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The Green Sheet

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

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New Technologies Opening Unexpected Doors

Unless you live in a tree stump in the middle of a forest, it's hard to ignore the fact that the lines separating the different pieces of our lives become less defined every day. Just look at the ways work and personal time have become interchangeable, thanks in part to the number of technologies that have changed the way we communicate and stay connected.

Astute observers of the payment processing industry see the same type of scenario unfolding here, too. Right before our very eyes, the methods and systems we use to make payments are becoming less stratified all the time.

Cell phones, computers and PDAs now go toe-to-toe with POS terminals to process transactions for payments with cards and checks, to large chain retailers and independent mobile merchants, in face-to-face settings, over the Internet and anywhere conceivable.

What could possibly be next? The flexibility offered by new technologies is opening markets now, allowing merchants to go where their businesses lead them.

At the same time, changes in such established systems as health care and city governments are creating opportunities to set up payments programs including credit, debit and electronic check processing.

It might seem as if payments are more complicated than they've ever been; has there ever been more for ISOs and merchant level salespeople (MLSs) to know about? Equipment that's IP-based, wireless or contactless; ACH, prepaid and security issues … we keep hearing that it's no longer a business based simply on price points or placing "boxes."

As it becomes possible to integrate more ways to pay for more types of products and services, agents selling the solutions enabling that shift to happen will

See New Technologies on Page 63

NotableQuote

"[The Green Sheet] announced our 'Greentastic Voyage' giveaway ... . The winner will decide whether to spend two weeks rejuvenating Hawaiian style swimming, surfing or laying on the beach in Maui, or two weeks discovering the other end of the earth in South Africa, on safari with lions, giraffes and elephants in Kruger National Park."

– See Story on Page 58

reINVENT Table Service

PAY@TABLE™

by Ingenico

Ingenico, North America's premier fastest growing provider of electronic transaction terminals introduces a new, service inspiring, award-winning Pay@Table solution. The i7770 compact and portable payment solution utilizes Bluetooth's superior communications making Pay@Table solutions fast, reliable and secure.

Pay@Table

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- ✔ *Customer retains sight of their payment card at all times*
- ✔ *Eliminates opportunity for identity theft and card skimming*
- ✔ *Increase check-out speed and improve table turns*
- ✔ *Tip potential increased via preset percentages and improves service*
- ✔ *Increase table turn and restaurant profit*
- ✔ *Reduce wait staff fatigue*
- ✔ *Intuitive Software guides customer through tip entry without employee assistance*
- ✔ *Eliminate time consuming pre-auths and closing adjustments*
- ✔ *Visa PED for online debit*
- ✔ *Multi-app ready terminal allows for loyalty, gift card and other enhancements*
- ✔ *Reliable Bluethooth communications provides extended range and battery life*

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GS Online Origins

How long has The Green Sheet Online been around? What about the MLS Forum?

kagtdthomas

kagtdthomas:
We launched GS Online (www.greensheet.com) in September 1995. We introduced the MLS Forum about the same time. We have continually worked to improve and strengthen the Web site and the Forum since their inceptions. GS Online has been recognized with several Communications Concepts Inc. Awards for Publication Excellence (APEX) for content, design and navigation.

Editor

FlexCache Releases Merchants From Gift Card Ties

I would like to first point out that the cover story for your Dec. 13, 2004 issue titled, "Opportunities in Prepaid Cards," (The Green Sheet, issue 04:12:01) should also have listed Paymentech's outstanding FlexCache system as a processor for prepaid cards.

Additionally, Steve Eazell is quoted stating that gift cards are an excellent merchant retention tool because "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."

I would like to point out to all merchant level salespeople (MLSs) that Paymentech is one of the few gift card processors in the industry that has a proven conversion process allowing merchants to transfer their gift card portfolio without the inconvenience that Mr. Eazell and your article allude to. So if a merchant is not satisfied with their current gift card processor, there really is no need for them to feel they are held hostage by an inability to move their portfolio without impact to their gift cardholders. It can easily be done.

Barbara H. Griffith, PMP
Paymentech LP

Wanted: Company to Audit How ISOs Pay Residuals

Here's a topic that should be addressed in "Street Smarts" and/or by Paul Green: This industry needs an independent auditing company to monitor those companies that want to certify that they're being truthful in residual reporting. MLSs need to be informed as to what revenue streams they are being paid on and the ones that they are not, and what formulas are being employed in making all calculations for these tables. I feel agents would steer away from shady companies that are not willing to be members of this independent organization, and that this would bring our industry to a level of legitimacy it does not currently enjoy. Any thoughts?

Dan Christopher
Card Payment Solutions

Dan:
This is an interesting idea, although it's well outside the purview of "Street Smarts." Also, please note that the terms of an ISO agreement with a bank are confidential, as any contract between two entities would be. Both entities would have to agree to an audit and which firm would be engaged. Perhaps ISOs will want to request that a "transparency clause" be included in their agreement with the bank, which would enable an audit to be performed. This was a standard part of the original ISO agreement between AMCOR and its bank in 1983.

Editor

IndustryUpdate

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NEWS

Study Finds Top Reasons to Bank Online

Convenience, time savings and around-the-clock access to account information are the top reasons why more consumers use online banking, according to a study by **Bank of America Corp.** When the bank asked consumers, "What prompted you to start banking online?" 64% cited 24-hour access to their accounts, 54% noted convenience and 48% answered that online banking saved time.

The research revealed that different generations influence the reasons for online adoption. "Gen X" and "Gen Y" customers view online banking as a routine part of their daily lives. These consumers value the ease of use and educational features of online banking. Baby boomers, on the other hand, view security as the primary factor in adopting online banking. The survey also revealed that the number one impediment for consumers to online banking is security.

Preference for Airline Cards Increasing

A report by market research publisher **Packaged Facts** shows that of 6,500 consumer payment card customers surveyed, the number of consumers who prefer co-branded airline cards grew 73% between 2000 and 2003. The report, "The U.S. Market for Co-Branded and Affinity Credit Cards," stated that 93% of those surveyed say the value and features of co-branded cards prompt them to use the cards more often than other types. The report notes that 2002 marked the beginning of a renewed interest in co-branded cards. You can purchase a copy of the report through MarketResearch.com .

ANNOUNCEMENTS

COCARD Seeks National Recruiter

Merchant acquirer **COCARD** is seeking a national recruiter that will spearhead the company's growth objectives. Interested parties should submit résumés to mcarnahan@cocard.net or contact Malcolm Carnahan, Executive Vice President, at 866-230-6300.

eProcessing Network Certified With Heartland

Payment gateway **eProcessing Network LLC** certified its transaction processing software with **Heartland Payment Systems Inc.'s** Exchange Platform for retail and MOTO transactions. eProcessing Network, a registered Visa third party service provider, is compliant with Visa' Cardholder Information Security Program (CISP), MasterCard's Site Data Protection (SDP) service, American Express' Data Security Operating Policy (DSOP) and Discover's Information Security and Compliance (DISC) program. The company is also certified to process through FDR Omaha, Paymentech Tampa, Vital/VisaNet, CardSystems and FDMS Nashville.

NURIT 8100 Receives Visa PED Class-B Approval

Lipman Electronic Engineering Ltd.'s NURIT 8100 POS

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

- In the 2004 holiday shopping season, more than $8.8 billion purchases were made online, a 24% increase over the same period the previous year, according to data released by **VeriSign Inc**.
- **New York State Attorney General Eliot Spitzer** has asked credit card companies to block orders from Internet cigarette sellers, such as Cigs4free.com and 00Taxfree.com/Indiansmokeshops.com, the "New York Post" reported.
- Several thousand new convenience stores will open in Asia in 2005 and beyond. **Circle K** will open 500 stores in southern China over the next three years and about 1,000 new convenience stores, including **7-Eleven** stores, will open in Thailand, the **National Association of Convenience Stores** reported.

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terminals received Visa PED Class B PIN entry security approval for online debit and offline smart card transactions. The NURIT 8100 is the only fully programmable all-in-one terminal listed by Visa International as meeting the Class B requirements. Additionally, Lipman's NURIT 8000 and NURIT 8320 POS terminals and NURIT 292 PIN pad have received Visa PED Offline approval.

Sheetz to Accept PayPass

Sheetz Inc. expects to be the first retailer in the nation to accept **MasterCard International's** radio frequency-based payment option, PayPass, across its entire chain. All 305 Sheetz locations will be ready to accept PayPass by March 1, 2005. In addition, Sheetz will expand PayPass acceptance to all of its stores' gas pumps throughout the spring of 2005.

MasterCard Reports Record Transactions

MasterCard International reported that its transaction volume for the 2004 holiday season increased 17.9%; it also processed more holiday transactions than any time in its history, with 914.1 million authorization transactions from the day after Thanksgiving through Christmas Eve. MasterCard processed $60 billion in card transactions over its network, a 12.9% increase over 2003.

PARTNERSHIPS

Brennes Jones Group Inc. and Accel Networks LLC Partner

The Brennes Jones Group Inc. and **Accel Networks LLC** launched a fast POS dial-access solution that provides petroleum merchants using Gilbarco or VeriFone Inc. Ruby systems with lease line transaction processing speeds using only a single standard dial access line.

The service, Accelerator800, concentrates multiple POS terminals or systems and establishes a connection over a single standard business line via a national 800 network. The solution reduces connect times to 2.5 seconds.

First National and ECHO Renew Contract

Electronic Clearing House Inc. (ECHO), a provider of electronic payment and transaction processing services, received confirmation from **First National Merchant Solutions**, a wholly-owned subsidiary of First National Bank of Omaha, that ECHO's processing contract under the Visa POS Check program has been renewed through December 2005. First National provides check processing for national as well as regional retail merchants. First National first contracted with ECHO to process Visa POS Check activity in December of 2002.

Sovereign Bank, First Data Renew Agreement

Sovereign Bank and **First Data Corp**. signed a five-year renewal agreement to provide electronic payment processing products and services for Sovereign Bank's merchant customers in the New England and Mid-Atlantic markets.

The agreement extends Sovereign Merchant Services, which First Data and Sovereign Bank first created as a strategic alliance in 2001. First Data provides merchant payment processing services on behalf of Sovereign Bank in Connecticut, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania and Rhode Island.

Umpqua Selects NOVA

Umpqua Bank has chosen **NOVA Information Systems** as its provider of integrated payment processing for its commercial customers. NOVA will provide processing services, customer service and support operations to the bank's 1,500 merchants.

Umpqua Bank will market new merchant services referrals through its 92 stores located throughout Oregon, Southwest Washington and Northern California. The companies expect credit and debit card processing volume from this agreement to reach $215 million annually.

"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 recieved $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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See AmericaOne Payment Systems, Inc. (APS) Independent Sale Organization Agreement for details about our programs. Not all Independent Sale Organization will be approved for APS products and services. Dollar amounts reflected on checks shown in this advertisement are actual amounts paid to the specified customers. Endorsements were received from APS customers upon request from APS.

WestHost Forms Alliance With e-onlinedata Inc.

WestHost formed an alliance with **e-onlinedata Inc**., an Internet merchant account provider. e-onlinedata's merchant services will include real time transaction management, online reporting, direct deposit and superior customer support. The companies will waive application fees, annual fees, and for a limited time, absorb Authorize.Net's setup fee for new accounts.

For discount rates and transaction fees, visit their Web site at http://members.westhost.com/internet-merchant-account.html .

ACQUISITIONS

RentPayment Acquires eRentPayer

RentPayment, the largest credit card processor in the property management industry, will acquire privately held **eRentPayer,** a payments solution for property management companies.

The acquisition will enable RentPayment to offer advanced property management software integration, check scanning, and other Web-based payment technologies. RentPayment currently processes payments for more than 3,200 properties representing over 1,000,000 apartment units.

First American Payment Systems Acquires National Data Funding Corp.

First American Payment Systems LP acquired substantially all of the assets of **National Data Funding Corp.** (NDFC). NDFC is a full service merchant acquirer serving approximately 3,800 merchants and 230 ATMs.

Its merchant portfolio features a mix of grocery, drug and convenience store merchants along with national chains. In addition to traditional merchant services, NDFC has developed a multi-lane wireless technology. NDFC also features an in-house POS equipment deployment and repair facility, which it will leverage across all of First American's distribution channels.

Fifth Third Completes First National Bankshares of Florida Acquisition

Fifth Third Bancorp completed its acquisition of **First National Bankshares of Florida Inc.** Fifth Third Bancorp will merge First National's subsidiary bank, First National Bank of Florida, with Fifth Third Bank (Michigan) and combine with Fifth Third's Florida affiliate on a management basis.

Fifth Third Bank (Florida) will have nearly 100 full-service locations, approximately $5 billion in deposits and approximately $7 billion in assets. Former First National President **Kevin Hale** will assume leadership of the Florida affiliate.

Metavante to Acquire Prime Associates

Metavante Corp. signed a definitive agreement to acquire all the outstanding stock of **Prime Associates Inc.** The company will continue to operate under the name of Prime Associates, and will become a subsidiary of Metavante, with existing management continuing in their positions.

Prime Associates is a provider of software, data and services that address the regulatory and compliance mandate of financial institutions such as anti-money laundering regulations.

SmartPay Acquires Intrinsic Technology

SmartPay Jieyin Ltd., a provider of electronic payment services in China, entered into an agreement to acquire **DT Intrinsic Technology Ltd.** Intrinsic provides billing and service management software platforms to Chinese mobile carriers through its wholly-owned subsidiaries, Shanghai Intrinsic Technology Co. Ltd. and Shanghai Intrinsic Consulting Co. Ltd.

THE AMERICAN DREAM

is not about up-front payments or one-time payouts. It's something more. We at **GET** believe it is about building something great, something we are both proud of. Isn't it time you build your own dream rather than making another processor bigger, richer, slower! The fact is you must "own" your merchants and your business not simply rent a name and get a check. Call us and begin building your future today.

Steve Bry

Steven H. Bryson
Founder & CEO

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Experienced Inside Sales Associates

TESTIMONIAL

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

Sincerely,
Tom H, Chicago IL

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APPOINTMENTS

VECTORsgi Names Vice President of Marketing

VECTORsgi promoted **Larry Best** to Vice President of Marketing. In his new position, Best will continue to oversee all facets of marketing the company's VECTOR and AdVance product lines and consulting services including advertising, public relations, analyst relations, direct mail campaigns, product positioning, training sessions, sales seminars and trade show activities.

Prior to joining VECTORsgi in 1997 as Marketing Manager, Best served as a Marketing Manager for Computer Associates, where he was responsible for banking product development guidance and management of the sales support department. He also held management positions at Cincom, Hogan Systems Inc. and Peer Services Inc.

California Community Banker Elected to ICBA Board of Directors

Steven K. Buster, President and Chief Executive Officer of The Mechanics Bank, has been elected to the board of directors of the **Independent Community Bankers of America** (ICBA), the nation's largest banking trade organization. Buster's duties with ICBA include membership recruitment/retention and acting as liaison between independent community bankers in California and ICBA staff and leadership in Washington, D.C.

VeriFone Appoints Two to Board

VeriFone Inc. appointed **Dr. James C. Castle** and **Dr. Leslie G. Denend** to its board of directors.

Castle was formerly the chairman and CEO of DST Systems of California Inc., a worldwide provider of computer services to the cable industry and a provider of billing services to the cable, telephony, financial services and utility industries. Previously, Castle served as President and CEO of Teradata Corp. Earlier, Castle was Chairman, President, CEO and a Director of Infotron Systems Corp. He is also a Director of ADC Telecommunications Inc., the PMI Group Inc., and Southwest Water Co. Inc.

In his career Denend has served as President of Network Associates, CEO of Network General Corp., and CEO of Vitalink Communications Corp. Previously, he was Executive Vice President at 3Com Corp. and was a partner in McKinsey & Co. Denend served as Special Assistant to the Assistant to the President for National Security Affairs.

He was an Advisor to the Chairman of the Joint Chiefs of Staff and he served as a Director of The Cabinet Council on Economic Affairs. He also currently serves as a Director of Exponent Inc. and McAfee Inc.

Grossman Joins Cynergy Data as EVP

Michael Grossman joined **Cynergy Data** in the newly created position of Executive Vice President, Sales. Grossman spent 11 years as a Senior Vice President at Lipman USA. As one of Lipman's co-founders, Grossman was responsible for expanding that company's distribution of terminals to the U.S. market.

At Cynergy, Grossman will head the sales department, where he plans to lower merchant attrition, provide comprehensive training, and focus on technology and customer service as essential components of delivering bottom-line value.

ABC Bancorp Appoints CEO

ABC Bancorp's Board appointed **Edwin W. Hortman, Jr.** as President and CEO. Hortman has served as ABC Bancorp's President and Chief Operating Officer, as well as a member of the Board, since November 2003 when **Kenneth J. Hunnicutt**, Chairman of the Board and CEO, announced his retirement. Hunnicutt will become an Executive Consultant to ABC Bancorp and continue to serve as Chairman of the Board.

Hortman has 28 years of banking experience. He joined ABC Bancorp in 1998 and he served as President and CEO of Citizens Security Bank, ABC Bancorp's subsidiary. He was promoted to Executive Vice President and North Regional Executive in August 2002, while continuing his role as President and CEO of Citizens Security Bank. Prior to joining ABC Bancorp, Hortman was Senior Vice President of Colony Bankcorp Inc. and President of Colony Management Services.

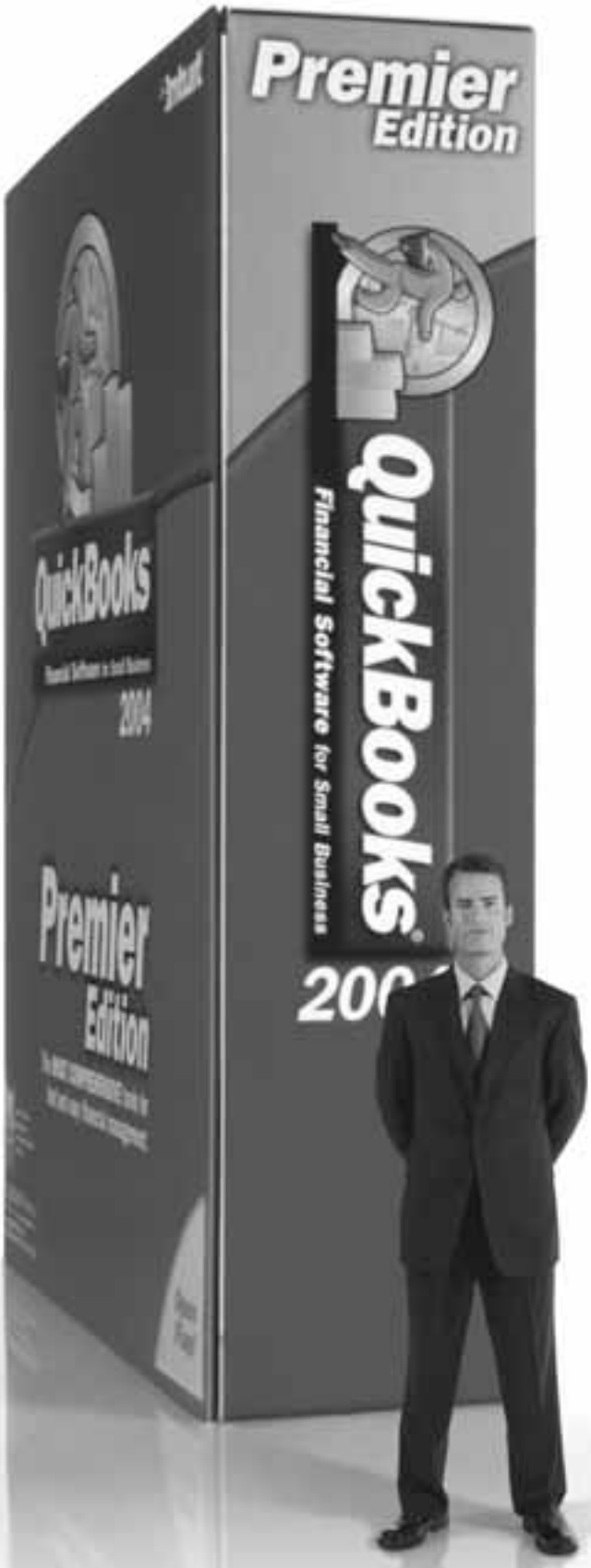
Lasch Joins Alpha Card Services

Alpha Card Services Inc. hired **Ted Lasch,** former Vice President of Business Development for CrossCheck Inc., as National Sales Manager. Alpha Card Services is a registered ISO/MSP of Merrick Bank, South Jordan, Utah.

Lasch will be responsible for increasing monthly application count from the company's ISO and agent program as well as offering service to current partners.

Redding Joins Nietech Corp. Board

Peter Redding, former CEO of Standard Register Co., joined **Nietech Corp.**'s Board of Directors. Redding served as President and CEO of Standard Register, a provider of document and label solutions for healthcare, financial services, manufacturing and other industries, from 1995 until his retirement in 2000. In addition to Nietech, Redding serves on the boards of Owens and Minor, and Projects Unlimited.



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- **COMPENSATION:** Participate in IMS' **new** True Partnership Program.
- **SERVICE:** Benefit from IMS' LIVE 24-hour customer service. Experience low attrition rates and high customer satisfaction.
- **MULTIPLE REVENUE STREAMS:** Offer QuickBooks software at substantial discounts as well as other Intuit products and services.
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Insider's Report on Payments

Gauging What's in, What's Not

By Patti Murphy
The Takoma Group

Are person-to-person (P2P) payments the next wave of change for the payments space? If my family and friends serve as any indication, the answer is "yes." Earlier this month I received my first-ever payment via PayPal, perhaps the most well-known of P2P service providers and a unit of eBay Inc.

I thought I was pretty hip until I started boasting to friends; turns out most of them have been using PayPal for months, if not years. Apparently, they use PayPal instead of writing checks when divvying up the cost of a case of wine, vacation rentals, etc.

eBay, which purchased PayPal in 2002, has done a lot to boost PayPal's public image. I suspect the U.S. economy has also been a factor. Lots of people, from stay-at-home moms to out-of-work programmers, have turned to eBay and/or creating online storefronts to help make ends meet. PayPal even issues credit cards now.

PayPal (along with similar P2P schemes) is the path of least resistance into the payments system for individuals running their own businesses, especially small Web-based companies. Consider my friend Mark. On his Web site he sells herbal remedies and high-end water filtration systems. Mark has used PayPal for about two years to process online sales, but recently a customer didn't want to pay through PayPal. Now Mark's applying for a merchant card account.

Ed Bachelder, Director of Research and Analytics at Dove Consulting, said we can expect more stories like this to unfold this year, as the transaction acquiring business reaches deeper inside the pockets of American consumers. "The average purchase size needs to fall in order to support more growth," he said.

Bachelder, who worked closely with the Federal Reserve on the electronic payments portion of its latest payments study, noted that the Fed's data indicate a clear trend toward greater adoption of electronic payment options, especially among consumers. Eventually, he said, only the most ardent of corporate customers, intent on squeezing out of the system every last bit of float, will be left running checks through banks' big iron processing shops.

"Debit cards will continue to eat checks," Bachelder said. Especially offline (signature-based) debit cards, he noted, because those payments get processed across the same technology railroad tracks as bankcards.

According to the "The 2004 Federal Reserve Payments Study," while Americans are writing fewer checks (36.7 billion paid in 2003 compared to 41.9 billion in 2000), the checks are for significantly larger amounts than in the past. The average check that cleared through the banking system in 2003 was for $1070, compared to $950 in 2000.

Debit cards are the fastest growing method of payment for retail purchases, posting 23.5% annual gains between 2000 and 2003, according to the Fed's data. But consumers use debit cards for smaller dollar purchases.

In 2003, the average offline debit card payment was $42, while the average online (PIN-based) debit card payment was $38. The average ATM transaction in 2003 was $85, the Fed reported.

Some Things to Expect

In keeping with debit card trends and the move away from paper check handling, prepaid cards (a category that includes various types of products, from gift to payroll cards) are gaining a lot of momentum in the marketplace.

Automated clearing house (ACH) check conversion is another hot item; however, POS check truncation (as envisioned by proponents of Check 21) probably won't gain much traction until 2006, when most banks are expected to be image-enabled.

The fastest growing payment application running through the ACH these days is check conversion. While the final 2004 numbers are not yet available, Bill Nelson, Executive Vice President at NACHA – The Electronic Payments Association, said he expects that when everything is counted, 1.25 billion checks will have been converted to ACH payments in 2004. For 2005, he said NACHA expects twice as many checks (2.5 billion) will be converted. (In 2003, a total of 10 billion payments were cleared via the ACH.)

Gift cards received a huge boost of acceptance and recognition during the 2004 winter holiday season; look for acceptance to expand even more this year.

"There's no end in sight to the popularity of gift cards," said Tracy Mullin, President and Chief Executive Officer of the National Retail Federation (NRF).

Consumers surveyed by BIGresearch LLC on behalf of NRF last fall said that they planned to allocate 11.5% of their 2004 holiday budgets to gift cards, an average spend of $80.45 per shopper. The research firm TowerGroup predicts retailers will issue 53 billion gift cards in 2005, up from 48 billion last year.

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The future of another popular type of prepaid card, the payroll card, is less certain as regulators consider the application of federal consumer protection laws (such as the Fed's Regulation E) to the cards, which have proven especially popular with "unbanked" Americans.

Loyalty card programs will gain more converts this year as merchants search out opportunities to differentiate themselves from the retailing pack. Bachelder said retailers will look for loyalty programs with a new twist. Perhaps something that runs through the credit card system?

Competitive Wrangling

There you have my predictions of where I see the action in payments this year. To recap:

- P2P payments and a trend toward morphing this type of transaction into credit and debit card payments
- Debit cards, especially offline debit
- ACH check conversion
- Prepaid cards

Also look for action on the legal front. I'm not only talking about the ongoing feuds involving Visa, MasterCard, American Express and Discover, either. NACHA and ACH banks may get pulled into legal proceedings over rules that currently restrict merchants in collecting non-sufficient funds (NSF) fees via the ACH.

In the waning days of 2004 a press release came across my desk from a company called CybrCollect touting its success in a legal challenge to a North Dakota Department of Financial Institutions' (DFI) cease and desist order. It seems that when a check bounced, the state wanted CybrCollect to have obtained a written authorization from the check writer before it could collect NSF fees via the ACH. A state judge overturned the ruling.

In 2003, CybrCollect was similarly successful in challenging the Wisconsin DFI rule preventing collection agencies from collecting returned check fees electronically without written authorization.

Gary Doherty, CybrCollect's President, complained that NACHA rules were behind the state DFI actions. He said he intends to continue fighting rules that prevent his company and competitors from collecting bad check fees over the ACH. Could this mean a legal fight with NACHA? Stay tuned.

Patti Murphy is Contributing Editor of The Green Sheet and President of The Takoma Group. E-mail her at patti@greensheet.com .

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The Times, Are They a-Changin'?

Industry survey reveals gradual shift in ATM operators' thinking

By Tracy Kitten, Editor
ATMmarketplace.com

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The ATM industry, like most, is facing the challenge of change. For decades, it's been immune. But now that more and more financial institutions and ISOs are opting for Windows-based ATMs, while they upgrade to meet ADA and 3DES compliance, they've opened the door to many increased functions.

More ATMs are now equipped with capabilities for multiple functions enabling them to do much more than spit out cash.

In a recent survey conducted by Bob Fincher, Executive Vice President of Sales and Marketing for NetWorld Alliance, publisher of ATMmarketplace.com, Fincher found that advanced options at ATMs worldwide is an industry expectation for the future (read the full survey at www.atmmarketplace.com/atm_kiosk.php).

The September 2004 survey asked 1,037 leaders around the world in the ATM supplying, banking and convenience retail arenas about the future of the ATM and self-service/kiosk industries. Sixty percent of participants included suppliers, such as manufacturers and ISOs; FIs made up 21% of those surveyed; and a mere 6% surveyed included owners of off-premise locations, like C-stores.

According to Fincher, the results provided glimpses of the future across the board.

"What we did was look at the kiosk (self-service) industry from a high level and then did the same thing for the ATM industry," Fincher said. "Then we tried to determine what factors suggested synergy. We also wanted to identify the places where there wasn't synergy and where there wouldn't be synergy; we wanted to find out (from industry leaders) what the future holds."

Eighty percent of the survey's participants said they believed the "enhanced self-service functionality" of the ATM platform would be "mildly" to "extremely" viable over the course of the next five to 10 years. And 61% said they expected the future growth potential of "non-cash-dispensing, financial self-service devices" at financial institutions over the next five to 10 years to be "moderate" to "great."

There's No Way of Knowing …

So do those results coupled with the industry trend for advanced functionality mean that convergence of the ATM and kiosk (self-service) industries is inevitable? Fincher said the chasm between the two industries' opinions "makes it hard to tell."

"The truth is, no one is really sure in which direction the industry will go," he said.

In fact, when given a chance to openly provide their predictions, survey respondents shared conflicting viewpoints. Fincher said he received comments with everything from "convergence of cash dispensing with non-cash dispensing services might not be feasible" to "there should be (and will be) one machine, one space on the floor, to handle all necessary applications."

But Gordon Short, President and Chief Executive Officer of METALfx, a 175-employee manufacturer of kiosk

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enclosures that works with companies like Hewlett-Packard, IBM and Guinness, said convergence is definitely on the way.

What the Future Holds?

"I don't think there's any doubt," Short said. "The profits (of ATMs) are narrowing. … They already have the floor space, and it only makes sense that they use that space for more things."

But Gordon believes convergence will be dictated by placement. For instance, he doesn't expect to see ATMs located at banks to offer the same range of options that an ATM at a retail location might. "I haven't really thought about a bank providing convergence … but I do see it taking place in independent locations," he said. "The only thing you'll see at a bank would be an ATM offering someone a chance to do their online banking or those types of functions that already exist at the bank."

"As far as convergence is concerned, I think you will see it more in the independents (ISOs)," Short continued. He said ISOs will have to offer something different at their ATMs than what banks' ATMs offer just to stay competitive. He expects banks to take over the locations that ISOs' ATMs have traditionally occupied, because the banks can offer customers lower fees for typical ATM transactions.

Fincher said the divide on industry expectations for the future has led him to come up with his own conclusions, based on the results from his survey.

For instance, some insight may be gleaned from the 77% of respondents who said they were "extremely" to "mildly" optimistic about the growth of their ATM organizations over the next five to 10 years. Those results are based on what the industry currently knows about an ATM, leading Fincher to believe that respondents aren't anticipating a great deal of convergence or "synergy" over the course of the decade.

He also said his opinion on convergence was firmly set after completing the survey; convergence will only be "slight" over the next 10 years.

"There are often many conflicting factors among the products themselves, and the business models (for each of the industries) are far from identical, making a great deal of convergence, in my opinion, unlikely in the near future," Fincher said.

If It Ain't Broke …

Jerry Silva, Senior Analyst of Delivery Channels for TowerGroup Inc., said ATM operators are finally beginning to take advantage of advanced functionality technology; but, he said, the services they offer at their ATMs will remain banking oriented.

Advanced functionality technology has been around for a long time, Silva said, but banks were reluctant to use it because of customers' unwillingness to perform anything beyond cash withdrawals and balance inquiries and transfers at ATMs.

In his August 2004 report, "Advanced ATM Technology: Too Fast, Too Furious?" Silva states, "Banks haven't found the right combination of products or services to be able to justify the broad implementation of these marvelous abilities through customer fees or through cost savings. Until recently, ATM technology had simply outpaced the customer's (and thus the bank's) desire to make use of it."

Silva added that 60% of ATM transactions worldwide are cash withdrawals, while about 20% are deposits, balance transfers and account inquiries, basic transactions. Because of that breakdown, banks had little incentive to offer something like check automation, at least until recently.

"Check automation is very expensive for a bank to do," Silva said. "It's an area where the customer has been a little iffy … like putting cash in an envelope and depositing it into the ATM. The customer is uncomfortable doing that. But with check automation, because it's electronic, customers can be assured that their money is going into their account. So I think it will be successful, and a cost-saving venture for the bank."

That type of functionality, Silva argued, will only increase, now that banks are advancing their technology, shifting from OS/2 to Windows-based platforms. But Silva said convergence among ATM and non-financial functions isn't likely.

Everything Old Is New Again … or Is It?

In fact, Silva said, it's already been proven ineffective.

"Entering kiosks and ATMs (into the same offerings) has kind of come and gone in waves over the last 10 years," Silva said. "Some have tried to use the two together before. It was done in the '90s … but outside the banking world, I'm not sure how an Internet kiosk is going to survive."

With an estimated 1.3 million ATMs deployed worldwide and between 11 – 14 billion ATM transactions each year in the United States, the industry appears stable.

The ATM industry, Silva said, has survived for more than three decades with very little change. The ATM has proven over the years, he added, that customers don't like change.

That's why, he argued, FIs and ISOs will have to be careful how they approach functionality.

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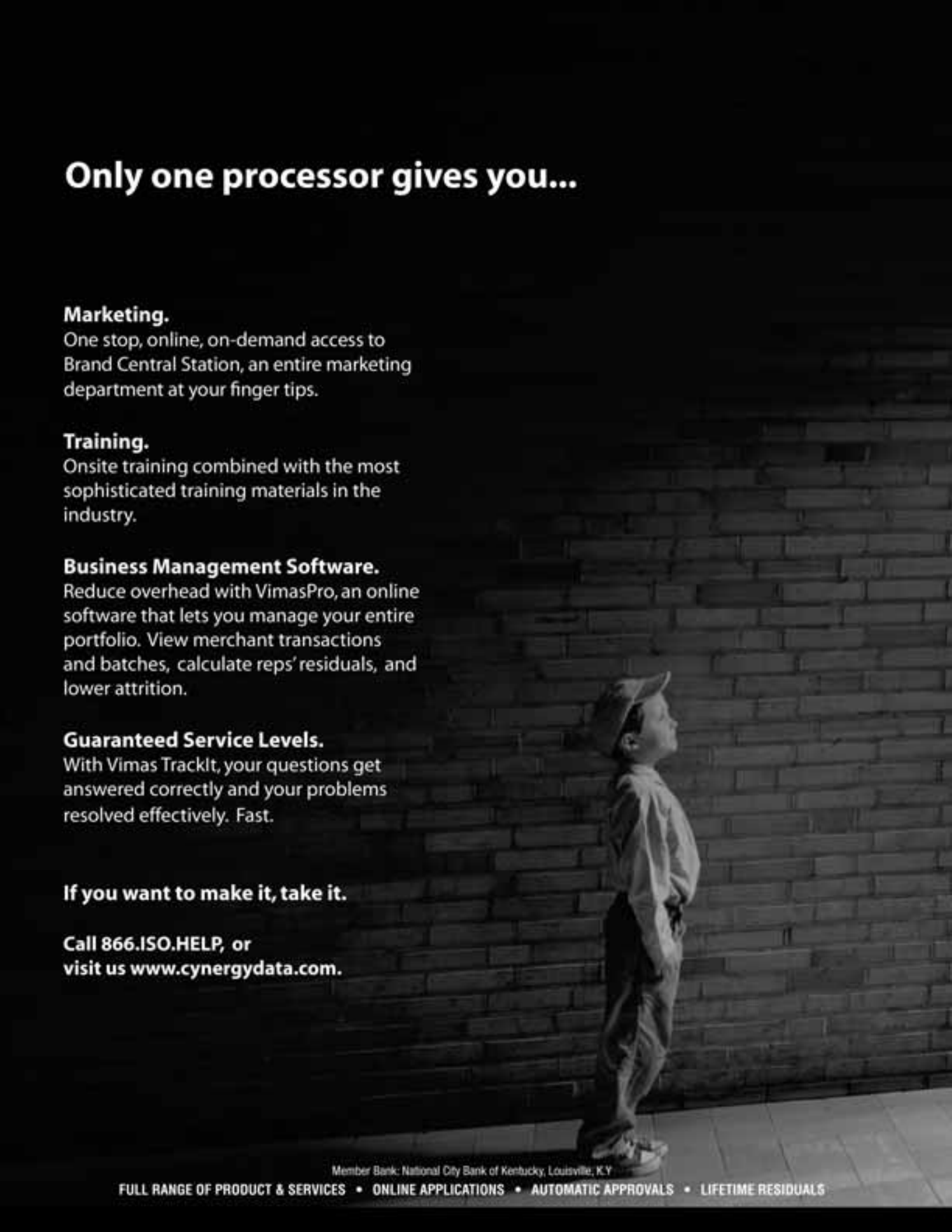

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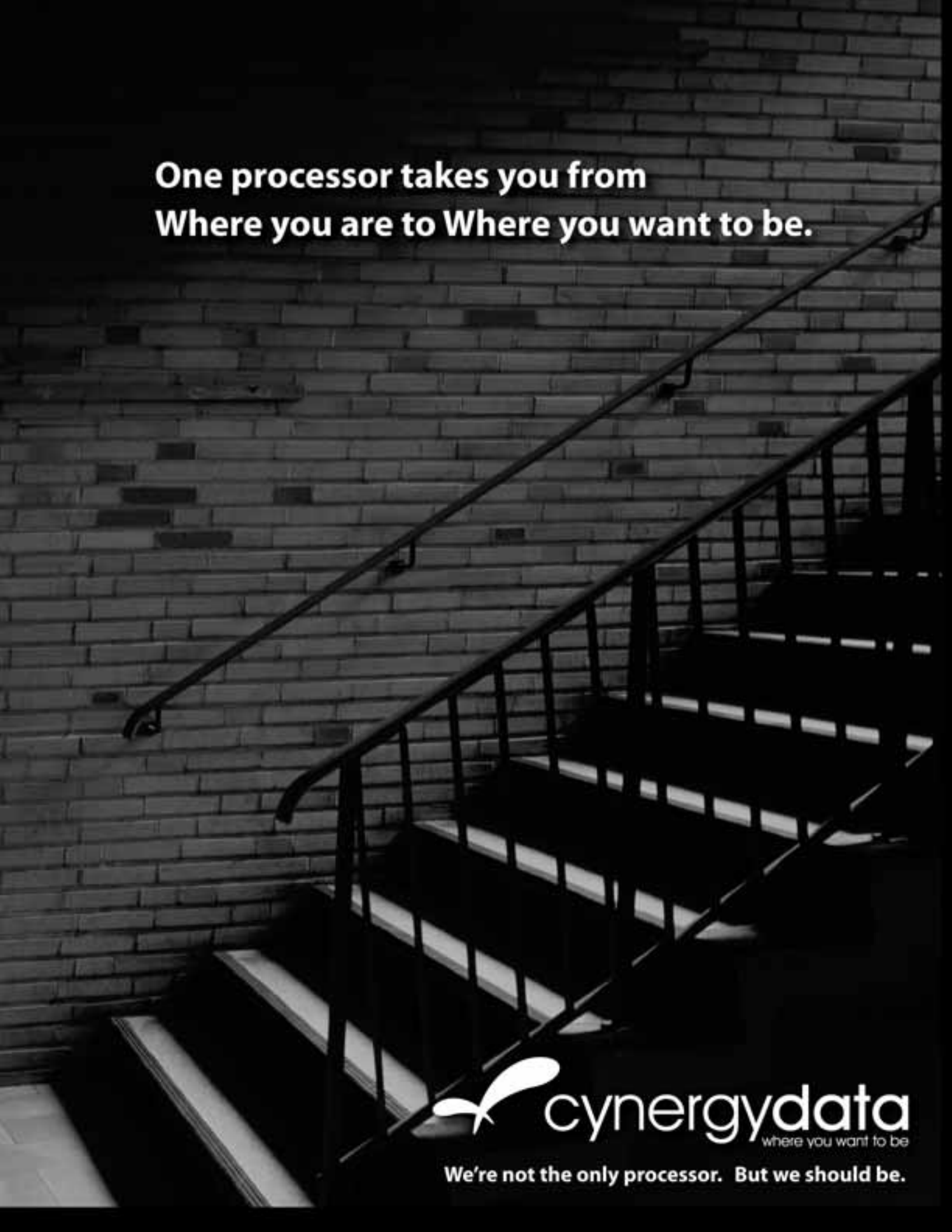
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Based on Silva's report, customers throughout the world spent an estimated $1.8 billion on advanced functions, like ticket sales, at ATMs last year. That comes down to just more than $1,000 in revenue per machine, Silva said, adding that "if a machine costs $7,000 or $8,000 to upgrade, it will take seven or eight years to be profitable."

By that time, he continued, the ATM would likely be replaced.

Finding a Niche

"For us, it's all about determining what's convenient for the customer," said Jonathan Velline, head of ATM banking for San Francisco-based Wells Fargo & Co., the fifth largest bank in the United States.

More than 97% of Wells Fargo ATMs operate on Web-based platforms, Velline added. The company expects its entire network to be running from the same platform by the close of Q1 2005.

Wells Fargo is known in the industry for its willingness to try new things, and the area of advanced functionality is no exception. Wells Fargo has tried both ticket sales and bill payment, two pilot programs that Velline said didn't work.

"They just didn't make sense at the ATM," he said. "You have to think about what the customer is thinking about: What does the customer need to do while they're at the ATM making a transaction? And you have to consider what all of your customers across the board will be interested in," unlike ticket sales, which proved only to be of interest to customers using ATMs near event venues.

Selling stamps at the ATM, for instance, has been successful for Wells Fargo since "everyone needs stamps," Velline said. In fact, Wells Fargo is the sixth largest retailer of postage stamps.

"You read about some products that are outside the banking sphere that just aren't going to work at ATMs," he added. "We think customers are thinking about financial products … and that's what we're focusing our attention on."

Personalization Is a Given

Wells Fargo is personalizing its ATMs so that when users approach, the ATM knows the customer as well as a human teller would. The ATM is able to advise the customer about loans or other offerings that could be of interest.

Industry experts like Silva and Tony Hayes, Managing Director of Dove Consulting's Financial Services practice, said personalization is the expected move toward ATM advanced functionality.

Hayes added that the future of ATMs will experience two big areas of change: less ATM deployment, since more banks will rent fee-free ATM access from other ATM deployers, and the co-existence of different ATMs, a low-end cash-dispensing ATM and a high-end one.

"ATM deployers will continue to be very focused on cost mitigation," Hayes said. "But one of the areas that's going to see significant increases is the growth of ATM servicing by independent providers for maintenance and cash replenishment."

Hayes added that companies like Bantek West Inc. and Efmark, which provide ATM services, will have very profitable futures.

Over the course of the next five to 20 years, Hayes and Silva said, the industry will grow as more and more ATMs are replaced and upgraded to Windows-based platforms that provide advanced functionality. But, the type of services these machines provide isn't expected, at least in the near future, to change very much.

Link to original: www.atmmarketplace.com/research.htm?article_id=21733&pavilion=29&step=story

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ISO Programs for the New Year

Every new year brings ideas and plans for change and growth. Last year was filled with ongoing discussions about a new and improved strategy for merchant level salespeople (MLSs). The overall message: As an MLS, in order to differentiate yourself from the competition and better retain merchants, look beyond credit card processing to offer value-added solutions. To expand your merchant portfolio, target merchants beyond the traditional retail store and tailor offerings specifically for those merchants.

It's only the first month of 2005, but it's time to put what you've learned to good use. Your ISO partners certainly are. They've already introduced many exciting new programs to add value to you and your merchant customers, and more are on the way.

ISOs' offerings range from unique ways to sell value-added solutions, to helping you better your own business through Web-based reporting for improving customer service and free equipment for increasing your bottom line.

There are many potential partners to choose from, so if you're an MLS, make sure that you find the right company and program to fit your needs. Because we are limited on space, following are only a few examples of what ISOs have planned in 2005.

Opportunities in the Medical Market

Coach Ron Tunick, President of Newbury Park, Ca.-based Cornerstone Pacific Inc., the West Coast representative of Cornerstone Payment Solutions, has a new company name and a new initiative.

Tunick now calls his company Nations Transaction Services (NTS). With his new program, he's bringing pharmacies to doctor's offices. Intrigued? Tunick has partnered with Nations Pharmaceuticals.com to supply doctor's offices, physicians and clinics with an on-site pre-packaged generic medication dispensing program.

"With 22 years in the business, I'm always looking for products to get sales reps in the door," Tunick said. NTS rolled out the program in late 2004. Tunick said he already has 22 state managers and over a 130 reps in place for this program. "We can't train people fast enough," he said.

Through the program, doctors receive software for their computer, generic prepackaged medicine, a dispenser cabinet, bar code reader, labels, even the merchant account, at zero cost to the doctors. They can accept cash, checks or credit cards and payments are processed through the Transaction Central payment gateway. Tunick said doctors can earn $5 – $25 per prescription through a co-pay, and MLSs can earn $0.75 – $1.00 per prescription.

As part of its Payment Solution Provider program enhancements for MLSs, Charge Card Systems will offer a new health care benefit verification service, called SPOTCHECK, which is an add-on product to the VeriFone Omni 3750 POS terminal. The service provides electronic authorization for healthcare and insurance benefits as well as bankcards, all on the same terminal. For information about additional opportunities in the medical market, see "New Technologies Opening Unexpected Doors" on page 1 of this issue.

There's Value in It

Through a strategic partnership with IRN, Payment Option Solutions LLC has developed a check processing solution called Paid On Signing (POS), where it provides check programs for specific types of merchants. (i.e. supermarkets) and will base pricing for merchants on a transaction basis.

When a merchant runs a check through an electronic check reader, if the DDA account is drawn on a member bank, then the transaction is sent to the Visa EFT Network. If it's a non-participating account, the transaction is converted to an ACH conversion after verification.

The check writer's account is accessed, and if funds are available, they are captured. If not, the transaction is denied. POS settles with the merchant for the day's check debits and approved ACH transactions.

Landmark Merchant Solutions is providing something unique that almost any merchant would value, whether it's a traditional brick-and-mortar or online business: a free 15-page Web site custom-designed and built by Landmark and delivered within 10 days.

The company will also host and support the Web site, which includes a shopping cart, domain name and up to five business e-mail accounts, also at no charge.

"Because of the Web site, merchants view Landmark as more than just a credit card processing service," said Alan Gitles, Landmark's Chief Executive Officer. "They see us as an indispensable marketing vehicle, which not only increases their sales ... but actually drives traffic to their physical and virtual storefronts.

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capabilities, are moving many of their standard processes, from reporting to merchant application submissions, to the Internet. This way, both their merchant and MLS customers have convenient access to the most up-to-date information about their business.

As part of its Agent Services program, North American Bancard (NAB) recently launched a new online merchant application system called ELAP. It enables NAB's MLS partners to enter merchant information, set pricing and equipment deployment preferences and submit the application all from a link in NAB's agent info center.

"Once the application has been submitted, the download will be built and e-mailed within minutes; the equipment will be prepared for deployment; and the merchant will be 'boarded' and ready for processing," said Marc Gardner, NAB's President. "Now you can get your accounts up and ready to process within one hour of submission."

Nationwide Payment Solutions LLC (NPS) created a Web-based reporting platform based on direct feedback from its salespeople. The merchant version has settlement reporting including next day interchange qualifications of all transactions, transaction details (truncated), batch information and the ability to view activity for multiple terminals as well as multi-locations.

The agent version offers a view of transaction activity details, including interchange qualifications, rates and merchant billing statements, merchant set-up information, account status and real-time help desk call notations. Agents can also track residual activity down to the penny.

"When we started this venture, one of our goals was to create a company where salespeople would benefit from evolving technology," said Jamie Nonni, Chief Operations Manager for NPS. "[We did this] by asking salespeople their opinions on how to design a system that would improve the way in which they did business. The end result is our new reporting system."

Merchant Services Inc. (MSI) now offers a Web-based application that not only provides the latest information on the merchant application, but it also interacts with MSI's database to provide speed, accuracy and account approval; it creates applications ready for download with "auto build" instructions in less than four hours.

The site provides access to information on the merchant application from the time it's submitted to delivery, MID numbers for Visa, MasterCard, American Express and Discover, approval times, TID numbers, download numbers and shipping and tracking information.

MSI provides merchants and its agent partners with interactive information such as online access to batches, statements, FAQs on statements and fees, Quick Reference Guides, and information on terminal support such as for programming.

MSI also announced it is one of the first ISOs to certify and launch Ethernet-based payments with the VeriFone Omni 3750 Internet Protocol-based POS terminal.

Charge Card Systems said it also has an interactive Web site it's getting ready to rollout. The systems includes a complete CRM solution as well as merchant account application entry, equipment ordering, online status reporting, agent e-mail and online commission and residual reporting for all of its payment services.

Managing Customer Relationships

ISOs are always looking for better and more efficient ways to keep track of customer service calls in order to provide the best service possible for their merchant customers and their agent partners.

Cynergy Data developed its own in-house "ticketing" system it calls TrackIt, which monitors incoming questions and issues from the point of call through resolution. By maintaining a "ticket" on each call that cannot be resolved

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immediately, TrackIt provides staff with access to real-time information about the caller and their issue. The system automatically escalates calls to the staff person best equipped to handle the issue and also assigns a resolution deadline.

"Recognizing that, at the end of the day, customer service adds far more value than tangibles like product and price, Cynergy Data continues to invest in those areas and maintains an industry leadership position in providing legitimate support to our ISOs and their merchants," said Nancy Drexler, Marketing Director for Cynergy Data.

This year Total Merchant Services (TMS) is introducing a new approach to working with its MLS partners. The company has created what it calls a "Special Forces Work Group," which is a branch of professional, well-trained relationship managers dedicated to working solely with sales agents.

Ed Freedman, TMS' founder, President and CEO said members of this group are available to provide MLSs with personal attention in any situation: from the application process, risk management, downloading programs to addressing commission issues.

"Total Merchant Services' Special Forces Work Group is at the ready to give personal partnership training and ensure that it gets done exactly the way MLSs want, including how they prefer their download programs built, what terminals they're selling and how they want deployment of terminal equipment, PIN pads and more," Freedman said.

Free Equipment to Boost

Perhaps one of the most talked about new initiatives introduced to the industry is United Bank Card Inc.'s (UBC) free credit card terminal offering. As of Jan. 18, 2005, the topic had more than 2,000 posts on GS Online's MLS Forum; Ed Freedman also addresses the offering in "Street Smarts" ("Free Lunch?" on page 78) in this issue of The Green Sheet.

As part of its new program UBC 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, UBC's CEO. "All of our ISO/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.

In addition, UBC has built and launched the first nationwide signature capture network. This technology, Isaacman said, had only existed on a custom basis for the large multi-location retailers such as Macy's or Best Buy.

UBC developed the network to give smaller, single location merchants the benefits (such as online receipt storage and automated responses for chargebacks and retrievals) of using signature capture. The signature capture pad comes free with the service and works in conjunction with the free equipment program. The devices work with Lipman's family of terminals.

"I believe signature capture will replace the debit PIN pad as the new 'lead-in' sales product for 2005," Isaacman said. "The cost is minimal, the benefits are dramatic, and existing merchants and MLSs will embrace it."

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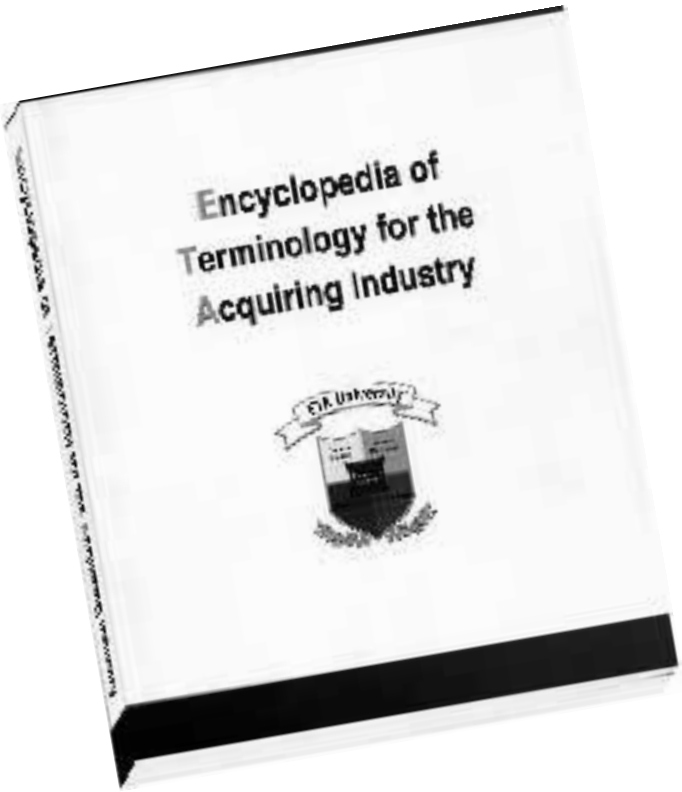
BookReview

Defining the Payments Industry



"Encyclopedia of Terminology for the Acquiring Industry"

By Donna Embry
Electronic Transactions Association, Washington D.C., 2004
Paperback, 295 pages
ISBN 0-973187-0-5
To order call 800-695-5509 or visit www.electran.org

Most would agree that payments is a business of buzzwords and acronyms. And if you're new to the industry, you have an entirely new language to learn; it might take several months to understand what everyone else is talking about. If only you had a comprehensive glossary of terms to keep on your desk or in your briefcase to help you "translate" or further comprehend information. Well now one exists.

The Electronic Transactions Association (ETA) has published the "Encyclopedia of Terminology for the Acquiring Industry," compiled by Donna Embry.

Many payments companies offer a glossary on their Web sites to provide visitors with a better understanding of their business, and a reason to return to the site; however, no glossary that we have seen compares to ETA's "Encyclopedia."

The book has nearly 300 pages of more than 3,000 terms defined and includes cross references, acronyms, a timeline of key historical dates in the payments business, and a bibliography that lists books, conference publications, periodicals (including The Green Sheet) and Web sites for reference.

Starting with the letter "A" and ending with "Z" (there are even entries under the less commonly used "Q" and "X"), ETA provides definitions relating to:

POS technology, e-commerce and the Internet, interchange, processing policies, operating guidelines, issuer programs, credit and debit card technology, banking rules, regulatory bodies, payment types, merchants, card Association programs, standards, security, payments organizations, sales and marketing … the list goes on.

The definitions are clear and concise and when needed, extensive. However, if you are brand new to the industry, you might have to flip back and forth between definitions because the terms are defined in a way that assumes you have some level of industry knowledge.

For instance, ETA defines "fulfillment" as "a document image that the acquirer supplies in response to a copy or retrieval request."

If you don't know what an "acquirer" or a "retrieval request" are, you might not have a complete understanding of "fulfillment" until you look up the other words. But all of the definitions are there.

And that's what is wonderful about this book; it's complete and it works for both beginners and veterans.

Embry has more than 38 years' experience in the payments industry. She most recently served as Director of Education for ETA, where she was instrumental in developing the curriculum for the ETA University (ETAU) General College introduction classes.

Embry currently serves as the instructor for ETAU's Introduction classes and is involved in the development of future classes in the other colleges of ETAU. Embry is also Chief Operating Officer of Falmouth, Mass.-based TenderCorp LLC.

ETA recommends viewing the "Encyclopedia" as an "evolutionary work in progress" because many of the terms and definitions, like in any language, change. In this industry, changes come from new standards, programs, categories and qualifications. ETA will publish updates to the book periodically.

You can view sample pages and download an order form on www.electran.org/info/eta_glossary.asp .

The book is $50 for ETA members and $75 for non-members, plus applicable shipping and handling.

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Bee-ing Business Payment Systems

In 2001 The Green Sheet ranked Business Payment Systems (BPS) as having the most registered representatives of any ISO in the country. At that time, the company had more than 500 independent sales agents and reported annual sales of $1 billion.

In the few short years since then, BPS maintained its momentum. By the end of 2004 the company increased its representatives to 1,500 and annual sales to $3.5 billion.

BPS, a registered ISO/MSP for Bank of America, is the largest ISO for National Processing Co. (NPC). This is significant because NPC processes more than 1.6 billion transactions annually; that's 20% of all MasterCard and Visa transactions nationwide.

BPS' services include credit card authorization and settlement, debit processing, electronic benefits transfer, chargeback solutions, gift cards, ATMs, prepaid products and e-commerce solutions.

"Credit card processing is just not enough," said Sam Chanin, Chief Executive Officer of BPS. "That's why we call our business 'merchant services.'

'Merchant services' means everything helps the merchant do business and that, in turn, helps us do business."

Rapid Growth

BPS has experienced significant growth, especially considering that the company is less than five years old.

"We started off in a small office in Brooklyn, where you couldn't fully stand up because the ceiling was too low," Chanin said.

"We then moved to a larger office in Tarrytown where we would be able to expand our business by a couple hundred deals a month. Shortly afterwards we established the 'Bee Appreciated' incentive program, and business really started to boom."

In 2003 BPS bought out three of the eight partners and became NPC's largest ISO.

It's clear that the future looks as bright as the past for this company. In 2004 alone BPS signed deals with TransAKT Corp., Q Comm International, Secure Payment Systems Inc., and The Bancorp Bank.

MLS Focus

BPS primarily does business with agents; the company very seldom works directly with merchants. "We don't compete with our agents; we allow them to establish their territories and run their business," Chanin said.

In addition to allowing agents to work autonomously, BPS strives to

create a supportive environment for merchant level salespeople (MLSs) and gives them the tools to be as productive and successful as possible.

"We're here to be the sales agents' advocate, to make sure their business is being taken care of and that they're being paid properly every month," he said.

BPS understands that the time most MLSs must devote to administrative tasks is time better spent closing sales and increasing the bottom line for both the agent and BPS.

"We are a one-stop shop for all merchant and agent needs," Chanin said. "We take care of the operations work so the sales rep can get out there and do what he does best without having to worry about applications not being processed, terminals not getting downloaded, and residual checks being late or even not coming at all."

The company offers in-house training; in fact, every week 25 – 50 reps take advantage of the training opportunities.

"We are willing to invest our time and our money to make sure your business grows," Chanin said. "We also offer our agents lead generation services for a nominal fee."

While BPS does share revenue based on transactions and sales volume, it does not take a percentage of the equipment or set up fees from the agent.

"We pay out 100% of any upfront fees, equipment fees, application fees, etc.," Chanin said. "On residuals, we make money by sharing revenue with the agent."

Additionally, BPS reports that its timely and continuous residual payments have cut agent attrition to nearly zero.

"We pay residuals on time every month," Chanin said. "We haven't missed a day since we opened up."

Agents are free to recruit sub-agents, but BPS pays everyone directly, which diminishes the risk of agents skimming from their sub-agents.

Agent and Merchant Support

Chanin said that agent and merchant satisfaction prove vital to BPS, and the company spends most of its money on client support and customer service. "A huge part of our business is our client support department," he said.

He also said the company always has fully staffed client and customer support departments and that the

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Sales agents "develop a sincere business relationship with their client support representatives and trust them with their money and business, which in turn allows the agent to get out there and sell," Chanin said.

The client and customer support investment has paid off in the form of low merchant attrition rates, less than 1%. BPS training its sales force to disclose everything to merchants, eliminating any unwelcome surprises, might also be a reflection of low merchant attrition.

The company also offers extensive valued-added services. For BPS, value-added services are "golden handcuffs."

Once merchants trust agents with their money, they can then sell them programs such as prepaid, gift card or loyalty services, making it unlikely that merchants will ever need or want to move their credit card processing somewhere else.

Commitment to the Future

Chanin and BPS feel that each MLS has substantial opportunities for growth, and BPS wants to encourage that progress as much as possible.

"Throughout BPS' growth we've gained a lot, but our focus is still the agent," Chanin said. "Our vision at BPS is that within three to five years we have over 100,000 merchants that are truly owned by the merchant level salesperson."

And the company just might accomplish this because, in Chanin's words, "BPS is not something we do for a living … it's our life!"

"Throughout BPS' growth we've gained a lot, but our focus is still the agent. Our vision at BPS is that within three to five years we have over 100,000 merchants that are truly owned by the merchant level salesperson.

"BPS is not something we do for a living ... it's our life!"

– Sam Chanin
CEO, BPS

What's Next? Payment Processing Tips and Trends for 2005

By John Martillo
Cynergy Data

The numbers are in. Electronic payments topped personal check payments by $7.8 billion over the course of 2003, according to "The 2004 Federal Reserve Payments Study," released in December 2004. In addition, Visa reported card transactions of $197.5 billion for the holiday shopping season, a 15% increase over the same period last year.

According to the National Retail Federation, debit cards were even more popular than cash in 2004. And Bloomberg News estimates that consumers spent more than $20 billion on gift cards during November and December 2004.

Did you notice it this past holiday season? I did. I noticed that the gifts many of us asked for and gave to others didn't need wrapping paper or bows; instead we coveted and bestowed gift cards in record numbers.

For those of us who did buy and wrap actual presents, we learned that there was no need to fight the crowds at shopping malls and department stores. Online shopping has become simpler and more secure than ever.

Fraud protection improves every day and brick-and-mortar companies increasingly discover that online retail is a lucrative way to expand market reach and profits.

Paying with plastic has become more mainstream as customers seek and find a more convenient way to pay, so I expect that the 2004 holiday season will be a record-breaking one for Cynergy Data and most likely for your business as well.

So what lies ahead in 2005? There's no denying that business is booming for people in our industry, but where is it going? Which emerging trends should your business capitalize on?

Specialize, Specialize, Specialize

I already see the beginnings of a major marketing shift for ISOs and merchant level salespeople (MLSs). Before, many sales offices presented themselves as one-stop shops for processing and boasted about a wide list of clients across many geographies and industries.

However, now many offices see the advantage in positioning themselves as specialty boutiques by catering to merchants in specific industry segments.

These ISOs/MLSs present themselves as processors that know an industry inside and out and, as a result, anticipate problems and create solutions unique to that industry. Electronic processing therefore becomes not only a necessary evil, but a value-added solution.

To take advantage of this switch in focus to vertical markets, look at your roster of merchants and consider in which industries most are concentrated. Brainstorm different areas, even untapped ones, where you might offer credit cards services.

By 2007, I predict we'll see more ISOs/MLSs and processors marketing themselves as experts in narrowly defined vertical markets rather than as generalists. Start specializing now to stay ahead of the game.

Recent industry news shows us that vending machines and fast food have broken the bankcard barrier. Look around and see what industries could improve business by accepting all forms of payment.

Once you have a list of target markets in mind, put together specialty sales packages that show prospective merchants how well you understand the specific needs of their industry.

By 2007, I predict we'll see more ISOs/MLSs and processors marketing themselves as experts in narrowly defined vertical markets rather than as generalists. Start specializing now to stay ahead of the game.

Wireless Options Open Doors

As the shape of traditional processing options continues to change, terminal technologies will shift and adapt, too. In 2005, wireless terminals are positioned to be the next invaluable must-have for merchants.

These products make doing business on-the-go really easy by allowing merchants to conduct business anytime and anywhere. Many

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models are portable and lightweight enough that merchants can carry them comfortably in their pockets.

Merchants who do business at trade shows will save money by going mobile, eliminating those $50- to $100-a-day rental fees for adding dial-up phone lines to their booths.

Also, in the same way that many of us in large cities have given up land lines and instead rely on our cell phones, wireless terminals that function as cell phones will start to make a lot more sense for merchants.

Merchants who use a cell phone/wireless terminal combo benefit from getting two must-have pieces of equipment for the price of one, and that's hard to beat.

Finally, for businesses that do a lot of delivery orders, wireless terminals greatly decrease risk, which keeps processing fees low.

When customers swipe their cards and sign the receipts upon delivery of their pizzas or Chinese dinners, merchants will save on the card-not-present fees and process at the lower swipe rate.

For Every Problem, There's a Solution

Another major trend for 2005 is the "solution." I'm not talking about only solving problems, which never goes out of style. I mean the way that many companies have started to package products and services together as complete solutions rather than selling the individual parts that make a whole.

You can extend this approach to our industry by grouping the services you provide (i.e. a typical processing package consisting of a wireless terminal, good rates, training materials, and intangibles such as great customer service and technical support) and then marketing them as a made-to-order mobile processing solution.

This variation might seem minor; after all, you still provide merchants with the same components and services. But think of it this way: In 2005, you'll not only sell merchants the ability to accept credit cards, but you'll also sell them a complete, no-hassle solution to a problem.

A side benefit of selling solutions rather than products is a major decrease in merchant attrition. Think about it: Most of us sell merchants the same terminals, with similar customer service and technical support, at roughly the same rates.

If the only reason merchants process with you instead of the competition is because you undercut their rates by a few basis points, the next ISO/MLS who walks through

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the door can steal your merchants away simply by beating your price.

But if you've sold merchants a solution, and I mean really convinced them of the ways your company will take care of them financially and otherwise, then it will take a much better pitch than, "I'll give you a deal that's a few percentage points better than what you're getting now" to get merchants to jump ship.

Training

About 2,000 years before the invention of credit cards, Aristotle said, "Excellence is an art won by training." Today, this is truer than ever.

Our industry is not new anymore, and as our businesses grow in volume, they also expand horizontally to incorporate new technologies and offer customers new payment options.

The opportunities for profit in our industry attract the brightest people from all walks of life, but there's more and more information that they will need. And the veterans, people who have been processing for a decade or more, still have new things to learn.

How successful will any of us be if we never learn how to sell anything but Visa and MasterCard transactions swiped at point-of-sale terminals? Not very.

Cynergy Data has made a New Year's resolution to invest staff and financial resources in training ISOs/MLSs and merchants to conduct their businesses knowledgeably, responsibly and profitably.

We're creating training materials that cover virtually every aspect of processing. And as our gift to you, we'll share these efforts with you via our new series of upcoming articles in The Green Sheet titled, "Things You Need to Know." We hope you enjoy them and find them helpful. Happy New Year everyone!

Cynergy Data is a merchant acquirer that provides a wide array of electronic payment processing services while continually striving to develop new solutions that meet the needs of its agents and merchants. In addition to offering credit, debit, EBT and gift card processing, along with check conversion and guarantee programs, the company offers its ISOs the ability to borrow money against residuals, free training and marketing, and state-of-the-art customer service. 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 ISOs and merchants need to be successful and to back it up with honest, reliable and supportive service. For more information on Cynergy Data contact Nancy Drexler, Marketing Director, at nancyd@cynergydata.com .

VeriFone Inc. Files for IPO

On Jan. 11, 2005, San Jose, Calif.-based VeriFone Holdings Inc. filed an S-1 registration statement with the Securities and Exchange Commission (SEC). The statement did not indicate how many shares will be offered or estimate the price of the initial public offering (IPO), but the company hopes to raise up to $230 million.

VeriFone said it would use the proceeds to pay off $72 million in debt and a prepayment premium of $2.2 million and for possibly acquiring companies and new technologies down the road.

As part of its IPO, VeriFone will issue and sell a portion of the shares, and the company's stockholders will sell the other portion. The company has applied for a listing on the New York Stock Exchange under the trading symbol "PAY." Credit Suisse First Boston and JPMorgan Securities Inc. will serve as joint managers for the offering.

Majority owner of VeriFone is Chicago-based venture capital firm, GTCR Golder Rauner LLC, which recapitalized it in 2002. VeriFone, a 24-year-old company, had its *initial* initial public offering in 1990, but Hewlett Packard Co. (HP) later acquired it in 1997.

An entity affiliated with Gores Technology Group bought VeriFone from HP in 2001 and still maintains a minor ownership interest in the company. Upon completion of the offering, GTCR will still control VeriFone, according to the S-1 filing.

As of Oct. 31, 2004, VeriFone reported $390.1 million in revenues. About $248.5 million of that is from its United States operations. The company employs approximately 850 people worldwide, including 309 in research and development.

In December 2004, VeriFone said it would acquire Return On Investment (ROI) Corp.'s PC-based POS payment processor, GO Software Inc. (see "VeriFone Buys GO Software From ROI Corp.," The Green Sheet, Dec. 27, 2004, issue 04:12:02).

In May 2003 ISO iPayment Inc. (NASDAQ: IPMT) went public; in August 2004, Heartland Payment Systems Inc. filed an S-I statement with the SEC, and Cardtronics filed one in March 2004.

A Look Ahead: Payments Predictions 2005

By Michelle Graff
NOVA Information Systems

Wow. It's 2005. We've reached the midpoint of the first decade of a new century. The payments industry has come a long way in the past five years. And as merchant level salespeople (MLSs), you can take a lot of the credit for its rapid growth. Back in 2000, you first heard the terms "multi-app," "IP-enabled," "3DES" and "value-add." What is now known as the "Wal-Mart settlement" was then only a rumble. And unbundled debit pricing didn't exist.

What should we expect in 2005? It's the time of the year when everyone makes predictions and resolutions. In 12 months, some of these will have come to fruition, while others will fall the way of their many predecessors. I predict that the payments industry will continue to embrace the solutions that have demonstrated success over the past few years, with a sharper focus on retention-building solutions for long-term profitability.

Interchange Will Get Very Interesting

If you think a lot of confusion exists over interchange qualification levels and pricing tiers now, only one phrase comes to mind: "You ain't seen nothin' yet!" Things are about to get very complicated. This April will bring a lot of interchange rate changes, including new card type categories based on the cards customers carry in their wallets: a traditional card, a regular rewards card or a premium rewards card. Imagine a merchant's confusion when the exact same sale to three different customers, all paying in a card-swipe environment, results in three different fees.

The card Associations have unbundled signature debit pricing, giving you an opportunity to present more options to merchants, as well as to use the debit discussion to promote the value of PIN-based debit as a lower-cost consumer payment option. Change breeds opportunity. Help desks will light up with calls from merchants asking questions about higher fees. You'll no longer look at a Custom Payment Service (CPS) Retail swipe rate and get the whole picture. Instead of sitting back and bracing for the reaction, arm yourself beforehand with the knowledge and tools you need to prosper in this time of change.

New Year's Resolutions:

- **Understand the new interchange pricing structure**, and be pro-active in the development and use of tools to allow "apples to apples" comparisons at the detail level.
- **Understand pricing on debit cards**, gross/net rebate programs, surcharges and downgrades fees.
- **Take advantage of the resources available to you.** Work with your acquirer partner on the development of accurate interchange pricing calculators that allow you to dig deeply for the real answers when doing comparative quotes.
- **Don't wait until April.** Protect your turf and educate your customers. Analyze your merchant portfolio, identify "at risk" merchants most affected by the changes, and let them know what to expect.

You Will Get Closer to Customers

It simply isn't fun to sell what many view as a "commodity" into a saturated market, where MLSs and merchants sign deals solely on the basis of price, and set quotas and success measurements on new merchant activations. But it can quickly become a zero-sum game, and the end result is merchant churn. For every 10 merchants signed, seven leave, and you often aren't aware until it's too late. Hidden fees and surcharges become the only profit makers, and once merchants discover them, perhaps by a competitor doing a rate review, your portfolio is exposed to high attrition.

The market has changed, but many ISO/acquirer business models haven't. There's real opportunity in understanding how to segment a portfolio and offer more than price. Not all merchants are alike. In fact, the similarities end beyond the statement that they all "take credit." Businesses are unique. And for each segment, there are value-added applications that really mean something to a merchant.

Merchants in tourist areas are prime targets for dynamic currency conversion (DCC). How often have you been able to offer merchants a program that actually pays them back? Some processors surcharge for foreign card transactions, yet DCC results in merchant rebates. Now that's a no-brainer sales pitch. Electronic gift cards won't slow down in 2005. And when it comes to retention, there's nothing better than a population of loaded cards in consumers' wallets. It makes it pretty tough for merchants to leave. Even if merchants consider switching, it will usually result in a phone call, and a save opportunity, for you.

New Year's Resolutions:

- **Find the real "sticky" applications** and use your brain and your calculator to factor in total lifetime value of your best customers and what it will take to protect them.
- **Get out of the price wars.** Spend time analyzing your merchant data to really know and understand who your highly valued customers are. Your goal: to be connected to those customers so that you can better retain them. Segment your base by market, volume, length of service, application and solution needs, and profitability. Find a common denominator among each segment and think of opportunities to go back to that merchant

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with clear goals for cross selling, up selling, and improving retention.

• **Bundle your solutions** and tailor your sales pitch based on merchant segment. Don't present the same electronic check pitch to an auto service business as you would to a beauty salon. Offer the same service and benefits, but different positioning and value statements. Speak the merchants' languages and bundle the value-added solutions that will help their business.

Opportunities Will Expand for Electronic Check

In 2004, Check 21 took effect and created a new dialogue including the terms "imaging," "substitute checks," "point of presentment (POP)" and "accounts-receivable conversion (ARC)," which are now part of everyday conversations in our industry. Look for 2005 to bring wider acceptance of electronic check conversion. In 2005, new markets will open with the introduction of ARC processing where the check is present, but the consumer is not. This is typical of receivable payments, recurring dues/payments, mail-order purchases and drop-box environments, such as apartment properties.

These businesses usually know their customers, accept recurring payments and operate in consumer-not-present environments. They want the efficiency of electronic processing to reduce costs and improve the timeliness of deposits.

New Year's Resolutions:

• **Target businesses outside of typical credit card acceptors**. As April 15 approaches, consider presenting electronic check conversion to tax accountants.

• **Talk to merchants about the risks of accepting out-of-state checks** and the benefits of electronic check services, especially as businesses in tourist areas gear up for the summer season.

• **Understand the impact cash flow has on your prospects' businesses** and talk to them about faster funding on checks.

The Lawyers Will Get Richer

Our industry will continue to be dragged through the legal system with more lawsuits and settlements. Who knows what the outcomes will bring? Stay tuned because 2005 will certainly not be dull. You've enthusiastically embraced change and rejected merchant churn by adding value to the solutions you offer. Resolve to make new inroads in markets, understand new solutions, and try selling methods that you haven't previously explored. Happy New Year!

Michelle Graff is Vice President of Marketing for NOVA Information Systems. E-mail her at michelle.graff@novainfo.com .

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NAOPP to Hold Elections for Board of Directors

It's an electronic election year ... for the National Association of Payment Professionals (NAOPP), that is. The NAOPP announced that its first ever elections for seats on its Board of Directors will take place Feb. 28 – March 10, 2005 via an electronic ballot.

"The elections are sure to bring some new blood and ideas to NAOPP," said Steve Norell, NAOPP's Interim President and co-founder of the organization.

NAOPP accepted nominations for board member candidates through Jan. 17. The nomination committee will present to the membership its official slate of candidates on Jan. 27. NAOPP will post biographies and qualifications of these candidates on its Web site, (www.naopp.com) and distribute them by e-mail to all members.

Members will vote through an online survey service, and NAOPP will announce the results on March 11.

The positions that NAOPP seeks to fill are President; Vice President; Secretary; Treasurer; and several Director and Advisor positions.

NAOPP's current Board of Directors, all volunteers, were elected on an interim basis at NAOPP's kickoff meeting, held October 10, 2003 in Orlando, Fla. (see "NAOPP Kickoff Event Scored!" The Green Sheet, Nov. 10, 2003, issue 03:11:01).

Since the first meeting, NAOPP has continued to increase its membership (it now boasts more than 275 members) and benefits for merchant level salespeople (MLSs). The organization offers access to low cost legal consultation and representation, a 401(k) plan for all 1099 MLSs, and a health insurance plan available for one person or up to 100 people.

NAOPP will hold the following upcoming meetings, open to all MLSs:

- Feb. 1 at the Grand Summit Lodge in Mt. Snow, Vt. in conjunction with the upcoming Northeast Acquirers' Association (NEAA)
- In March at the ETA Annual Meeting and Expo in Las Vegas (stay tuned for exact date and time).

For more information about NAOPP, visit www.naopp.com . For more information about NAOPP elections, send an e-mail to elections@naopp.com .

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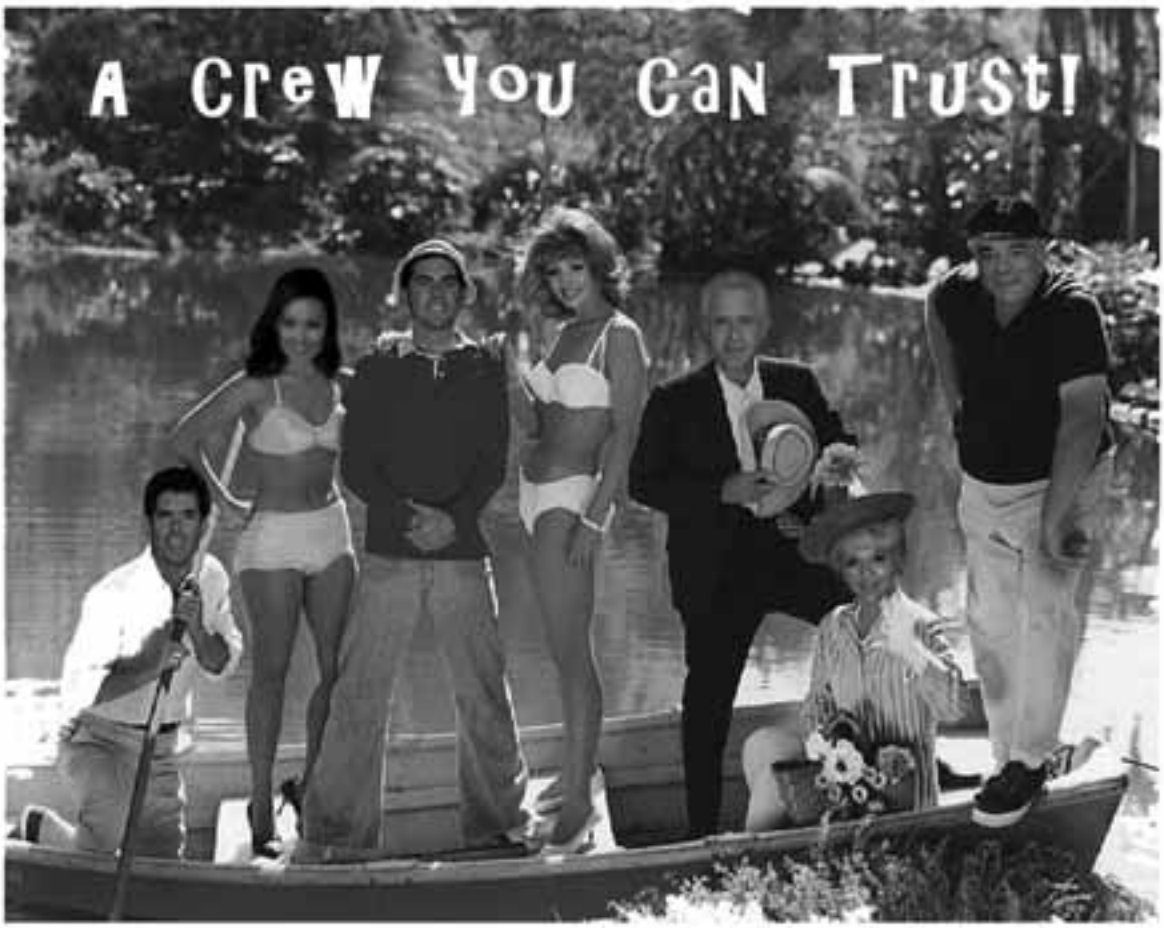

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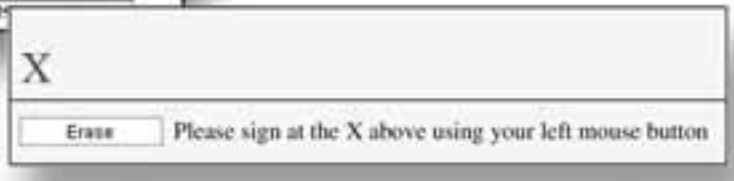

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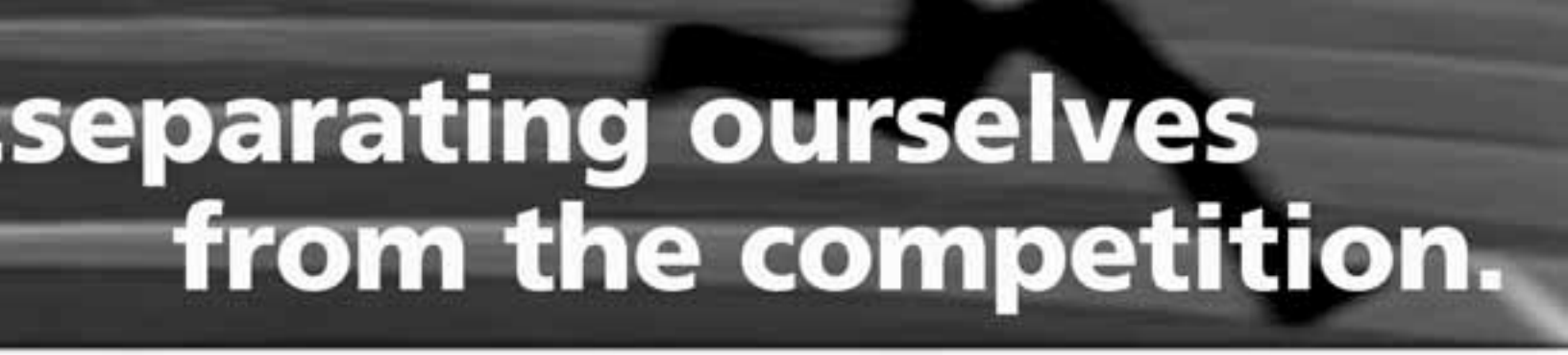

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The World According to The Green Sheet

Each year about this time, our industry starts to buzz in anticipation of Electronic Transactions Association's (ETA) Annual Meeting and Expo. Who's going? Will you be there? Are you free to meet over breakfast, lunch or dinner? In all your years at ETA events, have you ever heard anyone say, "Meet me at The Green Sheet booth"?

For the first time, The Green Sheet is proud to announce it will have a booth in the 2005 ETA Expo Hall. Our prime location, just inside the Expo Hall entry doors, will make it easy to find us at Booth #1630; it's definitely one that no ETA attendee will want to miss.

To mark the occasion, Julie O'Ryan, President/Editor in Chief, announced our "Greentastic Voyage"* giveaway: a once-in-a-lifetime adventure including airfare, four-star accommodations, transportation and $4,500 cash for the winning ETA attendee and a guest. The winner will decide whether to spend two weeks rejuvenating Hawaiian style swimming, surfing or laying on the beach in Maui, or two weeks discovering the other end of the earth in South Africa, on safari with lions, giraffes and elephants in Kruger National Park.

"We are so excited about the opportunities for meeting with people that having a booth at ETA will provide us," O'Ryan said. "We feel that it is an important way to facilitate communication at the industry's premier trade show, and we anticipate making many new contacts. For more than 20 years, The Green Sheet has been bringing the payment processing industry to ISOs and merchant level salespeople. Now we want to give them the world."

We'll also introduce our "GSQ Technology Report" at ETA. The March 2005 issue, Vol. 8, No. 1, will cover various technologies being implemented across payments and what sales agents need to know about selling them.

Watch for more details on our "Greentastic Voyage" coming up in print and online. We'll see you at Booth #1630!

**NO PURCHASE NECESSARY. To enter the contest you must complete The Green Sheet questionnaire on site at ETA's Annual Meeting and Expo; the winner must be present to win! The drawing will be held on Wednesday, March 16, 2005 during the Happy Hour at The Green Sheet booth. The prize is non-transferable, cannot be redeemed for cash equivalent and no substitutions may be made. One (1) entry per person.*

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New Technologies from Page 1

reap the benefits. Think beyond the countertop.

Industry experts and sales veterans agree that now is the time for agents to reevaluate their strategies; to serve their merchants in the best way possible, they have to stay informed.

"There's a multitude of verticals out there for aggressive, creative sales people to go after," said Andy Phillips, President of Payment Resource International (PRI), a division of TransFirst.

"Get off the main drag. There are household names out there that no one is going after, and if one would just get out of the box, there's a wonderful world of opportunity just across the street."

Encouraging words. But not only should ISOs/MLSs be aware of opportunities in their own backyards, they should also look at things happening across society and help developers devise solutions that will fit the bill for any number of situations.

For example, many members of our aging population have discretionary incomes and a fondness for using credit cards.

Combine that with the increasing popularity of elective medical and dental procedures and the decreases in insurance coverage to pay for them, and you get a sense of the kinds of opportunities this new world holds.

Financial officers with organizations having multi-location environments or multiple revenue centers will appreciate the simplification of administrative procedures that wireless mobile solutions plugged into a central system creates.

Part One of this article ("The Year That Will Be: Payments 2005," The Green Sheet, Jan. 10, 2005, issue 05:01:01) examined wireless and contactless technologies that are making it possible for an untapped market of merchants to accept and process credit, debit and other cards as well as checks.

Here we'll look at ways in which several companies are putting those and other technological advances to work to transmit, process and manage data, and the sales opportunities they create.

With all the tools at hand giving cash a run for its money, so to speak, it's time to put on your thinking caps. Working with the right partners with the right solutions is certainly one of the keys to this highway.

A Retail Sensibility for the Medical Profession

We see and hear the ads everyday for whiter teeth, 20/20 vision and trim bodies. These days, the skyrocketing cost of staying healthy makes the headlines regularly, too.

Medical treatment and prescription drugs get more expensive, and employees contribute more of their own money to help cover expenses once paid for by their employers' plans.

In the world of dentistry, a field in which they're accustomed to lower amounts of insurance coverage, using retail-like payment methods is not new. But several factors come into play where payments for medical care are involved.

First, there are more elective treatments available to patients, and more people choosing to have them, than ever before; these include plastic surgery, weight loss and laser vision correction, as well as several new cosmetic dental procedures.

And traditional insurance plans frequently don't cover alternative treatments, such as chiropractic, physical therapy, acupuncture or massage.

According to TransFirst Health Services President Christy Corey, however, these types of providers do not make up the emerging market in health care. That trend comes from the increasing out-of-pocket expenses paid by people with health coverage.

"Non-traditional practices are those that are otherwise outside the scope of primary care," Corey said. "This market is more readily accepting of the idea of credit cards as payment options.

"These offices are more adept at understanding the need for efficient management of their accounts receivables and run very similarly to retail operations."

Elizabeth Langwith, Vice President of American Express Co.'s (AmEx) Establishment Services, the division that concentrates on payments in the medical field, agrees.

"Medical providers should be looking at as many payment options as possible," she said. Customer service is as important a consideration in these offices as it is in retail settings.

AmEx provides point-of-purchase materials designed specifically for the health care environment; they're a subtle but direct way for the offices to let their patients know they should pay something before they leave.

"The biggest challenge health care provider offices face is how to make sure they get that payment without coming across as a retail store," Langwith said.

Traditionally the opportunity for ISOs/MLSs has been greater in practices that provide more uncovered services or elective procedures, she said. Because they don't bill insurance carriers, they're used to asking for payment up front or setting up payment plans, and are more profit-oriented.

This market is already comfortable with the idea of accepting credit cards and other payment options.

"The payment tools used in the retail environment are very well suited for non-traditional markets," Corey said. "They want to learn about the way retailers are pulling in more regular repeat customers, including gift and loyalty cards, check services, recurring billing and prepaid.

In traditional medical care offices, though, most doctors don't have a retail sensibility, she said, making this market "unique and interesting."

For payment services providers, the challenges, and rewards, lie in educating doctors and their staffs about ways to add new patients, and upselling for more revenue per transaction.

As benefits shrink, the cost of procedures and doctors' fees continue to go up. As patients become responsible for more of these expenses, solutions that include payment processing and eligibility verification, and that integrate with practice management software will help medical offices meet the challenges involved.

MedCom USA Inc. is a company providing such complete proprietary solutions. "We help health care providers eliminate administrative headaches and increase cash flow," said Harold Weitzberg, Sales and Marketing Director.

"Because sales in the medical field is a tougher sell requiring more effort, the financial transactions solutions must be compelling and offer multiple uses for economy of use," he said.

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nities for selling processing solutions are opening up in some areas that are as plain as the nose on your face. These are the kinds of markets that make you ask why no one thought of them before.

Do you pass by a large warehouse on a regular basis and wonder what sort of business occupies it? Perhaps it's home to a manufacturing center, or some sort of wholesaler or supplier. Ever think to stop in to find out?

Pardon their dust, but these businesses often generate tens of thousands of dollars or more in monthly sales volumes. These businesses often use delivery drivers, and might be interested to know how an integrated wireless mobile POS system would benefit their bottom line.

An area that TransFirst's PRI division targets is municipalities. The company processes payments for eight cities in Southern California, including Santa Monica, San Juan Capistrano and Santa Ana.

"One of the biggest challenges we've uncovered facing municipalities is that they have a number of revenue centers but no centralized accounting system," Phillips said. "Through our proprietary broadband and PC applications, we can create a wide area network (WAN) for them relatively inexpensively and with a minor amount of training."

Acceptance of electronic payments in government services is a virtually untapped market. Phillips said they're looking for solutions for ACH and credit card processing for areas including the collection of property taxes, finance, dog licenses, libraries, permits, fire and police, school districts and recreation.

Winning this sort of business, as with the medical field, requires that ISOs/MLSs get to know the agencies and how they run. Then they need to work with partners who can provide solutions to fit those needs.

The government market is not suited for every agent's business model," Phillips said. "The segment is different from others. You have to understand what the challenges are, what the economics of the situation are."

PRI will also concentrate on markets with recurring payments that have, until now, relied primarily on check payments; these include utilities and residential rental property management firms.

Phillips is betting on one technology in particular to open

these doors for his in-house and contracted sales agents: broadband-based transaction processing, including wireless. "I think it's a land grant," he said. "The opportunities for agents to convert merchants to processing through broadband applications is enormous."

PRI's growth rate last year seems to support his view: More than 30% of its 40% overall growth was in broadband, according to Phillips.

Taking Payments Out of the Wallet to Increase Wallet Share

"Wallet share" is the buzzword attached to divvying up consumer usage of payment methods: cash, checks, debit, credit and other cards. With the proliferation of contactless technology, though, we have to add things like fobs and tags that attach to keychains, and even wristbands.

Giving consumers choices for fast, secure convenient transactions will go a long way toward increasing wallet share all the way around, according to technology provider ViVOtech's President and Chief Operating Officer Mohammad Khan.

Khan said the flexibility of contactless increases the possibilities for applications. His company will focus on cards that combine loyalty programs into a prepaid functionality for large and small retailers alike. The idea is to be able to "help ISOs and payment card companies make gift, loyalty or prepaid programs stronger and more palatable for the consumer," he said.

"For retailers, it gives them a loyalty program that's a lot more broadly accepted and lets them beef up their programs with more focus and better value."

Application possibilities seem endless. ViVOtech has tested a wristband that guests at a water park wear during their visits. Customers load a certain dollar amount onto the contactless chip and wave it at readers to pay for concessions; the band eliminates having to worry about carrying a wallet and keeping it dry all day.

Ezic Inc.'s Chief Executive Officer Locke Walsh agrees that many changes lie ahead for stored-value and its variety of flavors, including micropayments, gift cards and loyalty programs and said they'll be especially important for Internet transactions.

Ezic provides Internet payment gateway, electronic payment solutions and sales management software, and is involved in "a prepaid RFID contactless pilot that adds gateway-type capabilities to contactless," Walsh said.

In that pilot, fans attending events at arenas preload a spending amount onto a wristband with an RFID tag to pay for food, beverages and other concessions.

The memory capacity of contactless chips allows several payment programs to be stored on one card or tag. As solution providers work out real estate issues such as liability, and begin to include identification verification systems, your wallet may soon become an irrelevant accessory.

Evolving Technologies for an Endless Customer Base

Walsh said the focus in the coming year will be on non-traditional retailers and predicts that's where all the growth will be. "We have to look at new uses for technology and how non-traditional merchants will be able to generate profits using them," he said.

"One of the great things about our industry is that there is an endless supply of customers," said TransFirst's Phillips. "I've been saying that for 27 years and my philosophy has not changed. Evolving technology means there will always be a new merchant to go after.

"Open up the Yellow Pages. Your prospects are everywhere."

Payments Companies Turn Profits Into Donations for Tsunami Relief

Response to the Asian tsunami has been so overwhelming thanks, in large part, to donors making contributions online using credit cards. But in the United States and Canada, payments companies are donors now, too.

On Jan. 3, 2005 VeriFone Inc. announced a $200,000 pledge to the tsunami disaster relief efforts, including $100,000 from the company; this was matched by another pledge made by VeriFone Chairman and Chief Executive Officer Douglas G. Bergeron on behalf of The Bergeron Family Trust.

Visa, MasterCard and American Express Co. (AmEx) in both countries said they will contribute to relief agencies in several ways.

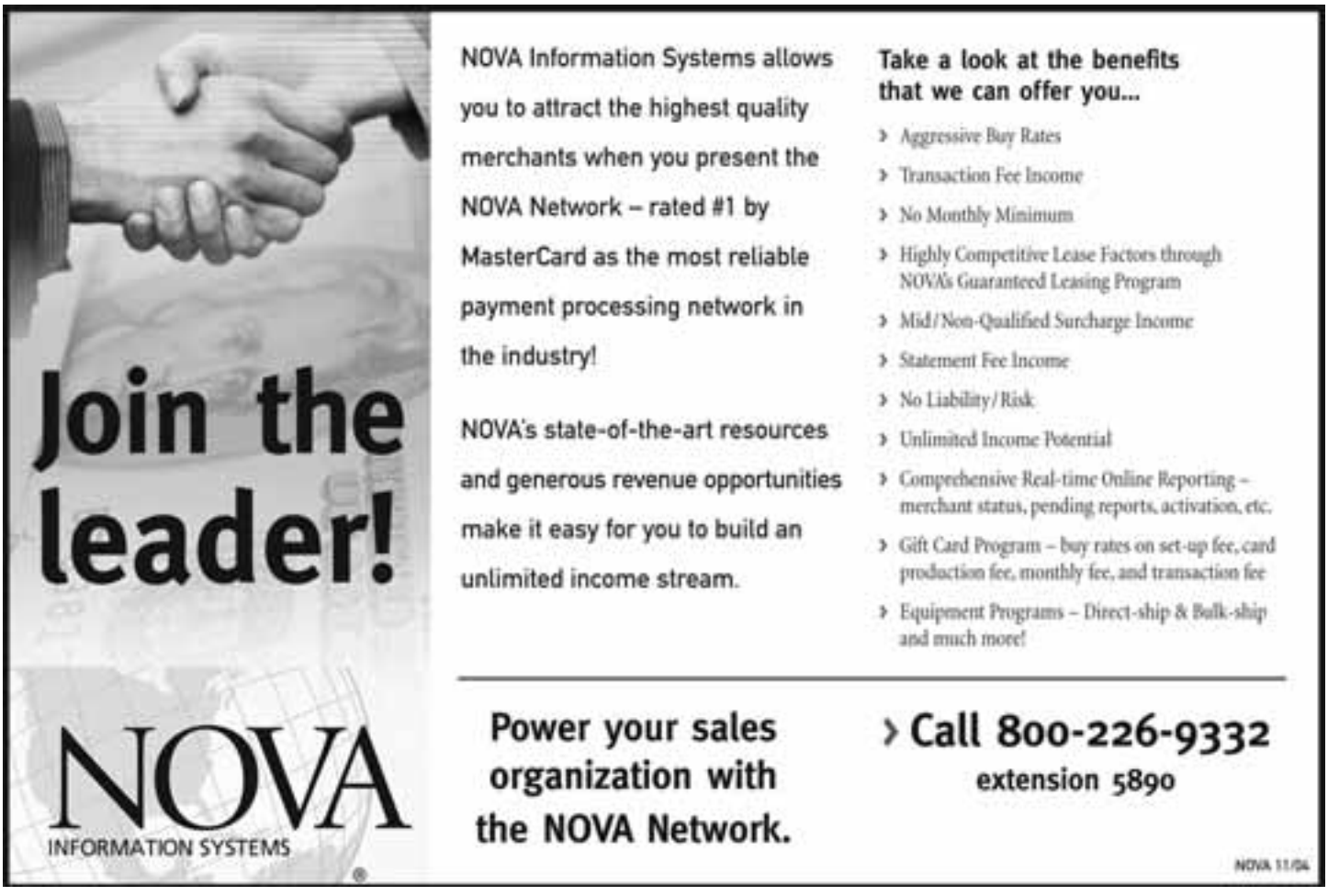
On Jan. 7, Visa U.S.A. announced a $1 million pledge to American Red Cross; it will also match all donations made by employees and will waive all fees for U.S. Visa-based donations to five recognized charities.

MasterCard International said it will waive fees for donations to five agencies made using its cards in the United States. MasterCard will double-match employee contributions to three specified charities and will match all employee contributions to other humanitarian groups.

AmEx announced a $1 million contribution to support relief efforts in Asia. It will also waive all fees for donations made to 75 recognized agencies through June 1, retroactive to Dec. 26, 2004, and will match its employees' charitable contributions.

On Jan. 10, First Data Corp. announced donation plans that include reducing fees for money transfers, made through its subsidiary Western Union, from the United States to the affected areas through Feb. 10, and matching employee contributions to specified relief agencies.

Fort Lauderdale, Fla.-based ISO Direct Technology Innovations (DTI) on Jan. 12 pledged $5 to the Red Cross Tsunami Relief Fund for each free terminal deployed in



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January and February. It will also donate $25 to UNICEF for each of its merchants with families directly affected.

In Canada, the Associations will refund amounts equivalent to the processing fees for Canadian donations made between Dec. 26, 2004 and Jan. 31, 2005.

Visa also donated CAN$75,000 to the Canadian Red Cross and matched employee donations.

In other tsunami-related news, MasterCard volunteered to help identify and eradicate phishing scams; one Australian fraud company had identified more than 130 such Web sites by Jan. 12. AmEx pulled television ads featuring big wave rider Laird Hamilton.

Washington Mutual Switches Debit to MasterCard

Through an agreement announced Jan. 5, 2005, Washington Mutual Inc. will move its principal card programs to the MasterCard International brand. The companies did not disclose the terms of the agreement.

Washington Mutual will begin issuing MasterCard-branded debit cards by the end of the year. Washington Mutual customers will be able to use their cards at signature (offline) and PIN debit (online) point-of-sale locations and at ATMs.

Washington Mutual has approximately 9 million signature debit cardholders and 1.5 million PIN-only cardholders. It currently operates nearly 1,900 banking offices and more than 3,200 ATMs in 14 states across the country.

In another announcement made on Jan. 6, Washington Mutual selected First Data Corp. to provide settlement and authorization processing for its debit card portfolio, extending the agreement Washington Mutual already has in place with First Data's STAR Network for processing transactions including PIN debit POS and ATM processing.

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AdvisoryBoard

GS Advisory Board Predictions for 2005

We asked members of The Green Sheet Advisory Board (AB) to pull out their crystal balls, look ahead to 2005 and consider the following questions:

What is the most important business strategy for 2005? Which technology, product, service or concept would you highlight as the focus for your sales team?

We also asked AB members to write a brief motivational message to merchant level salespeople (MLSs). Here's one from The Green Sheet: The more things change, the more they stay the same. It's a cliché, but it's true. Your success this year will depend on your hard work, so stay focused and engaged and always be closing.

The AB responses follow in alphabetical order.

Adam Atlas, Attorney at Law

"From a legal perspective, I believe there will be a trend in 2005 to spend a little more energy to clean up the paperwork in the many relationships in our business. Acquiring institutions and processors have realized that their revenue flows entirely through their ISO and agent agreements. As a result, I'm seeing a greater effort to renew out-of-date form agreements and redraft them so that they match the industry practice.

"On one hand, this has led to an improvement in the agreements and a lessening of the one-sided nature of so many of them. On the other hand, I have noticed some banks being less flexible in their negotiations over ISO and agent agreements. In the long run, this lack of flexibility will interfere in the business of banks, as the more entrepreneurial and creative ISOs and agents are driven towards more flexible banks.

"I believe the Associations will continue to have their love-hate relationship with enforcement of rules: enforcing a lot of rules against bad merchants, while allowing cardholders and some banks to escape unharmed from various kinds of fraud and negligence. Don't forget, fraud is a part of the credit card business, and is accounted for in the pricing of every relationship in the business ... .

"I would advise any ISO/MLS sales team to focus on customer service. As the business becomes more competitive, and as margins decrease for ISOs, leaders in this business will distinguish themselves by the relationships they have with merchants ... .

"The customer relationship is really what the ISO/MLS is paid to create and maintain. To the extent that ISOs/MLSs are successful in that, then they will be creating for themselves the kind of real lasting residuals that banks and processors are so skittish about promising.

"ISOs/MLSs sometimes feel powerless. They are not. They are the vital connection of merchants to this industry, and they should remember that when giving their 2005 pep talk to their sales teams. You own all of the personal relationships that make all of this industry possible; nurture them and seek the compensation you deserve for the love you give."

Steve Christianson, Transpay USA

"While there may be new equipment, new terminals and new services available to market for each MLS out there, there are more important issues. First of all, some sales reps are being paid residuals and some are not. There is a big difference between service-oriented salespeople being paid residuals and those who just sell equipment.

"I often hear from merchants that they have not seen anyone from their processor since the installation. That's beside the fact that they have an 800 number to call with problems and concerns.

"Merchants like to see their rep once in a while. However, if you're one of those salespeople who sold a merchant a terminal and check reader for $199/month for 60 months, there's a good chance the merchant does

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NOT want to see you ever again, even if you're the first line of customer service.

"The best advice is to be fair and honest to the merchant. Don't oversell equipment. It has a way of coming back to you. You get what you give … . Selling rates at near cost just to get an equipment sale is shortsightedness at best. The ISO you work for will not last long if it's not making any money.

"Take a strong long-term view of where you are now and where you want to be.

"Find a reliable processor to write for that has the experience and reputation. These other clowns will be around for a while then disappear. Hopefully you'll find a reliable processor that will pay you residuals in exchange for customer service and long-term income."

Larry Henry, L. Henry Enterprises

"The year 2005 is shaping up to be an extremely important year for the old guideline, 'plan your work and work your plan.'

"It is probable that the economic growth will bring about new businesses and an opportunity to go after fresh merchants. Sell or lease a terminal and a printer while you sign [merchants] up for card processing.

"Although this is an important part of our industry, while you are going after these new opportunities, someone else is going to be after your existing merchant base.

"At this point in time, 'churn' is the most lethal part of our business. Whether you are a large ISO or an agent on the street, 25% of your residual is a lot of money.

"Don't forget: While replacing this lost revenue, you, your company and your processor all will have to spend the lion's share of the new income just to set up the replacement merchants and win their loyalty.

"In 2005 we need to see a resurgence of SERVICE in our industry. I don't mean swapping broken terminals and free printer paper (although both can be important in the eyes of the merchant).

"I mean, 'What can our products (new or existing equipment) and processing (software applications) provide the merchant that no one else now provides?'

"Timely reports, new reports, training and efficiency are all intangibles that we tend to ignore after we have successfully won the merchant in the first place. Do we know what our merchants do? Do we know what problems they face that may be made easier with the innovative use of our own products? How well do we know our equipment? Do we know what new equipment is on the market and what it will do?

"Chances are, as usual, new and/or replacement business cannot afford the latest and greatest equipment. The normal merchant 'just wants to take credit cards.' But that is because that's the only thing they know the equipment will do for them. Imagine if a new or existing client felt that you were giving them much more than card processing, that you were helping them to better manage their own business ... .

"Merchants do not come easily. A lot of time, effort and money is spent to win the account. Isn't it easier to keep them than it is to replace them? … In a growing economy replacing the dollar volume may be a bit easier; however, reality says that 2005 may not be any better than 2004.

"Plan on keeping your merchant base rather than having to replace it. It's a lot more rewarding. Plan your work around service, and you could be 25% better off at year's end."

Jared Isaacman, United Bank Card Inc.

"United Bank Card recently announced the launch of our free terminal initiative. I believe this to be a strategy that will change the face of the industry permanently. For decades service-based businesses gave away the product in exchange for the service.

"This can be seen in the wireless cell phone world, alarm industry and cable and satellite TV companies.

"It was only a matter of time before this concept became a reality in the payment processing industry. United Bank Card leveraged our size as a payment processor to be the first in the market with a free terminal solution. The selected terminal was the flagship of the Lipman product line, the NURIT 8320 terminal.

"The marketing benefits of the free terminal concept will allow ISOs to double or even triple their sales potential … .

"There are no 'gotchas' to this program. There are no hidden rental fees, hidden leases or application fees. And we do restructure our already successful ISO/MLS revenue sharing program.

Comstar Interactive

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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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A picture of Ben Franklin = $100 cash

"To complement the free NURIT 8320 program we are also offering a free signature capture pad and a free check reader. One of the first obvious implications to this program is the lost 'up-front' income from selling or leasing the equipment.

"That is why we are paying an additional $100 bonus on top of our established residual program. The end result being our ISO and MLS partners will be able to build a lucrative residual portfolio two to three times faster with unprecedented merchant retention and award-winning customer service and technical support ... .

"I believe that signature capture will replace the debit PIN-pad as the new "lead-in" sales product for 2005. The cost is minimal, the benefits of the service are dramatic and existing merchants and MLSs will embrace it."

Allen Kopelman, Nationwide Payment Systems

"Our goal for this year is to grow our local sales force and continue to grow our reputation and business in the local area in South Florida. We are rolling out several value-added programs to entice merchants to do their processing through us.

"Gift cards will be in a growth period for many years to come, and coming up with innovative ways to package it with merchant services is the key.

"IP terminals will be big as soon as the phone companies make it more affordable and available and the processors are all IP-ready and lower the transaction fee cost as an incentive for a merchant to buy a new terminal ... .

"In this business … It's all a numbers game. Go out and sell and network, and you will be successful."

Doug McNary, First Data Merchant Services

"It can be overwhelming to think about all there is to learn in the electronic payments industry. Navigating through Association rules, regulatory compliance, litigation and new technology can be daunting tasks.

"The industry is now selling to merchants who are very knowledgeable about their payment processing options, thus enabling them to shop around for the best offers.

"Cardservice extensively trains sales agents on all aspects of the industry, providing merchants with the innovative solutions that meet the needs of their business.

"Quick service restaurants (QSR) is still one of the few remaining markets that can provide growth for the electronic payments industry. The market is immense with approximately 110,000 locations and an estimated $129 billion in sales. In the past, the QSR industry was slow to adapt electronic payments.

"Yet with the advanced technology available today and increased consumer demand, more and more QSR merchants are moving towards card acceptance.

"Today over 83% of the QSR locations are owned and operated by franchisees, each with the ability to make their own decisions about the forms of payment they will accept.

"The stage is set for tremendous growth for the electronic payments industry in the QSR market. Gift cards, credit and debit will play a significant role in the overall growth of QSR because of their appeal to both the QSR merchant and its customers.

"Opportunities abound when MLSs research and choose a target market, become the expert, and devise a business plan to thrive in that merchant arena.

"By partnering with a company that offers stability, innovation and resources, you provide value to merchants while building a successful portfolio."

Garry O'Neil, Electronic Exchange Systems (EXS)

"EXS plans on staying focused on our core competencies while streamlining and enhancing our internal systems. For 2005, we'll be introducing new advanced payment processing solutions and integration services for our customers.

"We will also improve upon our internal and external training strategies to ensure that we can support the new products and services that are available to our ISOs and merchants.

"EXS envisions integrated solutions, IP-based transactions, new and improved wireless solutions and business-to-business/government Level III processing as some of the hot areas for new payment processing sales opportunities.

"The merchant processing community is going through a dynamic and massive change. Rules and regulations

are being enforced, and pricing and integration are evolving. Now is the time to understand and confront the changes.

"This industry is going to offer greater rewards and long-term stability to all of you that face the changes and grow within the new confines. Change, for those of you that are prepared for it, is an open checkbook of opportunity."

Bill Pittman, TPI Software

"Move away from hardware-based compensation towards value-based compensation. Most businesses commoditize their complements. If you sell phone services, you want the phones to be as inexpensive as possible. For this reason, most phone companies give away the phone.

"If you sell merchant services, you should want the enabling technology (i.e. payment terminals or software) to be as inexpensive as possible. Historically, our industry has marked up both the payment services and the terminal in order to compensate the MLS.

"The trend towards giving away enabling technology such as terminals will alter compensation plans, so MLSs will focus on lower upfront cost-enabling technology such as high-value software.

"Software, integrated solutions and IP processing. The price of PCs is now less than some payment terminals, and the value proposition is much higher because PCs cannot only process IP payments (two- to three-second authorizations) but they also provide integrated solutions with inventory control and accounting on a commodity platform.

"TPI has developed enabling software that is easy to sell and support and allows MLSs to differentiate themselves and compete as we move away from standalone, non-integrated hardware towards high-value solutions built on integrated IP systems running on commodity PCs."

Lisa Shipley, Hypercom Corp.

"The most important business advice that I would offer for 2005 is to focus on operational excellence. Identify your core business strengths and leverage those strengths into other areas, opportunities and avenues of your business. Focus on operational excellence to deliver a combination of cost, performance and ease of purchase that no one else in the market can match.

"Execute extraordinarily well, guarantee hassle-free services, standardize on a scalable solution portfolio and simplify."

Scott Wagner, GO Direct Merchant Services

"One of the best things about our industry is the fact that almost everybody needs our service, and that is unlikely to change any time in the near future. While it is true our given profession has a very competitive landscape, if you work hard, be honest and study the nuts and bolts, then oh what a great and rewarding business this is!

"Many years ago, I once told an employee who was concerned about making money, to 'put your head down, concentrate on your pipeline and take care of your customers.' She has made payment processing a career and a rousing success for herself and her family. And those same comments that helped guide her still hold all their weight today.

"Hire the right people and work with the right people, and you'll set yourself up for a win-win situation."

Education

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Adam Atlas.....92

Free Lunch?

I've been inundated with phone calls and e-mails from merchant level salespeople (MLSs) all over the country inquiring about recent ads they saw in The Green Sheet that offer "free" terminals. They're asking, "What's going on out there? Are these offers real? Is giving away terminals really necessary?"

For more than 20 years, MLSs have made an excellent living selling and leasing terminals. Does this mean all these people are out of jobs?

To further this discussion, I posted the following on GS Online's MLS Forum on www.greensheet.com:

"My next 'Street Smarts' column will focus on the 'free' terminal craze. Do you think this is a good or bad thing for our industry? Is it good or bad for you, the MLS? What about your ISO/MSP partner? Or merchants? What are 'catches' that you can live with, and what terms and conditions of these 'free' offers turn you off?"

The response was immediate and very interesting. Here are some excerpts from one of the most discussed topics ever to hit the MLS Forum:

"I can see the want ads now: 'Can you give away a free machine? No experience necessary.' Even MLSs who are currently making most of their income from terminal leases will be forced to move toward a residual-based compensation. I think in the long run, this will be good for them. I think it will eventually lead to a better quality MLS and block of business, but only because it will weed out equipment-based compensation salespeople (I'm talking whammer-bammers here).

"Initially, merchants of all sizes can relate to a free offer, but as the statements roll in, it becomes apparent what pays for the machine. Larger merchants could leave the ISO, leaving a dwindling average volume client base. If this is what the ISO wants to accomplish, it might be a great thing." – Desdinova

"Free terminals are here to stay. This will lock in the merchant under a long-term contract and keep him there. The good part is it will get rid of the scum who are ripping people off by leasing a Tranz 330 and printer 250 for $69 per month for 48 months. The bad part is merchants will not want to pay the fee associated with the 'free terminal.'

"There is always a catch to any offer. It will drive the small-minded out of this business and might push some acquirers to offer this to the agents and ISOs. This is good and bad for MLSs. The good: It might help some people sell. The bad and the good: It will make it tougher for new people to come into the industry.

"ISOs might have to step up to the plate, but I don't see this happening and being wide-spread. The monthly fees are going to be great to sell against, with a reasonably priced terminal and smaller monthly fee (i.e. no signature capture fee, etc.). If a lot of the big ISOs start giving away free terminals, it could put the MLS out of business. Merchants are a funny group; they don't all buy on price or have the attitude, 'If it's free, it's for me.' Some people will take it, and some will look at the monthly fees, etc. and pass." – ccguy

"I don't see what all the fuss is about. If the ISO, in this case, UBC, wants to give me a free terminal and $100 to sell the merchant, then I am all for it. If not, then I won't. I get the best of all worlds. There is no gun to my head to use it or not use it.

"This is much to do about nothing. Years ago the banks loaned the terminals at no charge and got 4% – 6% discount fees. The way Visa/MasterCard is going, we are heading for 4% – 6% again so we will have to give the terminal away for free.

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"There was an ISO not too long ago sending out post cards promoting free equipment. When I called, it was only a T330 and P-250. He made no ripples in the market. So it is like I started out saying: I don't know what all the fuss is about." – JFK

"The free program is good and bad for everyone as follows: This is an excellent program for all those that embrace it and start selling it to their advantage. It will definitely build your residual portfolio. The key to this program is the residual portfolio. This is a residual portfolio building program! This will only be a bad program for those who do not embrace it.

"This is the new competition for those that sell and lease equipment. You will never be able to overcome objections or close the deal when your customer has been offered free equipment by your competitor. The only way you can win a customer is if the free equipment comes with bad customer service and technical support.

On another note, this is a big country. There are thousands and thousands of new merchants every month, as well as millions of existing businesses. So the opportunity to lease and sell equipment for whatever price you offer will always be around. Until the day you meet your competition and they offer the free equipment. Good luck." – rhendrix76

"Actually it is not free. It is a 'free placement.' A free terminal means they can keep the terminal if they go out of business. Once these merchants change processors, there goes the terminal. Now that is not free. All this is is a program where we are going to charge you $10 per month (batch fees) and $79 in 60 days (annual fee billed in month two) for a rental. There is nothing free about this program." – NCBlue

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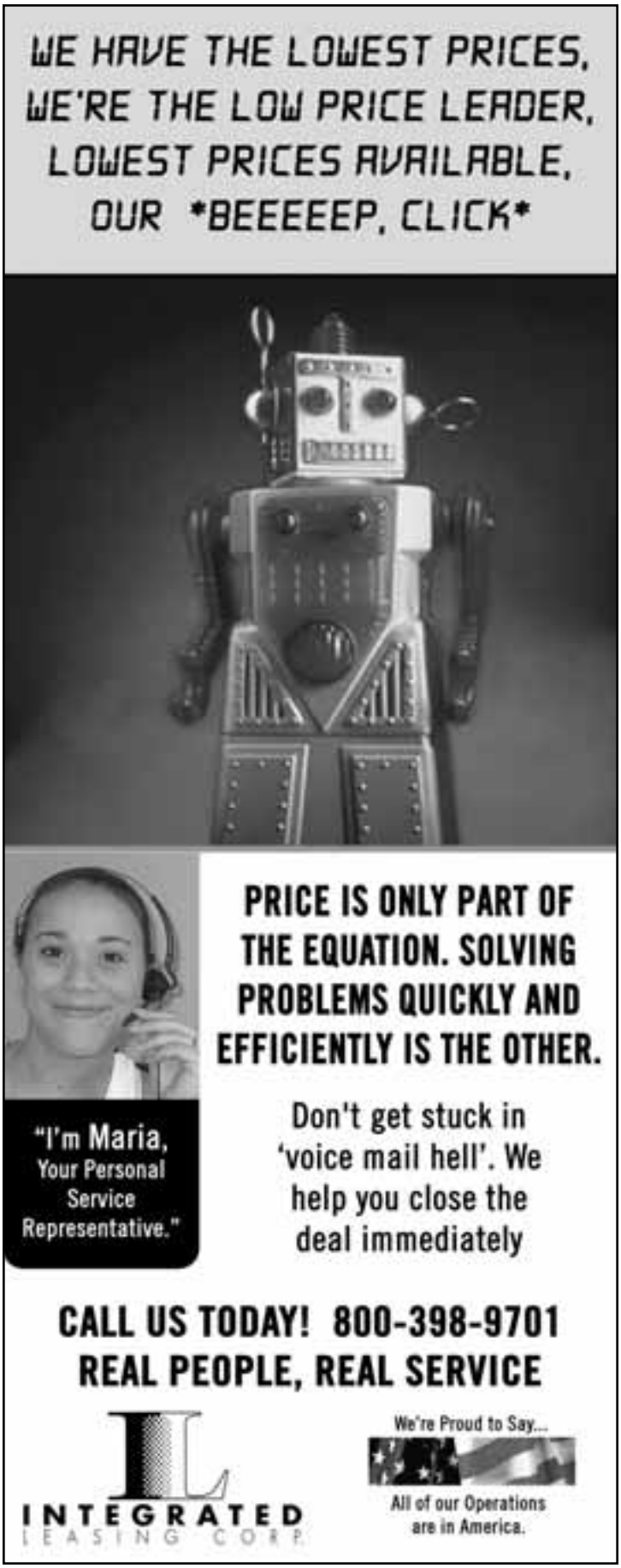

"Had a competitor do a mailing to all chamber members offering the 'free' terminal. I got calls from 10+ clients who got the letter and asked about it. I explained nothing is free, but that I would take over their lease payment making their terminal 'free' and match the other guys' rates and service if they liked. So far, no takers.

"I think the free terminal will help make a weak salesperson weaker, but I don't see any real impact on the industry. Except that those who are just starting out can't pay the rent until residuals build up. That's a plus for those in the business, but a minus for those starting out. I couldn't afford to get in this business at this time. Could most of you? Think about it. How many of us needed equipment money to live on?" – Starsales

"I think as long as the sales representation discloses all the 'catches' that it can be a good deal. I worry that if the catches such as: 1) The terminals are proprietary; 2) there are annual/other fees charged and 3) mid/non mark-ups are not disclosed, then 'free' terminal programs will blow up.

"If the merchant truly understands the program and how the terminal will eventually be paid for, it is a good fit for smaller merchants and a good tool for an honest MLS. Maybe it's me or the market that I am in, but I almost never see annual fees charged to the merchants that I solicit, and my ISO partners never force me to charge one." – Nature

"Why do you have to give a small-volume merchant a new terminal? Wouldn't you achieve the same objective with a refurbished terminal? Are small-volume merchants going to compare and contrast terminals? When have they seriously done that? I bet you that nine out of 10 of them don't seriously look at the capabilities of the terminal manufacturers' product, which is also available on the Web, white papers, etc.

"Few merchants will get past the word 'free.' They'll pause at set up, run through minimum processing and be more than happy to listen to a pitch about a yearly fee a year from now. I can't believe that this model, free terminals, would even seriously consider giving small-volume merchants a new cutting edge terminal for free. For what?

"Lastly, I don't believe that they were the ones on the top of the list to receive such a deal. The only thing that I can surmise is that those who don't want these folks to be successful in this endeavor are fishing or wishful daydreaming of these companies demise." – UTrue

Great debate! As you can see, everyone feels a little differently about this craze. So, will it take over the industry, or is it just another bankcard fad? And what exactly are these ISOs offering for free?

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I don't think I could say it better than "NCBlue" did. The concept should be known as a "free placement" as opposed to a "free terminal." I agree that extra charges such as an annual fee basically turn this into an equipment rental program. Any terminal that comes with a chip that makes it useless to use with any other processor is a placement or rental; it is not a free terminal.

With regard to the discussion on "rentals," instead of billing merchants $7 – $12/month, they are getting a $79 – $99 annual fee ($6.58 – $8.25 per month rental), plus any other additional processing fees.

Even if there are no additional processing fees, then the sales agent pays for the rest of the rental costs with less residual income. I know some programs say you sacrifice nothing, and that may be the case if you only analyze the offering from that company.

I also agree with "Nature." Annual fees are not an industry norm. Total Merchant Services does not charge them (99% of the time), and with the credit card processing statements we review, we see less and less of this.

In addition, it's not an industry norm for a 50/50 revenue sharing program to give the ISO partner the first $15 on the monthly minimum (or 100% of the monthly minimum on the first $15) and 100% of the batch deposit fee of $0.35.

So what's 50/50 about? Who pays for this terminal placement program? To me, it looks like the MLS and merchant pay for the "free placement" of the terminal.

I have a suggestion for people who want to offer something such as free terminals to merchants: Do it on your own. Get your ISO/MSP partner to help you offset the cost with production or conversion bonus payments.

And, if you don't want to do it for free, then make merchants comfortable and give them a rental fee for the terminal. That's really what you're offering. Be straightforward, and you'll get more merchants to respond.

If you really want something of value that is truly free in our great industry, check out the "free" information on GS Online (www.greensheet.com). There you can read issues of The Green Sheet and GSQ back to 1995.

Look for my next post on the MLS Forum and continue sending me your feedback. I can't stress enough how vital it is to our industry that everyone's voice be heard.

"There ain't no such thing as a free lunch" or "TANSTAAFL."

– Robert A. Heinlein used the phrase and acronym in his 1966 sci-fi novel, "The Moon Is a Harsh Mistress."

The phrase "free lunch" comes from the practice of some saloons in the 1800's offering free lunches to those who purchased drinks.

See you next time where the rubber meets the road.

Ed Freedman is founder, President and 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 e-mail Freedman at ed@totalmerchantservices.com .

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December Winners and 2004 Grand Prize Winner for "Street Smarts" Feedback Contest Announced

Drum roll, please. For the final month of the 2004 "Street Smarts" feedback contest, we had … a tie. Susan Stephens of Bay St. Louis, Miss.-based Electronic Data Resources, and Nadya El-Afandi, of Roseville, Minn.-based Evolve Systems, each submitted a story in December. They will both receive a paid membership to the National Association of Payment Professionals (NAOPP) and paid registration fees for an upcoming regional event of their choice.

In addition, we selected Stephens as the Grand Prize winner for 2004 for the best overall story for the year.

In early 2004 The Green Sheet instituted the contest, which called for readers to submit a story about how information provided in the semi-monthly "Street Smarts" column helped their business.

Everyone who entered received a one-year paid membership to NAOPP. We also awarded the writer of each month's best story paid registration fees to either an Electronic Transactions Association (ETA) Expo Network or a regional acquirers' association meeting.

As the 2004 Grand Prize winner, Stephens receives a fully paid trip to the 2005 ETA Annual Meeting and Expo to be held March 15 – 17 at the Mirage Hotel and Casino in Las Vegas.

The Grand Prize includes paid registration for the show, round trip airfare, a three-night stay at the Mirage and $500 spending money.

The ETA Annual Meeting and Expo is the premier event for the electronic payment processing industry. Nearly 3,000 professionals from across the country and around the world will attend to learn about new trends, network with peers and explore the latest technologies.

The Green Sheet thanks everyone who participated in the 2004 "Street Smarts" Feedback contest. This contest will not be extended in 2005.

Following are Stephens' and El-Afandi's stories:

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When you began the "Street Smarts" column, it became the first thing I would look for to read when I opened [The Green Sheet]. I knew that I would find something in there to help me, or motivate me, and I always did.
– Susan Stephens

Susan Stephens' Story:

Dear "Street Smarts" and Ed Freedman,

For the last few months, I have considered submitting a story in your contest and never quite seemed to get around to it. However, the subject has been on my mind so strongly these last few days, and I could not ignore it any longer.

For one thing, I have decided to change and improve many things in my business as an MLS in the new year, and I believe I could not have done it without The Green Sheet or your column.

You asked readers to write about one of your columns that "lead you to success." I have to say that that was too difficult to pinpoint. I have gone back over past columns, and have come up with this:

I have been an MLS for about five years now, and discovered The Green Sheet about three years ago. It has been invaluable to my business. Even more so, your column has been invaluable as well.

I remember so many times I would become incredibly frustrated to the point of wanting to walk away, when an issue of The Green Sheet would appear in my mailbox.

When you began the "Street Smarts" column, it became the first thing I would look for to read when I opened the publication. I knew that I would find something in there to help me, or motivate me, and I always did.

It's confusing enough when so many ISOs advertise with their incredibly enticing offers. Who do you trust? Well, I could always trust "Street Smarts" to answer questions I didn't even realize I needed to be asking.

So, Mr. Freedman, I thank you for your column, your insight, knowledge and willingness to share others' expertise. Please don't ever stop offering this education.

– Susan Stephens,
Electronic Data Resources

Nadya El-Afandi's Story:

The article, "If You Want to Make the Green, Think Greenhorns" (The Green Sheet, July 12, 2004, issue 04:07:01), makes a recommendation to seek out the inexperienced and also ponders the decision to utilize a W-2 or 1099 sales force.

I'll walk you through how that single "Street Smarts" article was a turning point for our office.

As a growing ISO, Minnesota-based Evolve Systems has needed to manage that balance of employees vs. contractors. The cash flow realities of a growing ISO are simply that we make use of more 1099s than employees.

The number of displaced workers in the current economy might lead one to believe that contractors would be readily available. Au contraire!

These people, already fragile from being displaced, are not great candidates for the uncertainty of commission-based income. Further, the lack of health care benefits

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provides a significant deterrent to many of the individuals we spoke with, especially if a family was involved.

We were interested in taking advantage of the experienced, un-utilized workforce that surrounded us. Unfortunately, that work force was not so interested in us.

Our reality called for 1099 workers to whom we could offer the lure of unlimited future income based entirely upon one's own efforts and abilities, with no expectation of retirement or health care benefits.

Ideally, that person did not have a family to support, possibly had other means of income available until individual sales took off, already had some form of health care, had their own transportation, and was eager, enthusiastic and willing to learn.

Placing ads in local college newspapers and working with college placement offices gave us exactly the type of person we needed. We even had some students requesting non-paying internships.

Our new recruits had all the confidence of youth, the eagerness to succeed and learned very quickly where the big payoffs are found.

One rep started contacting banks and credit unions. He would get the appointment and together we would make the presentation.

One sales call had us waiting half an hour for the President. In the meantime, we chatted with the Chief Operating Officer and discovered that they were utilizing services from a company that provided financial services to credit unions.

Later that week we were meeting with a company that provided financial services to over 50 credit unions in the metro area yet did not have a merchant-processing offering.

We presented who we were, what we had to offer, and how we could benefit them, their member credit unions and also their individual members.

We are now the sole provider of merchant processing services to a large majority of the credit unions in the Twin Cities metro area. Truly, this is a case of greenhorns bringing in the green.

– Nadya El-Afandi,
Vice President Sales,
Evolve Systems

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Education (continued)

Legal Ease

2005 From a Legal Perspective

By Adam Atlas
Attorney at Law

If I could predict the future, I wouldn't be so busy doing legal work for the merchant acquiring business. With that disclaimer, following is what I expect to see from a legal perspective during 2005.

Consolidation

In our industry, there's a curious blend of the forces of consolidation and divestiture, driven by a number of factors, and I think the merchant acquiring business needs these two forces to stay healthy.

On one hand, there are individual entrepreneurs who start their own ISOs or processing companies in order to build portfolios and sell them off for the highest multiple. On the other hand, there are banks or large processors, some of which are publicly listed, that buy existing portfolios and use economies of scale to earn greater returns on the consolidated portfolios.

While in previous years I've observed a healthy mix of these two forces, I believe that in 2005 we'll see mergers gaining ground. The principal reasons for this trend are the reduced margins and increased barriers to entry faced by new ISO offices.

On a more specific level, the major players such as First Data Corp., JPMorgan Chase & Co. and Bank of America Corp. have probably not fully realized the market share and market power that they now hold in our industry.

Once they get over the mechanics of their recent merchant services acquisitions, we might see them begin to exercise some of their power in the marketplace. It's anybody's guess as to whether that use of market power will be for the good or otherwise.

More Barriers to Entry

Once upon a time anyone could open an ISO office and make a few dollars. Now there are registration rules, fees, financial statements, guarantees and an increasing number of barriers for people who want to get started in this business.

In light of the greater consolidation of acquiring processors and banks, acquirers are in a position to be more selective of their ISO partners. In addition, greater regulation of the financial services sector, partly because of post-9/11 security issues, makes the industry much less of a "Wild West" business and more of a "pinstripes" business. I think that the registration process will become more onerous and costly in 2005.

Unexpected Competition

Competitors will bring the biggest surprises in 2005, such as software providers like Intuit Inc. and Microsoft Corp. breaking new ground in the POS market. For years people have said that a cash register and POS device will merge into a single countertop PC.

I think competition for the traditional POS model will come from three sources: software vendors, PC vendors and online content developers. It will be up to the entrepreneurs in our business to make the more modern IP- and PC-based processing a profit center for the sales offices. All participants in our business should be on the look out for new models and learn how to profit from them.

New Agreements

If 2004 is any indicator, I think 2005 will bring more new agreements for our business. Last year I saw a number of new revisions to standard ISO agreements. Some of the new versions have proved to be reasonable, taking into account the various problems that can arise in anISO relationship, and others have proved much less reasonable.

There are a lot of old agreements out there that have not changed much in the last five years. Banks, processors and ISOs should revisit their agreements at least once a year to make sure that they are consistent with industry standards and the normal expectations of parties in the business.

The year 2005 will bring more new standard forms of agreements. With renewals come obligations to make sure that the agreements are well drafted and in the interests of all concerned.

Agent Registration

The flavor of the month in ISO deals is agent registration. There are advantages and disadvantages for both ISOs and processors in terms of agent registration. I advise readers to carefully review the clauses concerning agent registration to make sure that they reflect the business deal made. For example, ISO agent registration with the processor will benefit the ISO if the processor agrees to

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always pay the ISO residuals for referrals made by registered agents. On the other hand, for the less scrupulous processors (of which there are a few), agent registration becomes an easy way for the processor to take agents from an ISO.

The best way for ISOs to protect themselves against these types of unpleasant events is to think carefully about their deals and make sure that the wording of their agreements actually reflects the deals that they've made.

ISOs signing agreements in 2005 should be prepared to negotiate agent registration.

More Litigation

One of the most exciting things to look for this year from a legal perspective is more large-scale litigation in our industry. As we all know, the anti-trust issues in our business serve as the ripe, low hanging fruit for interested litigators.

It's only a matter of time before more of the big anti-trust issues, such as a limited number of card Associations and networks and the secrecy of their binding rules, come before the courts.

In my view, this kind of litigation is very fruitful for our industry. Expect more of it in 2005.

More of the Same

As much as technology and business models evolve in our business, the fundamental importance of having healthy customer and business relations will not disappear.

My advice to readers: Amid the constant change, continue to focus on building strong relationships with customers and business partners.

All the lawyers in the world cannot improve on a healthy business relationship that offers good communication, good faith and trust. Good business is based on being reasonable and having reasonable expectations. To the extent that readers maintain these ideals, I think that they will have an easier time forming and nurturing lasting and profitable relationships.

I wish everyone in the industry an outstanding 2005. I hope it's the best year yet for all of us.

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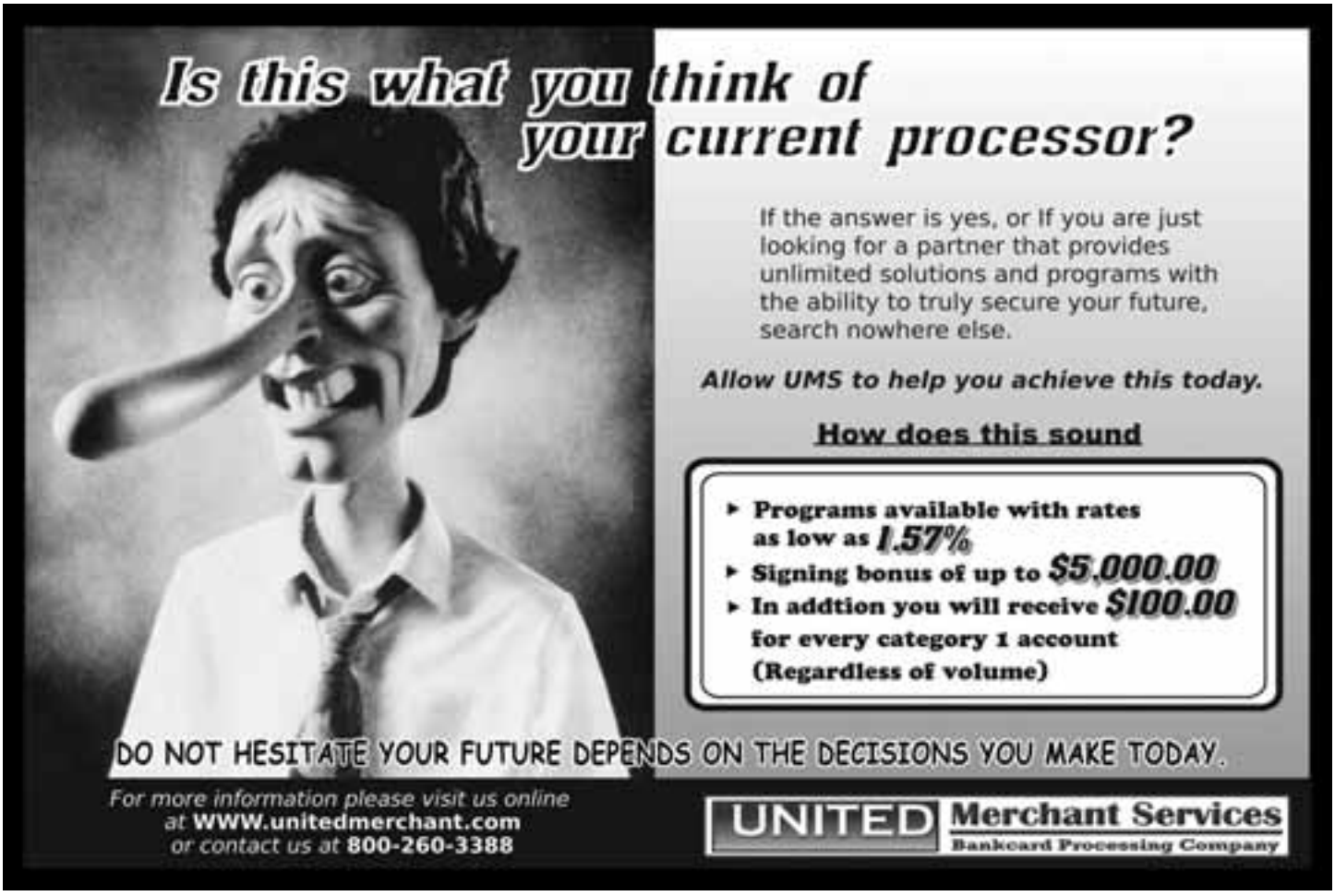

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2005: The Year of Contactless Payments?

Making Contact With ViVOtech Inc.

By Matthew Swinnerton
Merchant Services Direct

Contactless or proximity payments, which are made by transmitting data using wireless or radio frequency (RF) technology, are a type of payment that I find very exciting for our industry. ViVOtech Inc., a provider of contactless payment solutions, is one company leading the way in this field. I recently had the opportunity to interview Mohammad Khan, one of ViVOtech's founders and the company's President and Chief Operating Officer.

Matthew Swinnerton: Why was ViVOtech started?

Mohammad Khan: The main idea in starting ViVOtech was to leverage the recent proliferation of mobile phones and other wireless technologies to offer better solutions for the payments industry. We had questions such as:

Why can't we pay using a cell phone? Why not carry all of our credit cards in a cell phone instead of a bulging wallet? Why not use wireless technologies such as radio frequency identification (RFID) or infrared to make a transaction rather than swiping a card? Why can't we have a better solution than a magnetic stripe card?

These questions drove the formation of the company. Jorge Fernandes, ViVOtech's Chief Executive Officer, and I believed we could provide answers to the above questions. We believed that making and managing payments could be a lot more fun and an easy experience for a consumer. We believed that it was important to provide enriched payment solutions that would allow merchants and card issuers to replace cash faster while also allowing them to reward their loyal customers with savings and personalized services.

We wanted payment solutions that would enable merchants and card issuers to differentiate their offerings. Jorge was the entrepreneur, and I was the payments industry expert. We both were evangelists by nature (and still are!). It was a perfect match for us to start a payments technology company.

MS: How was the company founded?

MK: In February 2001, our mutual acquaintance, Dale Achabal, Ph.D. (a professor at Santa Clara University in California) introduced us so we could figure out whether such a thing was possible or not. My 15 years of experience in the payments industry (mostly at VeriFone Inc. from 1983 – 1998) helped me identify the current pains, opportunities, and what could or could not work well in the industry. After spending three months on this, we decided to move forward and incorporated the company in May 2001.

Our objective was to focus 100% on providing enriched payment solutions using contactless technologies and innovative software. We wanted to enable wireless devices such as cell phones, PDAs, cards and fobs to make a payment locally at millions of POS locations worldwide. For the first two years, we were based out of Los Altos Heights, Calif., where Jorge had allocated half of his house for this start-up effort.

Through friends and borrowed money, we funded development of our early products: payment software for PDAs; payment management server software; a contactless reader with RF and infrared support; and adoption technology to enable an existing POS to accept a transaction from a wireless device. We gathered a good team that had engineers from both payments and new technology backgrounds.

The first commercial business order ViVOtech received for its product was from MasterCard International in early 2002. MasterCard wanted us to develop a contactless RF card reader for its PayPass contactless payment program that uses ViVOtech's quick adoption technology to provide an easy add-on to an existing POS system with no software changes. This was our first commercial ViVOpay reader product.

ViVOtech received its first venture capital funding of $5.3 million in August 2002, right after we delivered the first working ViVOpay product to MasterCard in early July 2002. In September, we moved to our current Santa Clara, Calif. facility. In 2004, we received an additional $6 million in funding, and we now occupy a 20,000 square foot space with 55 full time employees and about 10 consultants.

MS: What is ViVOtech's greatest achievement to date?

MK: The greatest achievement of ViVOtech has been providing an easy-to-install contactless payment acceptance solution to MasterCard for its PayPass pilots in Orlando, Fla. and Dallas. ViVOtech's solution allowed many brand-name retailers to participate in the PayPass program in both cities without requiring any software changes to their POS systems.

American Express (AmEx) has also successfully used ViVOtech technology to enable a long list of brand-name retailers as part of its

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ExpressPay contactless payment program pilots in Phoenix, New York and Singapore.

Besides MasterCard and AmEx, a major retailer in North America has also deployed ViVOtech technology to enable a large number of its POS locations to start using contactless programs. We're also working with Visa International for its Visa contactless payment roll out, starting in early 2005.

ViVOtech finished 2004 with almost 50,000 contactless readers shipped that year. This is a large number jump considering that ViVOtech had shipped less than 2,000 readers only a year before.

This shows that it's not only at the pilot stages, but also in the commercial rollout stages; ViVOtech contactless products are succeeding to have the largest market share.

MS: What's in store for ViVOtech in 2005?

MK: If 2003 and 2004 were the "pilot" years for contactless payments in the United States, 2005 is turning out to be the commercial rollout year, with several major deployments scheduled.

Speed and convenience are the driving forces for these deployments, but not the only factors. Increased transaction volume and transaction amounts along with "top-of-wallet" effects have been recognized in the pilot programs as clear benefits for retailers that predominantly deal with cash transactions and have long lines of customers at their check out lanes during peak hours.

A considerable number of national brand retailers will start accepting PayPass, ExpressPay or Visa contactless cards/fobs at their store locations. To date, McDonald's has already announced its acceptance of PayPass devices at all of its 13,500 fast food locations.

Similar deployments are expected from other national and regional retailers. Equally, multiple card issuers plan to issue contactless payment cards/fobs by the millions in 2005 here in the United States.

Retailers will also expand their loyalty, gift and prepaid card programs using ViVOtech contactless technologies and software products. There will also be dozens of closed system contactless payment solutions targeting stadiums, universities, corporate campuses and ethnic communities.

Some of these developments already started in 2004, leveraging ViVOtech's prepaid and loyalty transaction management software, ViVOplatform; ViVOpay readers; and ViVOwallet-enabled cards/fobs.

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This year will also be exciting on two additional fronts. First, ViVOtech contactless products are already being planned for additional pilots and limited rollouts outside of the United States. Secondly, ViVOtech will participate in a few exciting pilots here in the United States and abroad using near-field communication (NFC)-enabled mobile phones.

MS: What are ViVOtech's long-term goals?

MK: Our long-term goals are to provide contactless payment solutions that allow:

- Making and managing payments a fun and an easy experience for a consumer.
- Merchants and card issuers to replace cash faster and reward their loyal customers with savings and personalized services.
- Merchants and card issuers to differentiate their offerings.

The continued proliferation of increasingly capable cell phones and the major rollouts of contactless RF cards and fobs as part of the PayPass, ExpressPay and Visa contactless programs are all moving ViVOtech closer to its long-term goals. Our objective is to see:

- Hundreds of thousands (even millions) of POS locations enabled to start accepting contactless payments. That's why we have developed intelligent ViVOpay readers that work with existing and new POS systems. These can support PayPass, ExpressPay and Visa contactless devices and software downloads in the future to provide differentiating applications for both merchants and card issuers (i.e. contactless prepaid devices with integrated loyalty, instant rewards, e-coupons, cross-selling and other applications). These software applications could also support payment transactions from mobile phones.

- Millions of intelligent contactless payment cards and fobs that are issued to consumers by both card issuers and retailers that will enable ViVOtech to deliver software-based value-added applications that merchants and card issuers can offer to their customers.

That's why ViVOtech developed ViVOwallet software to be used in contactless cards and fobs as well as in NFC-enabled phones. Besides card companies, ViVOtech is also working with some major retailers to provide its ViVOwallet software-based contactless cards and fobs for their programs.

Starting in 2005, we will also see NFC technology-enabled mobile phones in pilots and ready for commercial rollouts a year later. At their booths at CARTES 2004 in Paris, Visa and MasterCard demonstrated ViVOtech technology working with Nokia, Motorola and Philips.

- Merchants who take their existing programs such as gift, prepaid and loyalty cards to the next level using the contactless technology and ViVOtech intelligent software that resides in cards/fobs/mobile phones, ViVOpay readers, and at the back-end transaction management server, ViVOplatform.

ViVOtech developed ViVOplatform server software to provide added functionality so it's possible to use contactless technologies with existing back-end (legacy) systems.

MS: Do you think there is any misconception about what ViVOtech does? If so, what do you think it is?

MK: The biggest misconception about ViVOtech is that it's a hardware company. However, this misconception will change with time. It's ViVOtech's software that will allow the company to achieve its long-term goals.

It was essential to develop a hardware reader that can communicate with wireless consumer devices on one side and connect to the existing or new POS systems on the other side with the least amount of effort.

It was important to have such enabling on ViVOpay readers installed at hundreds of thousands (even millions) of POS locations so that they can support existing contactless programs' payment devices but can also support ViVOtech software applications to enable merchants and card issuers to deliver differentiating application services in the future.

ViVOpay devices are the intelligent readers that will bridge the gap between consumers and merchants and will allow merchants to deliver better services to their customers.

ViVOtech has multiple software products that are in an early adoption cycle by multiple customers. Some of these customers are also ISOs who want to leverage contactless technology to expand their transaction services to their merchants. These software products will start becoming visible in 2005.

For instance, ViVOtech announced its contactless gift card software in early 2004. In January 2005, we will announce our contactless loyalty software products. Both software products are based on the ViVOplatform server for back-end processing, and are supported by ViVOwallet software and ViVOpay readers on the users' side.

To allow its customers to get started with a small amount of investment, ViVOtech also offers an application service provider (ASP) model for the use of its ViVOplatform-based software products such as contactless prepaid, gift or loyalty.

MS: ViVOtech's headquarters are in the Silicon Valley. Has this location had an influence on the company?

MK: It's been a great value being based out of the Silicon Valley. We attract very capable engineers to work with the latest technologies on both software and wireless devices.

Our location allows ViVOtech to marry the growing payment software requirements with the latest technologies in order to deliver the right solutions to the market: Solutions that the payments industry can easily adopt with the least amount of investment and that deliver maximum value propositions to all involved parties.

Besides having our HQ and development team in the Silicon Valley, our U.S. sales and payment industry experts are located in New York, Atlanta and Santa Clara, Calif.

MS: Is ViVOtech an international company?

MK: We have a presence in the Asia Pacific (ASPAC), Europe, the Middle East and Africa (EMEA) and Latin America regions. ViVOtech is represented through its distributors in many different countries in these regions.

At the same time, we have representatives located in Singapore and Tokyo for ASPAC; Tokyo for Japan; the United Kingdom for EMEA; and Miami for Latin America. We currently have more than 2,000 systems installed outside of the United States. Most of them are in Canada, Singapore, Malaysia and Japan. Most of the pilots in Asia will turn into a commercial rollout in 2005.

MS: What changes do you predict will occur in the upcoming years?

MK: I believe contactless technology is a driving force in the payments industry today in the same way as the magnetic stripe technology was in the early 1980s.

Contactless technology delivers the following value propositions to all involved parties even in its simplest form, which is a branded credit card payment:

- Convenience and speed for consumers
- Speed and sales uplift for merchants
- Cash transaction replacement for acquirers/ISOs and card issuers
- "Top of the wallet" and "wallet share" for the issuer.

Over the next three to five years, contactless payments should see high growth on both sides:
1) Branded contactless payments such ExpressPay, PayPass and Visa
2) Closed-loop payments driven by merchants and cafeterias/campuses

Merchants and card issuers will be able to offer personalized services and savings to their loyal customers using contactless technologies.

NFC-based cell phone payments and related applications should be getting big and very exciting over the next two to five years. This year will be the year of pilots for this type of technology; 2006 will be the year for early commercial rollouts, and 2007 will be the year for mega rollouts.

Finally, biometric payments might also be able to benefit from the contactless technology rollout, especially if NFC-enabled cell phones also start supporting biometric fingerprint pads. There are already a few phone models in Japan that have such capability.

The end result of all this will be a much faster replacement of cash and check transactions; customers will maintain the possession of their payment devices, even in restaurants; paper receipts might start disappearing faster than we think; loyal customers should start getting well rewarded; and cross-selling, e-coupons and e-ticketing might finally become common.

MS: What effect will ViVOtech's solutions have on the feet on the street?

MK: ISOs and MLSs will benefit from ViVOtech developments based on contactless technologies and innovative software. Some ISOs are already implementing exciting contactless loyalty and prepaid solutions for their merchants using ViVOplatform software, ViVOpay readers and ViVOwallet-based cards and fobs. ISOs and MLSs offering solutions using ViVOtech's technologies will benefit from:

- Additional transaction services
- Add-on contactless reader hardware and/or replacement of a POS system
- Increased reoccurring revenue

MS: Thank you, Mohammad Khan for taking the time to do this interview. I have no doubt that 2005 will be a great year for your company. I wish you the best.

Matthew Swinnerton of Merchant Services Direct has sold credit card processing solutions for the last seven-plus years as an independent agent. To find out more about Merchant Services Direct, visit www.msdirect.net or e-mail Matthew directly at matt@msdirect.net or call him at 512-255-9791.

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On sales calls, do you find your merchants a little overwhelmed or confused by all the choices in products and services you're able to offer them?

How do you know that a solution that seems ideal now will continue to be a perfect fit, with all the upgrades and improvements you both know the future will bring?

VeriFone Inc. has introduced its next-generation payment terminal family. V^x Solutions extend the multi-application capabilities of the company's Omni product family and enable all applications and libraries to run across all product variants.

The new V^x solution line is designed to support a variety of merchant and processor new application rollouts across all market segments.

The V^x 510 terminal provides extraordinary performance in a sleek, compact design that's ideal for a wide variety of retailers. It features a built-in thermal printer with drop-in "clam shell" paper loading, bright backlit display, ATM-style interface and on-screen prompts.

The advanced processor provides fast processing and multi-tasking capabilities suited to value-added applications and data-intensive, EMV smart card transactions.

The V^x 610 device is a portable wireless version of the V^x 510 using technologies including Wi-Fi, CDMA and GPRS. Its long battery life and high capacity enables merchants using the VX610 to open up new market opportu-

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nities by extending countertop payment capabilities to wherever consumers are.

The V^{x} solutions are part of a push to simplify integrating technological advances for agents and merchants.

VeriFone is focusing on packaging bundled solutions so that agents train on one product and can then select the solutions they want to learn about and customize for their merchants later.

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Retailers Print Checks on Demand, on Site

Product: ST9420 MICR Laser Printer for Retail Environments
Company: Source Technologies

Businesses that operate chains with multiple locations have a solution available now that lets each site print checks on demand, while remaining connected to the central network.

From Source Technologies in North Carolina comes a desktop version of the magnetic ink character recognition (MICR) laser printers that banks use to print checks on demand.

The process of remote printing is centrally managed; banks have been utilizing the efficiency, security and convenience of on-demand MICR printing and now other businesses can, too.

Source Technologies' ST9420 MICR laser printer for retail environments is a low cost solution to producing highly secure checks on site, and eliminates the need to wait for a central accounting department to cut checks.

For example, in such businesses as retailing, restaurants or securities, company headquarters can control the corporate "checkbook" while on-site managers have the ability to print checks on the spot to pay vendors or suppliers, or to meet unexpected needs.

If a restaurant manager in one city needs to pay a produce delivery person, he prints the check at his location and the head office can account for that check immediately because the back-office systems are networked.

The ST9420 system also has payroll functions; if an employee pay check is incorrect, a manager can print a corrected check immediately.

Satellite offices of securities firms can also print checks for their customers on site, eliminating administrative tasks.

The ST9420 prints 32 pages per minute. It features the same check fraud protection Source Technologies uses in its banking industry solutions including password protection, drawer and front panel locks, toner detection and security fonts.

The ST9420 printer is available in two formats: One is parallel and locally attached, the other is network capable.

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An Inclusive Solution to Take Merchants Online

Product: StoreSense 5.8

Company: Kurant Corp.

With everything we're hearing about the explosion of e-commerce, merchants of all sizes and types want to get in on the action. They might have great products to sell and a great angle to differentiate their products, but no idea of how to go about taking their businesses on the Internet.

While creating an online presence is not as easy as taking out an ad in the Yellow Pages, it doesn't have to involve a lot of frustrating steps either. How do merchants get started? What happens once they're online? Where do they go for answers?

Kurant Corp. is a company that specializes in e-business solutions for small and medium-size merchants. Its new StoreSense 5.8 product is an ideal way for brick-and-mortar merchants, from retailers to food services, to expand their horizons, giving them an entire online storefront.

StoreSense 5.8 is built on Kurant's e-commerce platform, and through partnerships with Web hosting, and design and e-mail services, the product offers a number of features to not only get merchants up and running, but to assist them in their business endeavors.

These features include a high level of transaction security, an optional link for posting to auction site eBay (eBay acquired Kurant on Jan. 13, 2005); inventory management; order fulfillment and e-mail marketing capabilities.

StoreSense 5.8 provides a wide range of merchants with an easy to use, cost-effective tool to help them compete with larger e-tailers. It's scalable depending on the size of merchants' operations so they can decide how many of the features they want to use or how far they want to take their business; merchants pay a monthly subscriber fee. The solution is downloadable from a CD and set up is straightforward, easy and quick. It's available for sale only through resellers; contact Kurant directly for distributor information.

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Stu Rosenbaum
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PPS. Here's what another of our agents recently said about our new exclusive products and services:

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Ernest P., Austin, TX

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Inspiration

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WaterCoolerWisdom:

"Human beings, by changing the inner attitudes of their minds, can change the outer aspects of their lives."
– William James

Don't Worry ... Be Happy

You spend so much time at work that it only makes sense to do your best to be happy in your career. After all, life really is too short to spend 40 (or 50 or 60) hours a week being miserable. So how do you find joy in your job? Make the *decision* to be happy in it.

You might be thinking, "Sure, easy for you to say, you don't work for him," or "I would like to see you with a smile on your face when you have the client list I do," or even, "I'll be happy when at least one of these cold calls doesn't hang up on me."

Making the decision to be happy doesn't mean your difficult clients suddenly become pleasant, your boss finally agrees to that raise and extra week of vacation, or your commission checks skyrocket.

It simply means that you will change not only your attitude but also how you handle challenges that come your way. It means you will change what you can.

However, deciding to be happy is not easy. Our society is often geared toward negativity and pessimism. You don't see many people standing around the water cooler discussing how happy or fortunate they feel to be working for their company.

Unfortunately, for many people, it's easier and more entertaining to talk about how little their boss knows or what a jerk a certain client is. Don't fall into that trap; it's too easy. As is usually the case, the high road is the more difficult hike. But it's worth it.

Following are four things to do today that will contribute to finding happiness in your workday.

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, Fla.

Registration: Visit www.kioskshow.com

Electronic Transactions Association

Annual Meeting and Expo

Highlights: The electronic payment processing industry's biggest event of the year is happening earlier than usual in 2005, but that won't diminish the excitement or opportunities for learning and networking in any way. Nearly 3,000 professionals from across the country and around the world will attend to learn about new trends, meet with peers and explore the latest in cutting-edge technologies.

Presentations, seminars, break-out sessions, banquets and receptions are included; everyone from sales reps to CEOs will leave this event with pertinent and timely information, numerous business contacts and progressive ideas that can be put to work immediately. Dozens of vendors will exhibit in the Expo Hall, including The Green Sheet. Visit us at Booth #1630 just inside the entry doors and enter to win a "Greentastic Voyage" to Maui or South Africa.

When: March 15 – 17, 2005

Where: Mirage Hotel and Casino Las Vegas

Registration: Visit www.electran.org

1. Form Relationships

Spending each day with people you like will make your workday not only tolerable, but also enjoyable. Take time to get to know your co-workers, superiors and clients. Express an interest in their work and their lives. Fostering relationships helps you find more joy in your workday and helps you work better with your colleagues.

2. Find a Reason

When people are unhappy, either in their professional or personal lives, it might be because they don't feel a purpose. To help find joy in your work, define why you work.

If your initial response is, "to pay the bills," try digging a little further. Is it to take care of your family? To contribute to society? To work on technologies that will have an impact on future generations? Finding a greater purpose will help you find great joy in your job.

3. Be Independent

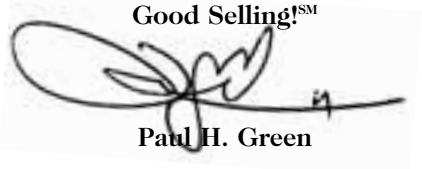
You might think that being independent conflicts with the first item on this list, which is forming relationships. But you can be independent and have healthy relationships with your co-workers. Being independent means that you have identified your goals and you know how you plan to achieve them. It also means that you're in control of your destiny.

4. Have Confidence

Many times we don't have enough faith in our abilities. Sometimes we're afraid that if we are self-confident or proud, others will mistake it for arrogance. However, it's not only OK to recognize your strengths, it's encouraged. If you feel good about your capabilities, then you'll feel good about how you apply them to your job. Recognize and appreciate your skills.

Making a conscious decision to be happy in your career and your daily work will change your whole outlook. If something goes wrong, accept it, do what you can about it, and move on. If you've chosen to be happy, then you won't let a setback ruin your day or taint the rest of your week. If you've previously decided that whatever happens will not become a miserable nightmare, then it won't. If you do your best to form relationships and be independent and confident, then you're on your way to finding more happiness in your workday.

Good Selling![SM]



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