups at ATMs without a cash acceptor because the primary audience for that product is still people without bank accounts," Shahbazi said.

Info Touch offers prepaid wireless and long distance, prepaid WiFi, bill payment, money order purchases and money transfers at some 200 kiosks it owns and operates at Circle K stores. Info Touch also has deals to deploy 35 of its multi-functional kiosks at gas station/c-stores owned by Mac's and Exxon Mobil.

A bigger issue than hardware or software limitations at ATMs, said Shahbazi, is a narrow mindset among both deployers and vendors.

"Skeptical energy runs quite high," he said. "Many people in the ATM industry don't believe that other opportunities can generate revenue. They've monetized one (cash dispensing) application to death, and now they find themselves in a position where it has become so diluted that they've got to start thinking about 'what else can we do on these things?'"

Vendors have taken a largely ad hoc approach to adding new applications to ATMs, Shahbazi said. "They haven't developed strategies or made any real attempts to promote new services." At Circle K stores, Info Touch positions display screens promoting the services offered at its kiosks in high-profile spots near the cashier's till.

While Shahbazi believes "a kiosk developer's mentality lends itself better to creating new applications," he acknowledges that few kiosk business models to date have achieved the mainstream success enjoyed by the ATM. "The kiosk industry needs to find that sweet spot. The ATM has lived in that sweet spot for years," he said.

Keeping It in the Family

The upstart kiosk business will mature more quickly if it works with its older and more conservative sibling, Shahbazi said. "It's important for companies like us to have an ATM solution. We can penetrate the big guys like Circle K, but so much of the c-store industry is small mom-and-pop operators who can't afford to give up the floor space for two terminals."

Info Touch partnered with Texas-based Financial Payments and First Data Retail ATM Services to demonstrate a bill payment application on a Tidel ATM at the recent NACS Show in Las Vegas.

"We don't claim to be ATM experts; we took advantage of their incredible wealth of ATM knowledge to offer the ATM part of the equation," Shahbazi said, adding that InfoTouch hopes to help bridge the gap between the two businesses.

"We'll be pushing them hard to talk about things like cash acceptance," he said. "I think they'll come around. After all, people were initially skeptical about the retail ATM industry itself."

Scott Holt, a Product Marketing Manager for Tranax Technologies, said the ATM is a logical host for new transactions, especially those of a financial nature, because of its longer history with consumers. "Consumers trust ATMs. I don't believe they have the same public perception of security yet about kiosks."

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Feature

That's the Ticket

Tranax plans to begin piloting ticketing sales with theater chains and other venues toward the end of this quarter, using its new Ticketing Self-Service Terminal (SST), a combination of its Mini-Bank 2500 with a sidecar attachment configured for dispensing tickets.

It's a complementary transaction because "we're not trying to redefine a market," Holt said. "When you go to a theater, you already see an ATM on one wall and ticketing kiosks on the other."

The machine runs Windows XP with a layer of middleware, which Holt said makes the integration of the theater chain's proprietary ticketing software "relatively seamless." Integration becomes somewhat more complex when non-ATM applications require the use of the

ATM's cash dispenser, card reader or other components.

Internal beta tests have proceeded "better than expected," Holt said. "We're not just testing the technology, but the whole process."

Tranax also will soon launch tests with Livewire, a company that drives about 100 kiosks selling ski lift tickets at sports outlets and supermarkets in Colorado, Vermont and other states.

Charles Caserta, President of Livewire, said that his company shies away from the terms "ATM" and "kiosk," preferring the broader "self-service terminal."

Echoing Info Touch's Shahbazi, Caserta said, "the chasm between the ATM and kiosk industries is more cultural and emotional than it is commercial." Caserta has logged

more than 20 years in the EFT business, most notably as a former principal of IFS International, a developer of ATM transaction processing and other financial services software.

Argument for Convergence

The kiosk industry is eager to align itself with the ATM industry because of its successful penetration into high-traffic retail locations, Caserta said. Many locations would prefer to offer several services at a single terminal.

"If you put in an ATM and a kiosk, you're going to spend \$5,000 on one and \$7,000 on the other. You'd be better off with a single terminal that costs \$10,000 and takes up less floor space."

Many consumers purchasing tickets will likely also withdraw cash, he said. "We've got people bringing ice



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Feature

chests to fill to spend the day at an amusement park or a ski resort. Chances are, they're also going to do a cash dispense."

In addition to technologies like Windows-based platforms, which make it easier to offer services such as ticketing at ATMs, Caserta said ISOs that place machines in retail sites are now more open to considering new business models.

"For a while now, they've been saying 'I'm not making as much money. I need to get a cheaper machine.' So they're all fighting over price and eating their young," he said. "Offering new services is a way for them to differentiate themselves."

Tranax's Holt said that part of the challenge will involve educating the sales channel, which will need to interact not only with the manufacturer and the site owner but with partners like Livewire. "It's contingent upon us to



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Since January, Regal customers have conducted more than 200,000 cash transactions and purchased more than 1.2 million movie tickets at the machines, which the chain calls customer activated terminals, or CATS.

educate them on these new relationships and what we can do to make them work."

That's the Ticket II

Regal Entertainment has installed some 260 Fujitsu 8000 Series terminals that dispense both cash and tickets in its movie theaters this year and has plans to add 250 more in 2005, said J.E. Henry, the chain's Chief Information Officer. The new terminals will replace 280 ticketing-only kiosks previously used by Regal.

Since January, Regal customers have conducted more than 200,000 cash transactions and purchased more than 1.2 million movie tickets at the machines, which the chain calls customer activated terminals, or CATS. Regal uses Alliance Services to replenish cash and eFunds to drive ATM transactions, and its own back office handles tickets. The terminals use IP connections via Regal's frame relay network.

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The terminals feature the ability to self diagnose first-line service issues such as a printer low on paper or a dispenser low on cash and notify the appropriate personnel via e-mail. Fujitsu technicians are dispatched to the site for more complex problems.

The \$2 convenience fee that Regal collects for cash withdrawals offsets costs of offering the ticketing service, Henry said. "We serve approximately 250 million customers a year in our theaters. Many of them welcome the opportunity to get their cash in a safe environment."

While there were some initial challenges with the project, Henry said they were resolved quickly. Fujitsu replaced its usual printer with a much faster model from Boca Systems to handle the demanding ticketing application and added a receptacle to "catch" tickets when multiples were dispensed. Regal switched from its original armored carrier to Alliance.

Henry said Regal and Fujitsu will add new functions to the terminals soon, giving consumers the ability to obtain tickets purchased earlier via ticket seller Fandango's print-at-home capability and to purchase gift certificates. The terminals will also automatically dispense items like vouchers for free concessions for members of Regal's Crown Club, a program that rewards moviegoers for frequent attendance.

A new Crown Club twist, Henry said, will be to provide points to Regal Crown Club members for purchases made via Fandango, or for cash withdrawals from the terminals.

Labor reduction was not part of Regal's original ROI model but may eventually be added, Henry said. "Over time we could move to self-service devices rather than employees selling tickets, with a customer service center to offer assistance. As we all know, labor is expensive."

"The sky is the limit in terms of what you can come up with to do at machines like this," he said. "Any retail business with a lot of foot traffic that sells gift cards could make back the money it spent on a terminal almost immediately."

Going Postal

The U.S. Postal Service has installed nearly 2,200 Wincor Nixdorf terminals it calls Automated Postal Centers (APCs) at its branches since April. The total will reach 2,500 later this month, said Michael Adams, USPS' APC liaison.

The ProCash 1500 machines do not dispense cash, but are outfitted with sidecars that include a scale for weighing packages and a label printer. Another printer inside the safe allows customers to print out postage on special

stock. A third printer dispenses standard transaction receipts.

Customers can perform 80% of the transactions available to them behind the counter at an APC, Adams said. "Moving the less complicated transactions away from the window allows our sales and service associates to offer better service to the customers with more complex transactions at the counter."

The APCs accept credit and debit cards for payment. Because of theft and vandalism concerns, Adams said the USPS does not plan to add cash acceptors to the machines.

The USPS opted not to offer cash dispensing at APCs because "it's outside of our core business," Adams explained. "Our job is to move the mail as efficiently as possible. Consumers don't expect to come to a post office and get cash out of an ATM."

Following a three-month market test with 30 prototype terminals in Orlando, Fla., in 1999 and a four-year post-market test with 16 terminals primarily in Florida, the USPS selected sites with high revenues and heavy usage of credit and debit cards for APC installations.

Working with IBM, its back office partner and provider of the proprietary POS1 software used at point-of-sale terminals in USPS branches, the USPS tweaked the user interface of the APC software to make it as user friendly as possible during tests, Adams said. The POS1 software was integrated with Wincor's ProClassic platform.

"Once you are operating in a full-blown PC environment, anything is doable from a software perspective," said Saul Caprio, Wincor Nixdorf's Director of U.S. Business Development. "It's just a question of spending the time and effort to do it."

Postal employees provide level 1 service, such as clearing paper jams and replenishing stock. They also can swap out 13 components that can be removed without tools. More advanced repairs are handled by IBM.

Adams said consumers have performed 8.1 million transactions at the terminals since April, exceeding original expectations. The USPS expects usage to "go through the roof" during the busy holiday season.

"We timed this great," he said. "Customers are more used to doing self-service transactions at grocery stores, airports and other places. It's not a stretch for them to walk into a post office and see self-service technology." 

Original article: www.atmmarketplace.com/research.htm?article_id=21167&pavilion=111&step=story

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Cyber-Extortion: Web Sites Pay Up or Shut Down

The Internet makes many things in life easier. Add extortion to that list. In a new version of blackmail tailor-made for the information age, Web sites of businesses ranging from online casinos, satellite TV companies, payment processors and gateway providers are hijacked by thousands of "zombie" computers.

These computers, also known as "bots," bring down the sites through "distributed denial of service" attacks, or DDoS.

To understand how zombie computers are created, think "Invasion of the Body Snatchers" or "Night of the Living Dead." Worms, viruses and other security exploits released by a hacker infect unprotected computers. Like an evil puppet master, the hacker then has control of hundreds, even thousands, of computers.

When the hacker decides to attack a particular site, he commands his zombies to use their total bandwidth capacities to bombard that site, making it inaccessible to customers, who are greeted with a denial of service message.

Essentially, the armies of bots shut down the appropriated Web sites. What makes the attacks different from other types of security breaches is that they're carried out not merely for the thrill of the hunt, but for financial gain.

The attacked businesses begin to receive e-mails demanding payment in order for them to resume conducting business. For some, that has meant coming up with large sums of cash for ransom.

It's almost impossible to trace the origin of the command to attack because there are so many bots pummeling the sites. It's nearly impossible for the hijacked sites to

block the attack, also because of the number of bots; there have been incidents in which up to 120,000 bots were directed in a single attack.

While some experts say this new brand of extortion is growing, there is no definitive agreement on the size or scope of the problem.

Anti-virus software developer Symantec released its bi-annual "Internet Security Threat Report" in September 2004. The report found that 4,496 new Windows viruses and worms were released between January and June 2004, but that the daily volume of attacks from worms and viruses actually decreased.

Nearly 39% of the total volume of attacks was linked with Web applications; Symantec classified almost 82% of Web application vulnerabilities as easy to exploit.

That's not the scariest part. The daily average number of bots jumped from 2,000 to 30,000, and the number of variant bots increased 600% in the first six months of this year. Bots spread through peer-to-peer services, Internet relay chat and network file sharing. Adware accounts for half of the malicious code submissions, according to Symantec.

As with phishing and identity theft, incidents of cyber-extortion are increasing across e-commerce, which the Symantec report cited as the industry targeted most often, with 16% of all attacks directed against it.

When companies such as payment gateways or processors are targeted, many other sites belonging to their customers, merchants or subscribers are also affected.

Awareness of online extortion is increasing, however; it's been discussed recently on The Green

Sheet's MLS Forum, as well as in articles online and in newspapers around the country, including on the cover of "The Wall Street Journal."

One Louisville, Ky.-based ISO was not eager to speak with The Green Sheet about his experience as a victim of cyber-extortion. But the FBI is investigating his claim that his Web site was brought down and held for \$10,000 ransom in April. Because he refused to pay, his site stayed down for over a week. He said he doesn't know why his business was targeted and doesn't want any further publicity around the incident.

Bots also targeted Authorize.Net. Glen Zimmerman, a spokesman for the payment gateway's parent company, Lightbridge Inc., said the DDoS occurred in mid-September and caused "modest disruption" of service. "We took some paramount measures to the infrastructure to thwart that attack and any further attacks," he said. "We're operating without issues." This was the first such incident in the three years he's been with the company, he said.

Who's responsible for the attacks varies by situation. Eastern European organized crime; corrupt vendors who sell software solutions to prevent denial of service attacks; and disgruntled businessmen using hackers-for-hire to seek revenge when deals go bad have all been implicated in online extortion cases.

Many people feel the situation will get worse before it gets better. Unwitting consumers with high-speed broadband Internet connections don't realize their home computers are just ripe for the plucking. And, as zombie technology gets more sophisticated, 20,000 bots can attack one site and be instantly redirected to attack a different one; 20,000 can easily increase to 100,000 or 1 or 2 million. 

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Asleep at the Wheel

I recently flew to Los Angeles on a business trip to visit the offices of one of our sales partners. Upon leaving the airport, I jumped into a limo. The driver, who was a very nice guy, informed me he was an independent operator who owned and ran the limo service.

When he dropped me off at my meeting, he took my credit card information using an "old-school" knuckle-buster. I didn't think much of it at the time, especially since I was running late for my appointment.

The following morning he picked me up for my next appointment. When we arrived at the location, I handed him my credit card. This time he swiped it through a Cardservice International wireless terminal. This stopped me in my tracks, so I asked him about the terminal and the processing agreement.

He told me the terminal had been delivered to him the night before. He had signed a \$69.95 per month lease for 48 months with a Cardservice rep who, clearly, was on his toes. It all made me feel ridiculous.

There I was, riding in his limo for two days, and someone else made a sale right under my nose. Funny, yes, but not "ha-ha" funny, if you know what I mean.

There I was, Mr. Bankcard, Mr. "Street Smarts," asleep at the wheel.

If this could happen to me, I thought about others to whom it might have happened. Upon my return, I posted the following on The Green Sheet's MLS Forum:

"Have you ever been 'asleep at the wheel' and lost a sale? Have you ever realized you could have signed a merchant after someone else beat you to it?"

"Share your experiences here, and I'll include them in my next 'Street Smarts' column, which will open our eyes to missed opportunities!"

The responses posted on the MLS Forum showed me I wasn't alone in my embarrassment. Here are a few:

"I just plain forgot about fleet cards recently and walked away from one. WEX, Voyager and others, although we don't make anything off of them, [help to] close sales in petrol[eum]."

"I actually had a convenience store that was not taking them. Sold diesel and everything else. I did the best I could. He would not close. I followed up a few days later. The next guy, though, remembered the fleet cards." – bankcardrep1

"There is a furniture store 1.5 miles from my house. I drive by it at least six or seven times per day. A very good friend of mine owns a competing ISO. One of his sales reps set up an appointment with them. The rep leased them 10 wireless units, and they process more than \$500,000 per month.

"That store is not impressive when seen from the outside, but they have a nationwide customer base and a multi-state delivery service. I have to drive by this place every day. It kills me to look. I should have pursued this merchant. I was lazy. It was my failure." – George C

"I had been in the industry for six months (over seven years ago now), and the plant nursery that we actually used for some of our landscaping and that I live almost right across the street from was not set up [with credit card processing]. I did talk with them, but because it was a neighbor, I gave them a 'soft sell.'"

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"Needless to say, I didn't close the deal.

"I didn't really even think about it much until one day, after a long hard day of pounding the pavement, I returned home only to be greeted by a large metal MasterCard/Visa sign.

"I couldn't believe it. It was a pivotal point in my career. I realized that there was actually a bankcard rep that could present and/or close better than me.

"From that day forward, I decided to hone my skills, study my craft and become stronger, brighter and all around better.

"I found out it was much better to bring the merchant to a decision on the spot. If not, while they're "thinking it over" some other agent could walk in and close the deal!"
- SalesAMS

I'm sure there are many more similar stories from your experiences as merchant level salespeople (MLs) out on the street.

Just think of all of the phenomenal opportunities we miss out on because we're sleeping at the wheel. For all of you snoozing, this is your wake up call.

Consider the advice that I and other industry experts have given you this past year in "Street Smarts." We've talked about using the contract as a foundation, choosing the right compensation plan, generating leads, reaping the benefits of value-added services, effectively selecting partners and getting involved in the industry, to name a few.

Have you pulled your contract out of the drawer and sent it to your attorney for review? Have you set aside at least one hour a day for generating leads?

Have you researched a new product and added it to your sales toolbox? Have you re-examined your vendor and ISO partners? Have you attended a regional association or Electronic Transactions Association (ETA) event this year?

If the answer to any of these questions is "no," then get up out of your chair and take some action!

For those of you who are wide awake, you probably already enjoy the success of that action. Congratulations. For those of you who are dozing, it's time to dig deeper.

Start with an online review of past "Street Smarts" columns at www.greensheet.com. Then, talk to the electrician or plumber who comes to take care of your next home repair. Walk into that store that you drive by every week and sell your services.

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Chat with the cabbie you meet during your next taxi ride.

Remember my closing technique from Alec Baldwin's scene in the movie "Glengarry Glen Ross": Always Be Closing? Well, in this lesson, it's Always Be Selling!

How do you sell effectively? Ask a lot of questions. Get started by asking everyone you come in contact with (who accepts credit cards) the following simple question: "Who do you use for your credit card processing service?"

If you prefer, simply walk over to the POS terminal and check out the stickers on it. Walk away with the information, and call the owner back later.

We are all consumers. We visit doctor, dentist and chiropractor offices, auto dealerships, auto repair shops, beauty and nail salons and restaurants, and all types of other retail stores.

Take a look at your credit card bills. You'll see how many different places you spend money. It's a great hit list. The pitch is an easy conversation to start since you're face to face with the owner/manager at the time you're spending money.

If you want to contact them by phone, start the conversation by saying, "I was just in your place of business last week and confirmed with (XYZ person) that you process with [insert bankcard provider]."

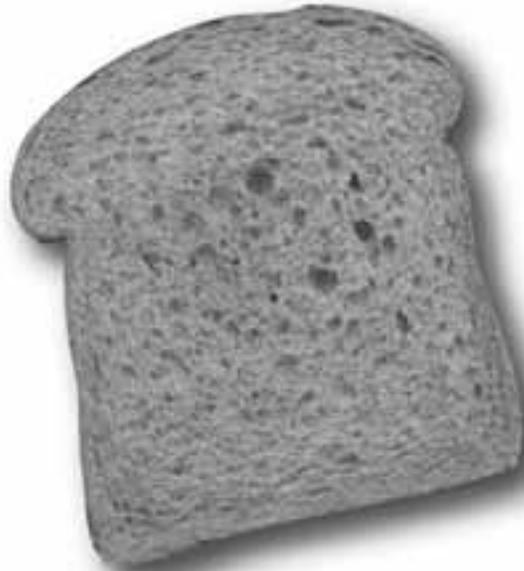
"I want you to know that my company provides that same exact service, and I'd like an opportunity to review your credit card processing statement to determine whether we can save you some money on your credit card processing fees."

Anyone capable of reading this article has the potential to write one more deal every day by following my advice. Let me translate how much money this can mean for you.

Worst-case scenario, you'll only write one additional deal per day. That's about 20 more deals each month. At the end of 12 months, you'll have more than \$7,000 in additional, residual commissions. And, if your compensation plan includes at least a \$100 upfront bonus, you can earn another \$24,000 that year in upfront production bonus payments.

Finally, think about the referral system you can create from the people with whom you already do business. It will be much easier to get referrals from them. You see them all of the time. You're their customer, and there's no better place to get referrals.

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Everyone who submits a story will receive a one-year paid membership to the National Association of Payment Professionals (NAOPP). Each month, we'll also award the writer of the best story paid registration fees to either an ETA Expo Network or one of the regional acquirers' association meetings. (For a list of upcoming events, review the Trade Show Directory on GS Online at www.greensheet.com/tradeshows.htm .)

For the best overall story received in 2004, we'll award the winner a fully paid trip to the 2005 ETA Annual Meeting and Expo to be held March 15 – 17 in Las Vegas. Expenses to be paid include hotel, airfare and registration fees. 📧

My next column will focus on another hot issue. Watch for my next post on the MLS Forum.

As always, please send your comments on this and any other topic to streetsmarts@totalmerchantservices.com . Your continued support is much appreciated. 📧

**"In order to be walked on,
you have to be lying down."**
- Brian Weir

See you next time where the rubber meets the road.

Ed Freedman is founder and President/Chief Executive Officer of Total Merchant Services, one of the fastest-growing credit card merchant account acquirers in the nation. Freedman 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 Freedman directly at ed@totalmerchantservices.com .

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Education (continued)

Tips on Fraud Prevention for Your Merchants

By David H. Press

Integrity Bankcard Consultants Inc.

For the holiday season, which is also a slow season for new merchant applications, I thought it would be timely to provide you with some tips for preventing fraud and chargebacks to share with your retail merchant customers.

Whenever I use a credit card to make a purchase, I see that most merchants do not follow all of the proper procedures to protect themselves from fraud and the potential of needless chargebacks.

Following are steps that merchants should take whenever they accept a credit card:

1. If a photograph of the cardholder is present on the card, merchants should compare the photograph on the card with the person presenting the card.
2. Merchants should check cards for the hologram. A hologram is a three-dimensional symbol in either gold or silver foil that is designed to help deter counterfeiting.

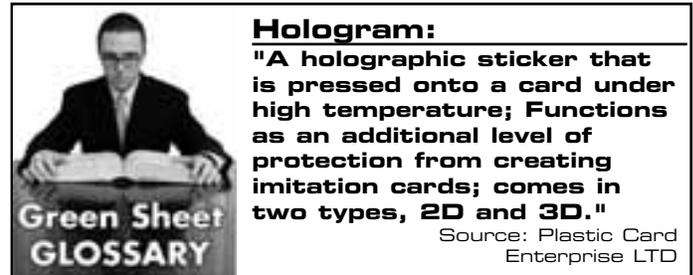
The image should reflect light and appear to move when you tilt the card. *(Note: The Visa hologram is an image of a dove; the MasterCard hologram is an image of a world map.)*

3. Merchants should check cards (including the signature panel) to see if they have been altered.
4. Merchants should check the valid date (some cards have this feature, where the card is not valid until the date shown) and the expiration date on the face of the card.

If the card is not yet valid or expired, the card acceptor should not accept the card and should instead ask for another form of payment. *(Note: Cards are valid through the last date of the month.)*

5. For each card type, merchants should be aware of the first four digits and the total number of characters. *(Note: A Visa-branded card number begins with a "4" and has 13 or 16 digits; a MasterCard-branded card number begins with a "5" and has 16 digits.)*

Merchants should check the first four digits of a card.



For Visa and MasterCard cards, the first four digits of the embossed card number must match the four digits printed above or below that number on the front of the card.

6. The account number on the front of the card should match the number printed on the back of the card in the signature panel.

For Visa, American Express and Discover, merchants should compare the entire account number imprinted in the signature panel with the embossed account number on the face of the card.

For MasterCard, merchants should compare the four-digit truncated account number imprinted in the signature panel with the last four digits of the embossed account number on the face of the card.

For example, MasterCard rules dictate that merchants must contact their acquirer for instructions if:

- a. Merchants believe there is a discrepancy in the signature;
- b. The last four digits of the embossed account number do not match the four-digit truncated account number on the signature panel or displayed on the terminal; or
- c. The photographic identification is uncertain.

If any MasterCard-branded card does not have a MasterCard hologram on the lower right corner of the card face, merchants must confiscate the card and contact their acquirer's Code Ten operator for instructions on card pick-up and mailing.

7. Merchants should attempt to swipe every card through a POS terminal. If the terminal cannot read the card, merchants should take a manual imprint of the card. When using a manual imprinter, merchants should check the draft for a clear impression of the card.

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This will ensure that they have captured the embossed card account number. Merchants should complete the draft with the date, description of merchandise/service, sales tax, total dollar amount and authorization number, and get a signature.

- 8. Merchants should never allow customers to tell them how to "get the transaction to go through" (i.e. by doing a ticket only transaction without getting an authorization). This will result in a chargeback, and these customers will have "stolen" or obtained items for free.
- 9. Merchants must obtain customers' signatures. The signature on the draft must match the signature on the back of the card.
- 10. If a customer's card is unsigned, merchants should request another form of identification with a photo and signature. Merchants should request that customers sign their cards and then compare the two signatures.

If customers refuse to sign, merchants should inform them that they are unable to accept an unsigned card for payment and then request another form of payment. The rules dictate that card acceptors must not complete the transaction if cardholders refuse to sign the card.

Both Visa's and MasterCard's Web sites provide materials designed for merchant use and offer tips on what merchants can do to prevent fraud:

http://usa.visa.com/business/accepting Visa/ops_risk_management/fraud_control_basics.html

www.mastercardmerchant.com/preventing_fraud/index.html

These sites also serve as a valuable resource for finding answers to questions asked by your merchants.

You should be familiar with the information on these sites, refer your merchant customers to them, or use the information provided to walk merchants through the process.

Best holiday wishes to all of The Green Sheet's readers.



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

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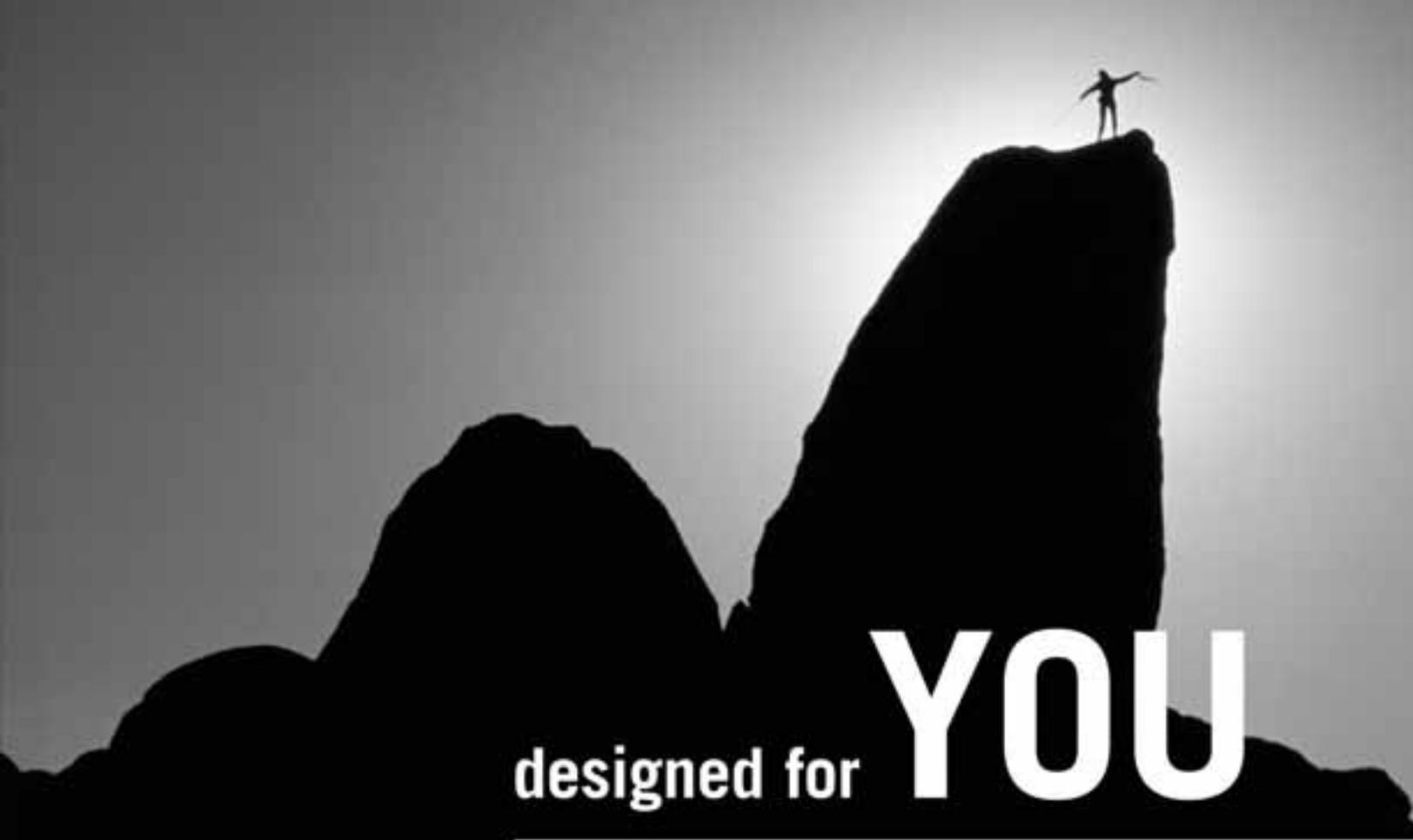
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Education (continued)

Underwriting in Today's Credit Card World

By Chris Hester

Electronic Exchange Systems

Many of you might be wondering, "What exactly does an underwriting department in the credit card industry do?"

Well, I'm glad you asked.

The underwriting department works in conjunction with the risk department to assist in identifying risk exposure for the prevention of losses. It also retains and services a customer base.

Merchant underwriting and approval policies help control credit risk. Underwriting guidelines are based on a number of factors, including past experience, industry trends and forecasts, and information from law enforcement and other security organizations.

These guidelines, or policies, also outline and list what information merchants need to provide for the merchant agreement.

Today I will share with you some of the issues and concerns we face on a daily basis in underwriting and how I feel we must adapt to not only thrive but also survive in the industry today.

Internet Fraud

According to CyberSource Corp.'s sixth annual survey of online fraud, losses due to fraud will total \$2.6 billion in 2004 for Internet merchants. That number is 37% higher than last year and smaller merchants will suffer the most.

The survey also casts light on other costs of fraud, including the loss of legitimate orders rejected on suspicion of fraud.

Rejection rates this year are almost 6%, up from 4.6% in the 2003 survey. This increase implies that merchants reject more than four orders for every one on suspicion that it is actually fraudulent.

Fraud management, especially manual review, is also sapping merchant profits.

In underwriting we have to be constantly cognizant of fraud attempts. Every single merchant application

received has the potential to damage a company through fraudulent activity.

Some obvious examples that we see almost on a daily basis include (to name only a few):

- Credit repair
- Pyramids and multi-level marketing
- Charity scams
- Work-at-home scams
- Travel fraud

More than ever, many credit card processing accounts are set up with the sole intention of committing fraud and reaping financial reward. If not detected, these accounts can lead to potential financial ruin for all parties involved.

Identity Theft

Identity theft struck 9.9 million Americans and cost businesses and consumers almost \$53 billion last year, according to a recent Federal Trade Commission report.

Only five years ago identity theft was a street crime. Somebody would steal your wallet or look over your shoulder at an ATM to get your PIN. But using the Internet, criminals can now access thousands of identities and disperse that information to an organized network of criminals.

Recently, identity theft-related crooks have widened their scope to add credit card processing companies to their list of potential victims.

The following is a typical scenario for this type of crime: Criminals obtain stolen identity information. They open up a merchant account and process stolen credit card numbers through the account.

After they reach the dollar amount they have designated as their "target" amount, they typically vanish and are nearly impossible to locate. Stolen personal information, such as Social Security numbers, are also used in similar scenarios.

Protecting Ourselves

I conclude with the question, "How do we protect ourselves?"

In my opinion, the key factors for doing this involve



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awareness, which stems from constant and consistent training, and open communication between all departments and processors within the industry.

Online Resources to Combat Fraud

The Internet has become a vast resource for not only generating fraud, but also for helping to protect ourselves and our businesses from fraud.

Some free online resources that are extremely useful in the fight against fraud include:

- Black Book Online (www.crimetime.com/online.htm)
- Rip-off Report (www.ripoffreport.com)

Some subscription services that help to better equip our industry to combat crime include:

- Accurint (www.accurint.com)
- LexisNexis (<http://lexisnexis.com>)

Search engines are also useful tools for identifying fraud and/or deception:

- Google (www.google.com)
- Yahoo (www.yahoo.com)

We must continually find balance in being overly cautious and providing quick turnaround time frames for approving new merchant accounts.

Our industry is highly competitive, and the focus on speedy merchant account approvals increases daily. In a processor's underwriting department, hands shuffle stacks of paper and type feverishly at keyboards. And the department fields demands coming in from all directions.

However, we must constantly remind ourselves that the less aware we allow ourselves to become the easier target we will be to criminals. The onus is on us to create and maintain this balance. ■

Chris Hester is Production/Underwriting Manager 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, visit www.exsprocessing.com or e-mail Chris at chrish@exsprocessing.com.

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IndustryLeader

Randy Sagar

In His Opinion, Change Is a Good Thing

Randy Sagar's enthusiasm is contagious. Maybe that's because he's not shy about showing it. When he talks about his job, the people he works with and the new direction his company is headed following one of the biggest mergers in financial services in 2004, he's very animated.

In a conversation with Sagar, it's hard not to get excited about all of it right along with him.

He likes to talk about what's ahead, rather than accomplishments he's made throughout his career and the events that have propelled him to where he is today. It's the potential for doing things better in the future that seems to energize him, and he passes that on to those around him.

As Senior Vice President of Regional Sales for National Processing Inc. (NPC), Sagar oversees a network of 100 independent sales offices and an additional 1,200 independent agents in the sales program.

Those include all ISO programs across the country, and NPC's subsidiary Best Payment Solutions. NPC also has an agreement in place to continue servicing accounts for former owner National City Corp.'s branches for 10 years.

Sagar's style is hands-on, and he never forgets what it's like to be out there selling every day: He still has the most fun when he goes out on sales calls with reps, which he does at least once a month.

"I know sales and managing sales teams," he said. "I'm very appreciative of the sales rep. A lot of folks who get to my position forget about that."

He said that his success and longevity in financial services are due in part to his affinity with sales agents. "Other organizations start with financial departments and build their sales programs on down from there," Sagar said.

"By the time it reaches the rep level, who are the ones going out and selling goods and services to merchants, the program doesn't work.

"I love to work with reps, to understand what's working from a field perspective and how business is done at the

street level. From there, you adjust present and future programs.

"I build my sales programs from the ground level up, with the representation or ISO in mind. If you design a program that doesn't work for your representation, it doesn't matter what you're selling. You're going to fail at the end of the day."

And Sagar has sold a variety of products throughout his career. Before he joined the payments industry 12 years ago, beginning in the late 1980s, he worked with a marketing firm that sold "tangible" products, as he called them, including furniture and sporting goods. Eventually he was based in Kentucky and running a 10-state territory that covered the middle of the country.

Because many of his customers were retailers, he had plenty of merchant contacts when he met one of the principals of an ISO/processor called Financial Alliance, who insisted that Sagar would be a great fit with his organization and with selling credit card processing. NPC bought Financial Alliance after Sagar had been there about a year.

"I took a chance, and it worked out well," he said. "I landed a few large merchant accounts and they said, 'Maybe this guy can sell. How would you like to run our ISO program?' I said, 'Gee, that would be great. What's an ISO?'"

Needless to say, Sagar went through a learning curve, but from his experience with the marketing firm, he was already familiar with the structure of organizations that dealt with sales agents and representatives.

"There are certain rules of thumb you have to adhere to regardless of what type of sales you're dealing with or managing," he said. "I've carried that over from the first piece to the second piece."

Establishing long-term relationships, too, has afforded Sagar a unique view of the business. "I've done business with a lot folks for 10, 11 years now, and I know a lot about my ISOs and their companies, families, hobbies and interests as well as their concerns for the business and over issues happening in the marketplace," he said.

Sagar's preference to look forward served him well when

IndustryLeader

"Bank of America is acquiring something they don't do today. It's a vehicle for them to play in a space they're literally not playing in and gives their whole card business some definition.

"We're already national in scope and have a large ISO program in place today. It's not so much a matter of expanding as it is what we're going to do to make our program stronger and into the premier ISO program that people gravitate to."

- Randy Sagar

the announcement came in July that Bank of America would acquire NPC from National City.

There's always trepidation around change, and a big one like this, possibly affecting hundreds of people and their livelihoods, has a ripple effect. But with someone like Sagar to assuage fears and put people at ease, things tend to go smoothly.

A man who prefers to look ahead is the ideal candidate for the job of developing the ISO channel following the merger. "When the proposed acquisition was announced, many people called wondering if I was going to stay," Sagar said. "They commented that no large bank had ever been successful with an ISO program.

"This is a very exciting transaction," Sagar said. "This is a great opportunity not only for myself, but the ISO teams I've directed for years, to redefine the space we're in. I love what I'm hearing from the Bank of America side about how they're going to help me with the ISO program. They're asking the right questions and listening to the ISO team."

The consolidation of Bank of America's Merchant Services unit with NPC will impact the acquiring landscape. The new company, called BA Merchant Services LLC, merges the second largest card processor in the world with the third largest bank in the United States. The new entity is expected to process more than \$290 billion in combined debit and credit transaction volume in 2004. It will rank second among merchant acquirers.

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Bank of America paid \$1.4 billion for NPC. It's a strategic move for the bank, enabling it to compete more effectively in the electronic payments business.

In 2003, NPC processed 4.3 billion transactions worth \$177 billion at 700,000 merchant locations. Bank of America will be able to take advantage of the widespread sales channels and networks NPC already has in place, thanks to Sagar and his team.

The resulting economies of scale will benefit both entities, Sagar believes. "Bank of America is acquiring something they don't do today," he said.

"It's a vehicle for them to play in a space they're literally not playing in and gives their whole card business some definition.

"We're already national in scope and have a large ISO program in place today. It's not so much a matter of expanding as it is what we're going to do to make our program stronger and into the premier ISO program that people gravitate to."

In Sagar's mind, it's all about taking care of the agents; he's been there, and knows from personal experience how important those relationships are. He also understands what the implications are when the winds of change blow through a company.

"The regeneration process of an ISO program is not only a very exciting time, but you're participating in something that has the potential to be very successful for a lot of folks," Sagar said.

"When you're running a program, your scope is pretty far-reaching. It goes all the way down to the rep level and affects the reps' livelihoods.

"I think I'm already ahead of the bell curve and have moved on to how to make the ISO successful. NPC has

been successful and has built a strong foundation because we have a tenured team that's been together eight years. We understand the space as a team and individually, and we help ISOs build a strong foundation for their own businesses by being visionary."

Sagar felt strongly about checking in with NPC's ISO and agent partners on where they stood with the Bank of America merger. When the transaction was announced, he contacted as many people as he could to get their reactions and listen to their concerns. He tried to answer as many of their questions as possible early on.

So far, he hasn't spoken with anyone who thinks it's a bad move or who said that they're going to take their business elsewhere. In fact, he said it's been exactly the opposite.

"Bank of America has given me an avenue; I see that clearly," Sagar said. "Sometimes you get caught in the middle of a transaction and you start struggling with how it's going to affect you individually, the people that you work with and the teams that you direct. But this is a rare instance when the transaction was good for all parties.

Sagar is especially excited about the new opportunities for the ISO/MLS partners who will sell for the new company that Bank of America brings to the table through full service bank products.

And that ties in with Sagar's belief that soon, ISOs/MLSs will need to take a more consultative approach to selling.

"My vision is that [agents] will need to be full-service advisors to the merchants and be able to offer a full suite of services from the bank, as well as those that we're offering today," he said.

"Along with everything they're sell-

ing today, they might be able to offer payroll cards, corporate cards, small business and treasury management products, all the things that merchants really need."

The prospect of creating new possibilities for agents has infused Sagar with about as rosy an outlook as anyone can have. "This vision has gotten me excited again about what the new world could look like."

Sagar doesn't hesitate to credit the people with whom he works with making NPC's ISO partner programs among the best in the business.

"Our tenured team understands the space; we've been together eight years," he said. "You're only as good as the team that's around you, and I've been truly blessed with a great team.

"I think it's very interesting that there are a lot of folks in corporations who are very fearful of putting great talent around themselves because they think they won't shine. I've never adhered to that philosophy.

"The better your team and the better the folks around you, the better your overall situation is going to be. They will force you to be better or you will just be better by interacting with them."

In the end, after mergers are finalized and the dust settles around newly formed companies of all sizes, it really comes down to something that's been the key element throughout Randy Sagar's career in payments.

"The one thing that hasn't changed about the ISO business is that it's a relationship business," he said. "The only thing you have in this business is your word." ■

Contact Randy Sagar by e-mail at rsagar@npc.net.

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Product: MegaNAC 240 Multi-function POS Network Access Controller

When new products are introduced, there's always a lot of buzz around how they've improved on a previous solution or piece of equipment and how they'll enable companies to do business easier and faster. If you want the latest in state-of-the-art products, though, you have to buy them, and that means spending money.

It's not often you find something that fills the faster/better requirement that also keeps the budget in mind.

Hypercom Corp. has leveraged its role as a global payment technology provider to develop and introduce the MegaNAC 240 high-density, multi-function POS network access controller.

As more businesses use the Internet to transmit data, there is increased market demand for affordable solutions, and this one is designed to speed transactions for financial institutions, retailers, service provider and other high traffic transaction-oriented organizations, and significantly lowers the cost per port for both dial and IP transaction networks.

Hypercom said the MegaNAC 240 delivers unprecedented performance, speed flexibility and data capacity to network operators who need to move thousands of transactions quickly, securely and accurately. It integrates a range of telecommunications functions into a single, compact unit designed specifically for dial and IP POS communications.

The transmission of payment data increases exponentially when solutions including EMV, gift and stored value cards, age verification, check conversion and electronic signature capture are widely adopted.

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Hypercom's MegaNAC 240

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MegaNAC 240 can connect directly to the Internet and provides a complete firewall function. It also connects to Hypercom's IN-tact Gateway Converter for TCP/IP consolidation.

The solution also includes transaction management tools such as status monitoring, detailed reporting, configuration management, statistics, alarms and alerts, analysis and remote downloads.

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Kiosk Lets Consumers Pay All Bills All at Once

Company: Transaction Management LLC

Product: "Pay All Bills Here" Self-service kiosk technology

According to electronic payments solutions provider Transaction Management LLC, a study done by Celent showed that 24.1% of U.S. households do not maintain a bank account.

Without a checkbook or online banking account, when it comes time to pay bills, those "unbanked" consumers are spending a considerable amount of time running around taking care of business. But the company's "Pay All Bills Here" kiosk is designed to eliminate much of that footwork for them.

The system involves a self-service terminal similar in appearance to an ATM. Customers of retail locations including check-cashing outlets or grocery and convenience stores can use the terminals to pay bills for local and national service providers such as utility companies and cellular providers.

"Pay All Bills Here" enables merchants to act as payment agents for walk-in customers, who can pay any or all of their bills at the merchant location. There are currently more than 3,000 billers accepting payments through "Pay All Bills Here" kiosks. If a biller is not in the network, the terminal allows the users to enter biller information at the kiosk to complete bill payment.

The system runs on a Web-based tool called EmpaSys, an electronic bill payment solution offered by Security Bank in Ralls, Texas.

Along with the convenient bill payment options the system provides, there are several additional services offered, including the issuance of pre-paid Visa cards, long distance and cellular PIN codes and wireless Internet access.

Transaction Management rolled out the kiosks beginning November 2004 and has orders to place more than 8,000 of the terminals in retail locations throughout the United States and Puerto Rico, including grocery, convenience, pack and mail and check cashing facilities; travel centers, pawn shops and apartment complexes have also placed orders.

Transaction Management markets its solutions through channel partners and referral agents. Its electronic payment solutions improve merchants' abilities to increase their walk-in traffic, revenues and include a variety of payment options.

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"There is scarcely anything in the world that some man cannot make a little worse and sell a little more cheaply. The person who buys on price alone is this man's lawful prey."

- John Ruskin



'It's Not in the Budget': Answering Price Objections

It's the oldest objection in the book: the price objection. Whether the prospect says, "It's not in our budget," or "We can get it cheaper elsewhere," or "We don't really need it," it all comes down to money. You want it, and they don't want to give it to you.

The main thing to remember when dealing with a price objection is to do your best to avoid making price the main issue.

For instance, if a prospect wants to know the price up front, even before learning what your product does or what your service offers, you can be pretty sure that it will be all about price for him. Focus on the benefits your service offers, and move on to the price issue later.

There are times when you need to concede on the price to get the sale. However, you don't have to honor every request to lower your price, and you don't have to be the only one who offers a compromise. Following are some pointers to help you conquer the price objection and close the sale.

Be Different

When your prospect demands a lower price, show him how your company and product are different from and

superior to your competitors'. Remember, you don't have to focus solely on your product when differentiating yourself from the competition.

Factors that could make your company superior include your reputation, the fact that you stand behind your products or the length of your service agreement.

When pointing out benefits, make sure that they are truly benefits to your customer. For example, a terminal with a small footprint may be of value to him. The fact that it comes in a variety of colors may not, so don't try to turn that into a reason why he should spend some extra money with you.

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Remove Price

If the negotiation seems to keep circling back to price, remove it from the conversation. Instead, ask your prospect, "If price was not a concern, what would you want from this service?" Then he will identify for you what his wants and needs are, and you can determine the real objection, which might not be price at all.

Get as Well as Give

If you lower the price, ask the prospect to compromise as well. Ask for a higher monthly minimum, a maintenance agreement or extended length of service contract. You may get an add-on sale. If not, at least you'll know how important the price really is to the prospect. If he is not willing to compromise, he may not be a serious customer.

Be Friendly

It's difficult to hassle a friend over price, so get to know your prospects and clients on a personal level. Go to lunch, find things in common. When your client feels like your partner it will be more difficult for him to treat you as an adversary and push you to lower your prices.

Meet Face to Face

It's too easy for your prospect to say "no" over the phone or to hang up and end the meeting. If you negotiate in person you can read his body language. You get to "hear" what he is saying when he's not talking.

Find the Real Issue

Many times the objection is not about price at all. Sometimes a prospect will tell you he can get a similar product from a competitor for less money. If he can get it cheaper, and price is so important to him, why is he wasting time talking to you?

He may be bluffing, or maybe the issue isn't price. Perhaps he wants to look good for his boss or colleagues. Maybe he's competitive and needs to feel like he's won. When you know what the real issue is you have a better chance of eliminating it.

Stand Firm

You aren't required to agree to every price demand your client makes. If you do, your client won't take anything you say seriously and will end up believing that everything is negotiable, which makes your job infinitely more difficult. Additionally, if you agree to every price decrease he will believe your product doesn't have value. Don't be afraid to say no and move on if necessary.

The best thing about the price objection is that you can anticipate when it's coming. This advance warning means you can prepare for the objection. Before every meeting, find ways to differentiate your product, demonstrate its value and work toward a compromise.

If Emily Post Went to Tradeshows

Any time a group comes together for an event, there must be compromise. If people did exactly what they wanted when they wanted to, there would be chaos.

Industry seminars and conferences are no exception. Simply being polite and respectful can go a long way to making an event more enjoyable and assuring that you get the most out of it.

Below are a few important tips to remember when attending industry tradeshows, conferences and seminars. Follow these guidelines and you will get the most out of the day, while preserving your professional standing.

Mum's the Word

One of the most important actions you can take during a conference or tradeshow is something you don't do: Don't talk during presentations.

It sounds simple because it is. We all know it's rude to talk

when someone else is speaking. It's disrespectful to the speaker and distracting to your fellow audience members. Enough said.

However, there's another reason to refrain from chatting during presentations: Others can hear you. And if the presentation lacks energy, other audience members may be eager to listen in on something a little more interesting, such as your conversation.

It's a small world and an even smaller industry. When you're talking about someone, you never know how many of the people sitting near you know him or her, too. Therefore, it's especially important to refrain from naming names in a crowded room.

An additional reason to keep silent during presentations is to protect your company. Do you want conference attendees to learn about your pending product announcement before your company is ready to release that infor-



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Inspiration



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These affordable and easily accessible conferences are the ideal opportunity to increase your knowledge and meet new business partners. Companies and merchants that work with better-informed agents end up benefiting, too. ETA members and affiliate service provider (ASP) members receive discounted registration; all attendees receive discounted hotel room rates.

When: Jan. 27 – 28, 2005

Where: Gaylord Palms Resort & Convention Center, Orlando/Kissimmee, FL

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

The Kiosk Show

Highlights: This tradeshow and conference will open up the secrets to successful self-service kiosk projects and explain how your business will benefit. Interactive, self-service kiosks can increase your sales and profit, decrease your costs and provide better service to customers and employees.

At the show, attendees will be able to test drive best-in-class self-service technology in a real world setting, and connect with the world's top suppliers of kiosk solutions. Learn about turnkey solutions for application in retail; quick serve restaurant (QSR)/meals-to-order; travel and tourism; hotel/motel; transportation; banking and finance; gaming and entertainment; photo processing; healthcare; human resources; government and other markets.

When: Feb. 22 – 23, 2005

Where: Gaylord Palms Resort & Convention Center, Orlando/Kissimmee, FL

Registration: Visit www.kioskshow.com

mation? Would your boss be happy to know that the person sitting next to you is privy to your most recent sales figures? Keeping silent helps protect your company, as well as your position in it.

Silence Is Golden

Another easy rule to follow during meetings and presentations is to turn off cell phones and pagers. Again, it's a simple request, but how many times have you been in a presentation and heard the ring of a cell phone regardless of a previous request to turn them off?

Allowing a phone to ring during a meeting is not only rude, but it can also hurt your business reputation. If you're attending a conference to network, do you want to be known as the guy whose phone kept ringing while someone was trying to talk?

Do you want to be perceived as someone who can't follow directions, or worse, as someone who feels the rules don't apply to him? If you're waiting for an important call, turn your phone to vibrate. If you expect that you may have to leave early, sit near the door so you won't disturb others.

Speak Up

While reading this article you might be tempted to think that attending a seminar or conference requires complete silence. Rest assured, it does not. There are times when you're encouraged to make some noise.

For example, if you have a question or comment, don't be afraid to speak up and out. Speak loudly and clearly so all attendees can hear your questions and better understand the answers. While presentations are valuable, many times we learn even more from the information that comes out of audience questions or discussions that follow.

So, if you have a question, ask it slowly and clearly, maybe even stand up. It gives others the opportunity to learn with you and shows that you are actively involved in the presentation.

Whether attending a seminar, conference or tradeshow you can never be too polite or too respectful. Follow these common sense tips and you will leave a positive impression on your fellow attendees and help make the event more enjoyable for all.

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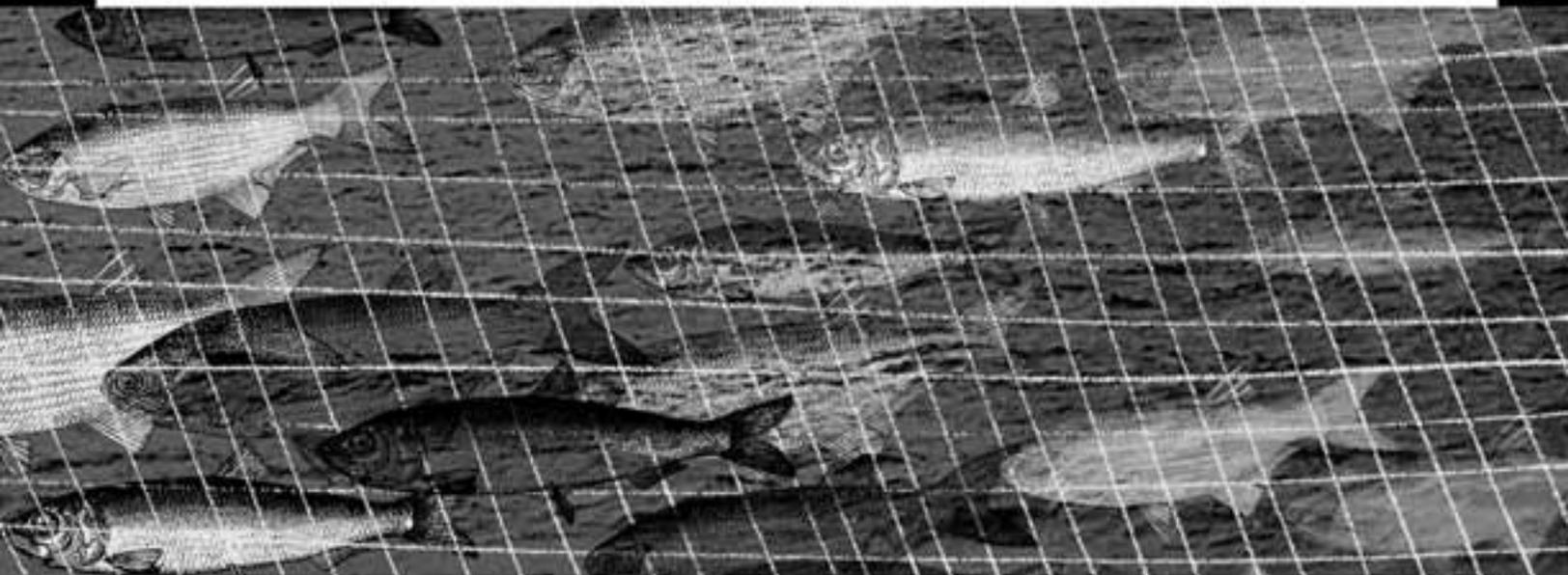
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Rusty Martz, Director, Sales (ext. 1212)
Rusty.Martz@first-american.net

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