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January 12, 2009 • Issue 09:01:01

New moves for more mojo in '09

The payments industry is going through a metamorphosis. In 2008, the credit crisis, the changing regulatory environment and new security compliance requirements created a three-punch combination that may have, at times, felt like a knockout blow. But economic challenges due to merchant budget worries and decreased consumer spending could be a boon for aggressive payment professionals who are willing to take risks.

For ISOs and merchant level salespeople (MLSs), opportunities for new value added services and vertical markets in 2009 abound. A new year brings new resolve; a time to take advantage of this uncertain economic climate and not be daunted. Times are tough, but industry experts aren't suggesting we're teetering on the edge of any financial abyss.

So as you, as ISOs and MLSs, gear up for the new year, this is a perfect time to rethink and revamp sales and marketing methodologies, to shake things up. Paul Martaus, President of consulting firm Martaus & Associates, said the entrepreneurial spirit of ISOs and MLSs is so strong that whatever issues arise, they always find a way to work around them.

As we move into 2009, that spirit and drive to thrive can overcome any challenges the payments industry may face over the next 12 months. Risks have to be taken, for sure, but the greatest risks can reap the greatest rewards – higher revenue streams, expanded market footprints and continued merchant stickiness.

"We really have to go back to the drawing board with regard to positioning ourselves to be ready for the future," said Nancy Drexler, Vice President of Marketing for SignaPay Ltd. "The economy is changing; the world is getting more complex and is just now starting to impact our business. But more importantly, it affects the mindset of our customers, and our marketing strategies need to adjust to that."

Becoming more social

New marketing strategies call for breaking out of traditional sales modes, using technology or philosophies that may be unfamiliar, foreign, or seem overwhelming. The Web has become something humanity can't imagine living without. And using the Internet as a sales tool is a potential marketing bonanza. It is a means to break out of normal routines and comfort zones.

"Social networking is the telemarketing of the 21st century," Drexler said of the Web-based phenomenon. "Telemarketing is still a viable and vital sales tool in the payments industry. I mean, it's still huge, but the growth of social networking can't be ignored. It's beginning to gain a solid foothold as a marketing vehicle." Drexler believes that within 10 years, social networking will replace telemarketing altogether.



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 **Notable Quote**

Fraud resulting from identity theft is now a \$50 billion-per-year crime, and growing. According to the Federal Trade Commission, it is the most common complaint the agency receives from consumers.

See story on page 84



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EPI boss to go down the aisle

On Dec. 19, 2008, Michael Nardy, founder and Chief Executive Officer of Electronic Payments Inc., became engaged to be married. He proposed to Heather Fay at The Plaza Café, a Southampton, New York, restaurant where he and Fay enjoyed their first date. The wedding is planned for September 2010.

According to the future groom's recounting of the proposal, his intended's acceptance came after she said, "Are you serious? Is this a joke?"

Nardy, a member of *The Green Sheet* Advisory Board and 2006 author of our Street SmartsSM column, met Fay at the Electronic Transactions Association Annual Meeting & Expo in Las Vegas two years ago. Fay, formerly the Marketing Director at Comstar Interactive, left the company in July 2007 to move to Southampton. Congratulations to the happy couple from everyone at *The Green Sheet*.

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Farewell to one of our own

Alan Gitles, founder and Chief Executive Officer of Landmark Merchant Solutions and a long-time payments industry veteran, passed away in December 2008 at the age of 52. He will be remembered fondly by the many people who had the pleasure of knowing him.

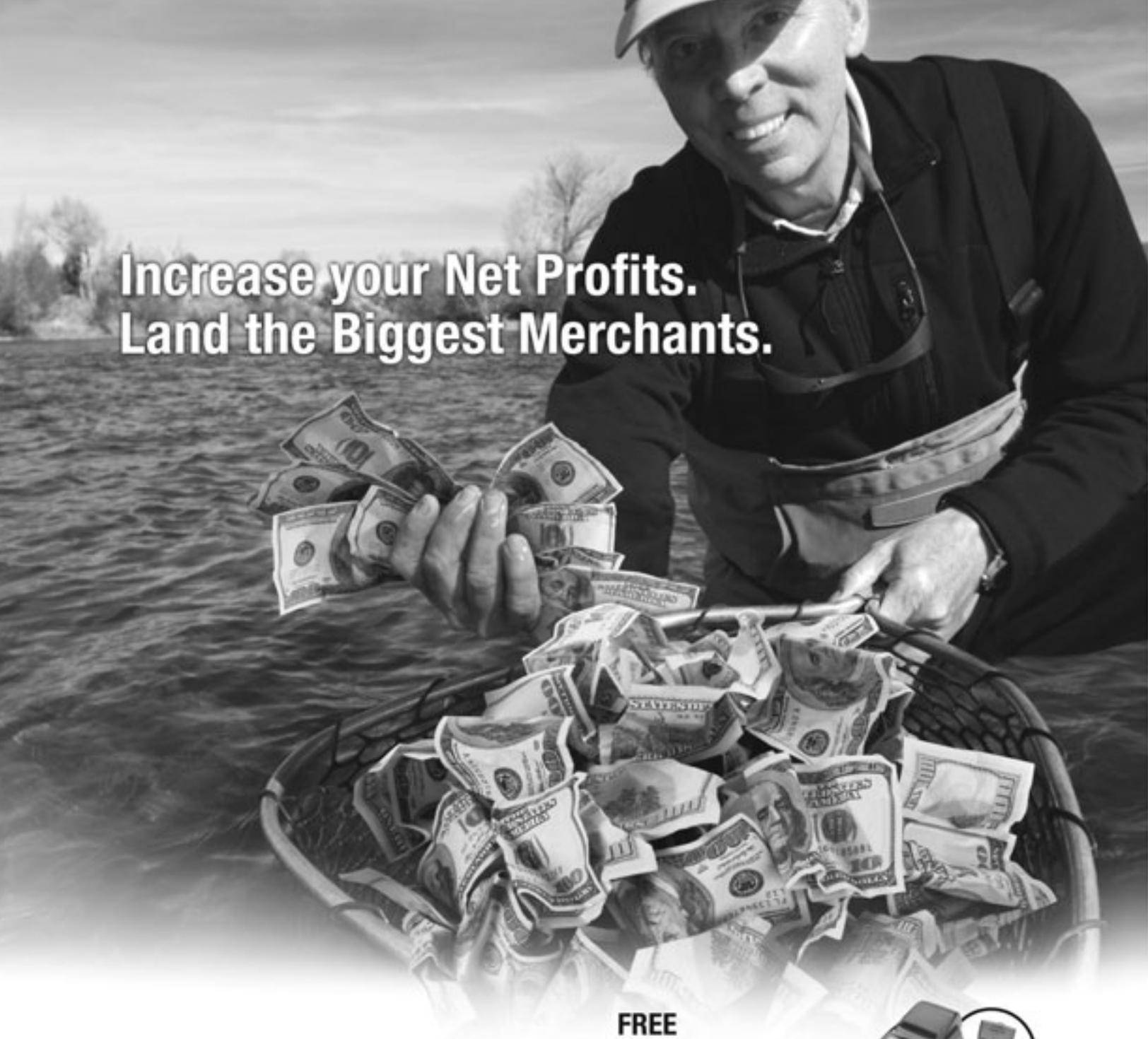
"With the passing of Alan Gitles, the industry has lost another of its innovators," said Paul H. Green, President and CEO of The Green Sheet Inc. "Alan came to the industry with a banking and legal background; he also created one of the first stand-alone ISO organizations in the industry.

"Alan's vision to build a business that could support both ISOs and employees and approve its own credit and handle everything internally, from underwriting to settlement, set the pattern for many others to follow. Alan was dry, but witty, very much his own person, and a loyal friend to those he respected. He will be greatly missed by me, and many in the industry who knew and understood him."

Travis Powers, Vice President of Partner and ISO Relations for CrossCheck Inc., noted that Alan was serious when it came to business, but he always made time to connect on a personal level. "He cared about the people he did business with," Powers said. "His first question was never, How's business? It was always a question about you and your family. Alan always knew how old my son was, and whenever I was in Chicago, he always had time for dinner."

Powers said one of Gitles' greatest strengths was his passion and advocacy for the payments industry. He spoke at several Midwest Acquirers Association conferences and always generously shared knowledge he gained from his professional experiences.

"As a business partner, Alan always challenged me to find new ways of doing business," Powers said. "He was intuitive, always asking, What's the next step? He was always trying to find new ways to make himself – and others – more successful."



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

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Cover Story

1

New moves for more mojo in '09

Challenging economic times can be a boon to aggressive payment professionals who are willing to take risks. And a new year can bring new resolve. This is a perfect time to rethink and revamp sales and marketing methodologies, to shake things up. Opportunities for new value added services and vertical markets in 2009 abound.

Feature

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SellingPrepaid now in print

The Green Sheet Inc. launched the Web site SellingPrepaid.com in March 2008. Since then, prepaid has evolved at light-speed, with big players staking out territory in the sphere. But the actions of innovative, smaller companies have been equally intriguing. Now you can read about prepaid's latest developments in each print issue of *The Green Sheet*.

View

26

How to preserve self-regulation

Agencies and regulators at federal and state levels have the payments industry in their crosshairs. Bull's-eyes have been leveled on cardholder rights, interchange issues and fraud in all forms. Unfortunately, there has been plenty for them to focus on. It's time to snuff the life out of illegal and improper practices that threaten our industry's freedom to self-regulate.

News

52

Online shoppers stay the course

Online consumer spending patterns for the 2008 holiday shopping season reportedly exceeded industry projections. The year's transaction volumes kept pace with 2007 and soundly beat spending figures for 2006. While Web surfers cut back somewhat with online spending this year, retailers reported \$25.5 billion in holiday sales, down only 3 percent from 2007.

View

32

Changes afoot, challenges ahead

A storm is coming. ISOs and merchant level salespeople will be adversely affected due to the severe economic downturn we are experiencing. This article offers perspectives on the most pressing issues at hand in the coming year and what needs to be done to ensure future prosperity.

News

52

Morgan Stanley sues Discover

Morgan Stanley filed a lawsuit against its former subsidiary, Discover Financial Services, accusing the card brand of not honoring its original agreement from Discover's June 2007 spinoff. But Discover contends Morgan Stanley undermined its antitrust case and violated the terms of the spinoff agreement. Both companies are digging in to fight over the spoils.



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News

53

TARP eases AmEx woes

American Express Co. said the U.S. Department of the Treasury gave preliminary approval for the company to participate in the Troubled Asset Relief Program (TARP). AmEx reported it will receive \$3.39 billion from the financial institution rescue fund to ensure the card brand's survival.

Education

70

Street SmartsSM: Become an enterprising networker

Do you become anxious at the mention of networking at business functions? If you answered yes, you are not alone. Some sales professionals excel at networking. Others get uneasy when it's time to strike up conversations with strangers at business mixers. No matter what your situation is, an enterprising spirit can take your networking to new heights.

News

55

RBS staves off hackers

RBS WorldPay, the U.S. payment processing division of The Royal Bank of Scotland Group, reported its computer system had been improperly accessed by hackers and that the personal, financial information of approximately 1.5 million cardholders may have been affected; of this group, 1.1 million may have had their Social Security numbers improperly accessed.

Education

80

Rising above recession: 10 tips

The merchant services industry has an entrepreneurial nature. Bright leaders come up with new ideas and venture out on their own to make them work. But in today's financial climate, it's easy for even the best company owners and their management teams to be fearful about the future. This article offers 10 strategies for thriving amid turbulent economic times.

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Education

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PCI, an aspect of PII

The Payment Card Industry (PCI) Data Security Standard (DSS) falls under the broader topic of personally identifiable information (PII). Theft of PII is known as identity theft. Identity theft issues are consuming greater corporate resources, both nationally and internationally. And the consequences of handling PII in a manner inconsistent with prevailing laws can be severe.

Education

90

Weathering the coming payment storms

In the early days, the payments industry was moving too quickly for anyone to predict what would happen next. Although this evolution continues, using industry experience, history and current market conditions, it is possible for experts to forecast several "storm clouds" for 2009.

Education

86

PCI: What to hope for in 2009

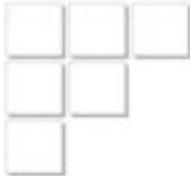
At the end of the old year and the start of the new, this article reviews where the PCI DSS compliance program has taken the industry, looking at what has gone right, what has gone wrong, and what ISOs, merchants, and the rest of the payments industry can hope for in 2009.

Inspiration

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Beyond resolutions

The month of January is loaded with expectations for many people. It is supposed to represent new beginnings, the turning over of a new leaf. You start that new diet with the goal of losing 10 pounds; you give up smoking and join a health club. In short, when Jan. 1 rolls around, it is the start of your new and better life. But by the end of January, what will have changed?



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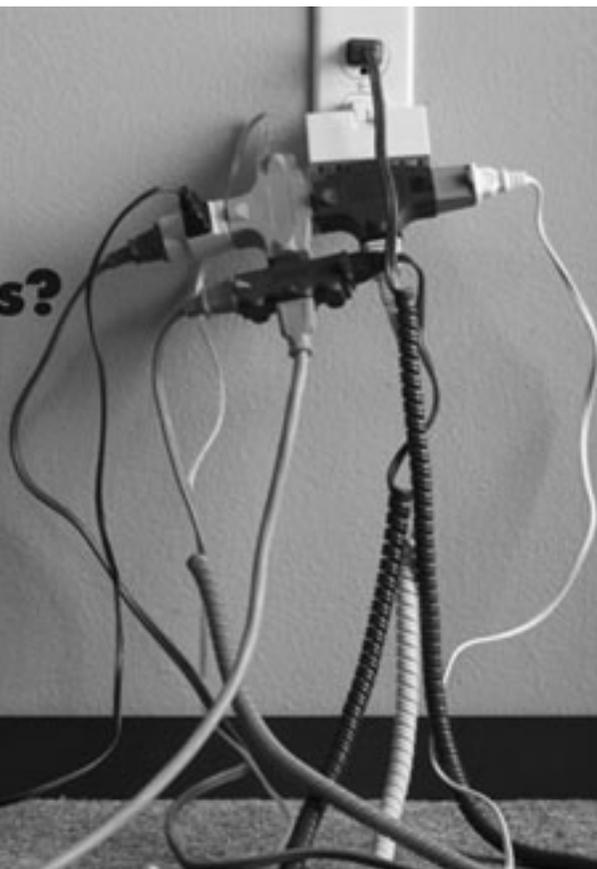
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IndustryUpdate

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NEWS

Economic index inches up

The **Discover Financial Services Small Business Watch**, a monthly index measuring the relative economic confidence of the approximately 22 million business owners who employ fewer than five people, said confidence among these merchants rose to 72.8 in December 2008, up 5.3 points from November. According to the index, merchants believe their business prospects are improving; this is an indication that more money will be spent on business development over the next six months.

"While we saw small improvements in economic confidence almost across the board this month, the mood still remains cautious," said Ryan Scully, Director of Discover's Business Credit Card division. "Most small business owners still believe that it will be at least 2010 before the economy recovers."

Amazon parts with Bill Me Later

On Dec. 30, 2008, **Amazon.com** informed its customers it was cutting off **Bill Me Later** as a payment option as of Dec. 31. The move was a result of **eBay Inc.**'s purchase of BML in October for \$945 million.

Amazon's statement offered no explanations; it simply said, "Bill Me Later will no longer be accepted as a payment method on Amazon. However, all sales and orders processed with Bill Me Later prior to the sunset date will continue to be processed." More than 1,000 online stores, catalogs and travel sites currently offer BML as a payment method.

Amazon purchased 10 percent of BML in 2007 and

launched it as a payment option on its site in July. When eBay announced it was acquiring BML in October, the company said that, while it could not speak for Amazon, it expected to continue to have a long relationship with Amazon.

"We think Bill Me Later provided a valuable service to shoppers on Amazon.com, and we would welcome the chance to work with Amazon.com in the future," said a BML spokesman.

"And based on the change of control, Amazon exercised their right in deciding to discontinue offering us as a payments option." In addition to its acquisition of BML, eBay said in October 2008 that it also expects to add the PayPal merchant services platform in 2009.

No more tobacco online for ECH

Idaho Attorney General Lawrence Wasden said Los Angeles-based **Electronic Clearing House Inc.**, an e-commerce payment processor, agreed to discontinue transactions for illegal online sales of cigarettes and other tobacco products in Idaho, California and New York. The three states began investigating the company after Wasden filed a lawsuit against Scott Maybee, a high-volume, online cigarette seller.

Maybee was ordered to pay the state of Idaho approximately \$160,000 for illegal Internet sales of millions of units. State investigators said Maybee processed thousands of transactions on ECH's payment platform beginning in 2006. "Online tobacco retailers are a major source for young people to buy cigarettes illegally," Wasden said. "Stopping these transactions to minors is a huge step, and we hope other companies and banks involved in this business follow their lead."

BOTTOM
LINES

HEADLINES
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- In a **National Retail Federation** 2008 Holiday Consumer Intentions and Actions Survey by **BIGResearch**, 43 percent of holiday shoppers said they would finish their shopping at discount stores; 23.3 percent intended to pay with cash, 4.1 percent expected to use checks; 38.8 percent favored debit cards; 33.8 percent chose credit cards.
- According to **SpendingPulse**, in the first week of December 2008, luxury sales were down by 34.5 percent compared to the same week in 2007. Overall apparel sales for the same period dropped almost 23 percent. Electronic sales fell by 22 percent.
- Research conducted on behalf of **Wal-Mart Stores Inc.** by **BIGResearch** found that 70 percent of 300 female Wal-Mart shoppers surveyed wanted gift cards as holiday gifts; almost half said they would use them for groceries.
- A recent **Mambo Sprouts Marketing** study of consumers of natural and organic products found that 41 percent of those surveyed said they would continue to buy natural and organic products in 2009; only 18 percent planned to markedly change their shopping habits.

Russian hacker caught on tape

Following his arrest in New York in May 2008, fraudster **Aleksander Aleksiev** admitted using hacked ATM codes to steal **Citibank N.A.** accounts. In December, he pled guilty to one count of device access fraud, a federal offense. Aleksiev was apprehended while trying to withdraw money from machines under video surveillance.

In late 2007, cyber-thieves hacked into a server that handles transactions for Citibank-branded ATMs at 7-Eleven Inc. stores in New York; they stole account information and associated PIN numbers.

This information was then sold on the digital underground. Counterfeit cards were manufactured and used to deplete compromised accounts. The criminals made an estimated \$2 million from the scam.

Citibank began monitoring the accounts in January 2008. Bogus withdrawals accounted for \$180,000 siphoned from compromised accounts in the three days prior to Aleksiev's arrest. He was caught with 12 counterfeit cards and \$12,000 in cash and was the fifth person in the United States to plead guilty to charges linked to ATM hacking since 2007.

New ID theft manifesto

Federal bank, credit union and thrift regulatory agencies published a revised identity theft brochure to assist consumers in preventing and resolving theft of personal information. The updated brochure, *You Have the Power to Stop Identity Theft*, focuses primarily on Internet phishing by describing how it works, offering ways to protect against identity theft and detailing steps for victims to follow. The brochure is available to download from www.occ.treas.gov/ftp/release/2008-151a.pdf.

For ISOs and merchant level salespeople (MLSs), it is important to remember the sunset date for the Fair and Accurate Credit Transaction Act (FACTA) of 2003 Red Flag Identity Theft Rules is May 1, 2009. The **Federal Trade Commission** requires that creditors and financial institutions develop and implement appropriate identity theft prevention programs before that date.

ANNOUNCEMENTS

ACE donates cash

ACE Cash Express Inc. recently donated \$943,874 to the March of Dimes Foundation. ACE's 2008 Give a Little campaign surpassed its 2007 total by more than



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Doin' it right

It took three years and countless hours, but Merchant Warehouse attained PCI DSS certification. The Boston-based ISO is now a PCI DSS-certified Level 1 service provider and can boast the highest level of system security in the payments industry.

"I've got to say it was probably more difficult than we thought it was going to be," said Henry Helgeson, President and co-CEO of Merchant Warehouse. With 150 employees to be trained and about 250 machines in total (desktop computers, laptop computers, servers and so forth) that needed to be secured, it was a complex process.

When Merchant Warehouse started down the compliance road in 2005, the company didn't have a clear focus on how to become PCI compliant, Helgeson said. "Pages and pages" of procedures were written down to establish protocols, he added. The company hired a compliance officer to work full time on the task.

Helgeson said the biggest changes the company made were procedural. The main thing was employees had to be retrained on how to handle sensitive cardholder data.

For example, customer service representatives had been typing credit card numbers into the notes feature of the company's customer relationship management (CRM) software, which "sounds

pretty benign," Helgeson said. "But when you realize that [the CRM] is not set up to hold card numbers and isn't encrypted in the way we encrypt card numbers, that became an issue when we started looking at what was on our network," he added.

Now, no account numbers are stored on workers' computers; to ensure that that remains so, frequent embedded scans are performed on computers. For example, Microsoft Word and Excel files are scoured to make sure no card data has been saved on individual computers.

The other major issue that faced Merchant Warehouse was "locking down" the company's network, Helgeson noted. In addition to its ISO business, Merchant Warehouse operates an online gateway and shopping cart, which complicates its security requirements.

Merchant Warehouse's Internet technology staff of 10 had the expensive and laborious job of securing those systems. "They were bogged down with things like segregation of data," and the IT team had to "unwind some of the programming and some of the systems that we originally built and split them into multiple systems," Helgeson said.

Getting certified

Merchant Warehouse contracted with security compliance management firm

Trustwave to perform the certification audits. Two major audits were executed. And according to Helgeson, both audits consisted of hundreds of smaller audits, such as individual computer scans, so Merchant Warehouse ultimately went through "the high hundreds to low thousands" of audits.

Helgeson estimates that with about 50,000 merchants in its portfolio, Merchant Warehouse's gateway handles thousands of transactions a day, and a thousand more through the company's online shopping cart monthly. That amount of card data in transit makes Merchant Warehouse a prime target for fraudsters.

Therefore, Helgeson believes Merchant Warehouse went beyond the PCI DSS requirements. "We've got it as locked down as we can possibly make it," he said. "If we're going to go through the process, we said let's make sure rather than just doing it to the letter of the law, and that was it. We went as far as we could go with it."

Helgeson said Merchant Warehouse even encrypted playback call recordings (used for coaching and training its customer service reps) so hackers could not eavesdrop on call data. "When you look at the consequences of what happens to an ISO in the case of a breach, for us it just made all the sense in the world to throw as much as we could at this to make sure we can never be compromised," Helgeson said. 

\$400,000. Through its corporate giving program, ACE has donated more than \$2 million to the foundation.

Celerant certified

Celerant Technology Corp. was named as a Visa and Payment Card Industry (PCI) Certified vendor; its software is now included in Visa's list of Validated Payment Applications.

CO-OP saving money

CO-OP Financial Services reported it will save its credit union members \$2.5 million annually as a result of its investment in the CO-OP Connect ATM telecommunications infrastructure. CO-OP Connect was made available through CO-OP business partner Transaction Network Services in mid-2008.

Ctopay PCI DSS compliant

Online payment service provider **Ctopay** indicated it is now compliant with the PCI Data Security Standard (DSS). Trustwave performed the PCI DSS compliance validation.

DCS honored

Web portal BankNews awarded **Dynamic Card Solutions LLC's** CardWizard FCP 20/20 flat card printer an honorable mention in its 2008 Innovation Solutions Awards. The awards are presented to companies that have helped community banks improve their ability to serve their customers.

eProcessing Network PABP compliant

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IndustryUpdate

ePNPlugIn and ePNMobile applications are now certified as compliant with the Payment Application DSS (formerly Visa's Payment Application Best Practices).

First Data certifies two

First Data Corp. Class A certified Hypercom Corp.'s Optimum T4210 and T4220 PCI PED-approved card payment terminals. The company also Class A certified **Ingenico Inc.**'s i-Series terminals.

Fundtech wins innovation award

Fundtech Ltd. won the Financial-i Leaders in Innovation Award for electronic payments. The annual award is given to banks and vendors that are shaping the delivery of business solutions in wholesale transaction banking.

Hypercom makes strides across the pond

Hypercom Corp. rolled out its medCompact health care terminal as part of the migration to the new e-health card program in Germany. MedCompact is the first health care terminal to receive e-Health Basic Command Set approval from Gematik, the German company operating the country's national electronic health card program. Also, Hypercom's Optimum T4200

and M4200 countertop and mobile payment terminals received Association of Payments and Clearing Services Common Criteria accreditation in the United Kingdom.

MSI wins Best of New England

Merchant Service Inc. was awarded the 2008 Best of New England Award by the U.S. Local Business Association. The award was given in the credit card or credit plan equipment and supplies category.

Merchant Warehouse PCI compliant

Merchant Warehouse reported that it has completed a full security audit and has obtained Level 1 Service Provider certification under the PCI DSS. To learn how this was achieved, see "Doin' it right," on page 16.

MicroBilt debuts ISO program

MicroBilt Corp. is launching a new ISO and MLS partner program. Services include employee background screening, personal and business credit review, and a solution for complying with the FACTA Red Flag Identity Theft Rules. MicroBilt will help agents tailor solutions to retailers' needs and is offering a \$1,000 bonus for ISOs and MLSs closing 10 qualified accounts within their first 60 days.





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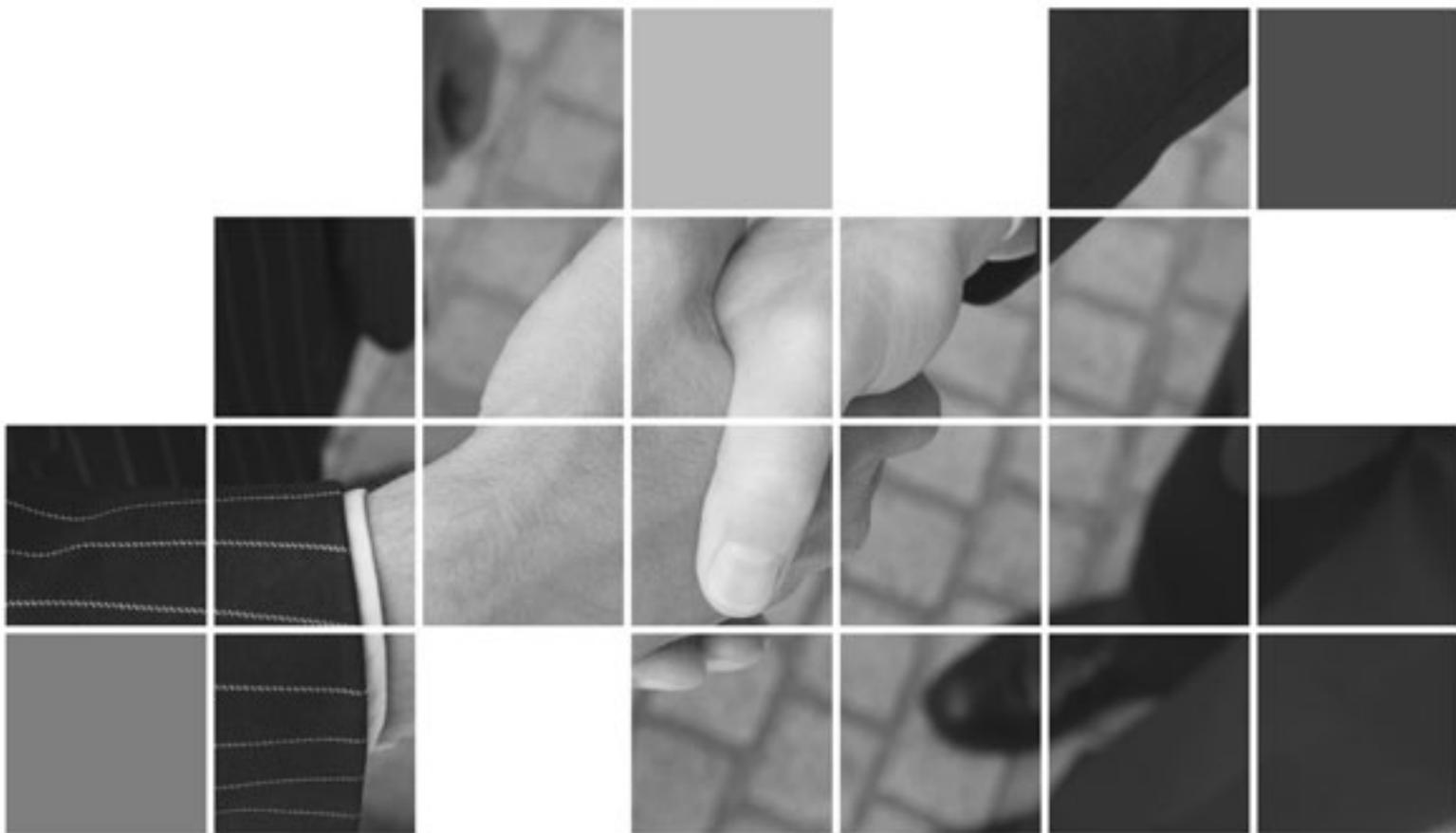
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Industry Update

MoneyGram doubles in two years

MoneyGram International expanded to 40,000 ExpressPayment agent locations in the United States with the rollout of its payment services at CVS/pharmacy and 7-Eleven Inc. stores.

In the past two years, MoneyGram has nearly doubled the number of its ExpressPayment locations, which include retailers such as Wal-Mart Stores Inc., Advance America and Albertsons.

Netgiro expands to Latin America

Netgiro International expanded its payment offerings into Latin America. The company now supports online processing of domestic credit cards in Mexico and Brazil.

Semtek wins award

Semtek Corp. was a winner in the 21st Annual Most Innovative New Product Awards by UCSD Connect, an organization fostering entrepreneurship in the San Diego region by supporting the growth of promising technology and life sciences businesses. Semtek won for its Cipher Module, a magnetic stripe reader component designed to replace conventional mag stripe readers.

4Go validated

Shift4 received PA-DSS validation for its 4Go Safe Swipe technology. With 4Go, Shift4's Web-based payment gateway, Dollars On The Net, makes third-party POS and property management systems PA-DSS compliant, the company reported.

Evaluating contactless ROI

The Smart Card Alliance Contactless and the Mobile Payments Council introduced new tools for merchants accepting or considering accepting contactless and mobile payments.

Merchants can access a model to calculate return on investment for accepting contactless payments online at www.smartcardalliance.org/pages/publications-contactless-payments-merchant-roi-model.

Merchants can also access a discussion forum at <http://merchantforum.smartcardalliance.org>.

SPSP offers new certification

The Society of Payment Security Professionals hosted its first Certified Payment Card Industry Security Auditor (CPISA) training and certification event. CPISA cer-

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IndustryUpdate

tification is the companion to SPSP's Certified Payment Card Industry Security Manager certification. The purpose of CPISA certification is to provide formal recognition for proficiency concerning PCI DSS issues.

TransFirst is thirty-first

TransFirst Holdings Inc. was ranked No. 31 in the 2008 FinTech 100, an annual ranking published by *American Banker* and Financial Insights.

The ranking features the top 100 global technology and service providers to the financial services industry. TransFirst has appeared on the list for the past five years; last year it was No. 44.

UPS is best of Westlake

United Payment Services was selected for the 2008 Best of Westlake Village Award in the Credit Card Terminal Systems category by the U.S. Local Business Association. The award recognizes outstanding local businesses and focuses on quality, not quantity.

WRG honored

WRG Services Inc. was named to The Weatherhead School of Management at Case Western Reserve

University's Weatherhead 100. It lists the fastest-growing businesses in Northeast Ohio. WRG was also honored with an award from The Lake-Geauga Fast Track 50; companies are ranked by sales and employment growth over the previous five-year period.

PARTNERSHIPS

BancTec, Discover team up

BancTec Inc. entered into a retail remittance processing agreement with **Discover Financial Services**. As part of the agreement, three BancTec operating centers in the United States, will handle Discover's accounts receivable processing.

Bank Central expands ATMs, self-service

Indonesia's **Bank Central Asia** signed with **Wincor Nixdorf AG** to expand its multichannel, self-service network. BCA expects to deploy 283 ProCash1500xe ATMs and 200 ProInfo 1000 kiosk systems. Wincor Nixdorf will also assume responsibility for maintenance of both the kiosks and ATMs.

Comodo, PayPoint simpatico

Comodo, a provider of identity and trust assurance Internet services, entered a strategic partnership with U.K. payment provider **PayPoint.net**. The alliance will bring PayPoint customers special discounting across a range of Comodo Secure Sockets Layer (SSL) certificates, including Extended Validation SSL certificates.

Reciprocally, PayPoint.net will extend special offers across its online payment services to Comodo customers. This partnership is designed to level the playing field by offering enterprise-level security and sophistication to start-ups and established brands alike.

Eastern Bank links to SVPCO

Eastern Bank is now connected to the **SVPCO Image Payments Network**. Eastern Bank is plugged in through the SVPCO Gateway DTA, which enables institutions to send and receive bulk files of images through the network on a peer-to-peer basis. Eastern Bank is one of 44 institutions in the network.

Frost Bank selects Panini

Frost Bank selected the **Panini** Vision X check scanner for branch image capture. The Vision X reportedly allows Frost Bank to increase operational efficiency by automating check processing in its branches by capturing check images at the teller.

NYCE, Harris renew

Harris N.A. has renewed its **NYCE Payments Network** LLC participation and named NYCE its primary provider of PIN debit and ATM card access.

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Industry Update

Ingenico taps TASQ

Ingenico named TASQ Technology its preferred distributor. TASQ has exclusive rights to sell Ingenico's AQUA transaction terminal in North America.

Nexxo launches extended service

Nexxo Financial Corp. extended its partnership with TIO Networks Corp., offering its patent-pending technology to TIO's network of bill pay kiosks in Circle K Stores Inc. and other retailers.

All is rosy for PPI

Payment Processing Inc. partnered with POS software developer and Web site hosting service SunFlower Technologies Inc. The PPI PayMover payment platform will be integrated with SunFlower's QuickFlora POS shop management system.

Radiant, Goldco have it their way

Radiant Systems Inc. completed a rollout with Burger King Brands Inc. franchisee, Goldco LLC. It included the installation of the Aloha QuickService POS and MenuLink.net back-office solution in more than 60 Burger King restaurants in the United States.

TIO electrifies payments

TIO Networks Corp. and Pacific Gas and Electric Co. will launch a self-service bill-payment kiosk program. PG&E purchased 11 self-service payment kiosks powered by TIO's self-service software and processing services. The deal authorizes TIO to deploy the PG&E bill-pay application on at least 200 self-service kiosks.

Wells Fargo, Fiserv accelerate check image

Wells Fargo & Co. increased its volume of electronic payments by clearing checks through image exchange with Fiserv Solutions Inc. The agreement, which took effect July 29, has reportedly increased the number of check images Wells Fargo clears by over one-half million images per day.

Game on with PaymentOne

Online game publisher Perfect World Entertainment signed an agreement with PaymentOne Corp. to deploy PaymentOne payment options. Perfect World will now be able to offer its customers PaymentOne's PhoneBill service, a "no credit card required" payment option.

cializing in automated property tax management and payments. Central Tax will retain all personnel of the business unit.

Check Point to acquire security appliance business

Check Point Software Technologies Ltd. has agreed to acquire Nokia's security appliance business.

The companies have collaborated over the past decade to deliver enterprise security solutions. Check Point will now provide an extended security appliance portfolio that it develops, manufactures and supports itself.

Fiserv to purchase iTech

Fiserv Inc. will acquire iTech Corp., a provider of out-sourced account and payment processing services, from First Interstate BancSystem Inc. The purchase price is \$40 million.

4491157 to acquire Tangerine

Tangerine Payment Solutions Corp. entered into an acquisition agreement with 4491157 Canada Inc. through which 491157 will gain outstanding common shares of Tangerine for approximately \$9 million.

It will also acquire outstanding Series 1 preferred shares of Tangerine for approximately \$3 million.

APPOINTMENTS

Former Visa exec advises Paymo

Jon Prideaux joined Paymo as a Senior Advisor. During his 17-year career at Visa Inc., Prideaux was responsible for marketing and new product development, including the Verified by Visa program. Before Visa, Prideaux held technical and sales positions at IBM.

New executive for SVS

Stored Value Solutions Inc. named Ralph Rolan its Executive Vice President and General Manager.

Rolan joins SVS from Total Merchant Services. Previously he held leadership positions at First Data and First Horizon National Corp.

Skiba joins InComm

Robert Skiba joined InComm's executive management team as Executive Vice President and General Manager of Stored Value, Financial Services and Loyalty Programs.

Skiba's experience spans more than 33 years in a variety of industries, including financial services and retail. He recently served as Executive Vice President at SVS. 

ACQUISITIONS

Central Tax buys electronic payment division

CGI Group Inc. sold its electronic payment division to Central Tax Inc., a Montreal-based company spe-

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How to preserve self-regulation

By Biff Matthews

CardWare International

Federal agencies and regulators in many states have the payments industry in their crosshairs. Bull's-eyes have been leveled on cardholder rights, interchange issues and fraud in all forms.

The Federal Trade Commission is focusing its attention on the operations of ISOs and merchant level salespeople (MLSs) – more the former than the latter. If the stories I read and hear are any indication, there's plenty to focus on:

- Altered contracts, encouraging MLSs to engage in bait and switch
- Nondisclosure of terms
- Additions of terms or insertion of questionable paperwork after contracts have been signed
- Not providing copies of contracts to merchants

Rogue MLSs have a few additional tricks, including fraudulent lease applications in which commissions are paid upfront for leases never sold. Then there is the oldest trick in the book: MLSs putting stacks of papers in front of merchants for signature; some of the papers are legitimate; others are not.

The gift that keeps giving

The bulk of federal attention is on interchange and what merchants pay to acquiring banks, which, in turn, is paid to card issuers. Terms such as usury and price fixing can be applied to this arrangement. Until recently, Discover Financial Services and American Express Co., with their closed loop systems, were alone in not charging interchange fees.

Now that Discover allows banks, credit unions, and savings and loans to issue Discover cards, it is playing in the same arena as MasterCard Worldwide and Visa Inc. in true open loop systems. For the moment, Discover has avoided inclusion in any federal action or investigation regarding interchange.

In what many believe is a harbinger of things to come, the European Union ruled that the process used by the card brands for establishing interchange fees is anti-competitive and violates antitrust law. The Australia-New Zealand regulatory body drew similar conclusions; both entities have mandated that interchange fees be cut.

Many critics also believe the need to appear transparent – and, in doing so, to stem the tide of lawsuits against them – was a key impetus for decisions by both MasterCard

and Visa to go public. The moves will certainly help insulate member banks from billions of dollars in potential damages from antitrust claims initiated by merchants.

A primary challenge for the issue of interchange has always been transparency, along with a lack of consistency in the "spin" surrounding it. Depending on whom you talk to, even within card network leadership, the official line has always been, shall we say, fluid. That's what got the networks in so much hot water. There was no consistent storyline of how interchange rates were calculated and what the components were.

Interchange's origin

At its inception, interchange was established to compensate issuers for the 30-day float on charge accounts. It was also intended to offset cardholder and merchant losses. Subsequently, interchange became a way to incentivize the adoption of new technology, then a tool for getting merchants to pay for cardholder rewards programs.

Other official explanations included the offsetting of fraud losses and chargeoffs on accounts. The only flaw in this argument, of course, was that fraud was going down as exchange rates were rising.

All this aside, interchange became in total what it had always been in part: a source of free money for issuers. If there ever was real value provided to acquirers or merchants, it is no longer the case.

All of this has helped put interchange on the radar at both federal and state levels. All but a handful of state budgets are reportedly in – or approaching – double-digit deficits. The scrambling for revenue sources is in high gear nationwide, particularly since the only alternative – tax hikes – are universally viewed as untenable, politically suicidal, or both.

Terminated

In good times or bad, though, states often intervene to curb excesses. My favorite example is the state of Arkansas enacting legislation barring exit fees charged to merchants who terminate their processing contracts prematurely.

This is more an ISO issue than one centered on banks. Banks have never had early termination clauses in contracts. If merchants wanted to switch financial institutions, or ceased operation, there was no associated contractual obligation or penalty.

ISOs include early termination clauses and fees in their contracts because there's significant upfront money paid in the form of signing bonuses, plus "free terminal" incentives and other gimmicks.

The plan is to recover these upfront expenses over the life of merchant contracts. But if merchants leave before their

contract terms end, ISOs can't usually recover investments from MLSs. The latter group is nothing if not nomadic, and ISOs are stuck with no way to recover initial, fixed costs. Thus, the early termination fee.

The Arkansas limit on fees was minimal – \$50 or so was what we heard discussed, which was quite an improvement over the \$500 to \$2,000 fees that are assessed elsewhere.

Arkansas also caps cardholder rates. All states used to do this, but Delaware and North Dakota removed their caps, thereby creating an instant industry.

In a landmark case, the courts agreed with Citigroup Inc. that outrageous interest rates could be foisted upon residents of all 50 states as long as offending entities were domiciled in states that had no caps.

Over time, other states realized this burgeoning new industry had been created at their expense and removed their own usury provisions – or made them so high as to be irrelevant.

In hindsight, early termination was only the start of the fee movement. Here's an industry driven by banks and ex-bankers, and fees fit right in. Arkansas (ever the finan-

cial bellwether it seems) moved to protect merchants with prohibitions on exorbitant fees, and retailers developed defensive strategies of their own.

Consumer dissatisfaction

The question of who regulates the acquiring industry can be murky because there are so many potential players. Is it the U.S. Department of the Treasury's Office of the Comptroller of the Currency or its Office of Domestic Finance? Is it the U.S. Department of Commerce or the U.S. Department of Transportation? Is it the FTC or banking regulators? Interestingly, these agencies are all eyeing the acquiring industry. The reason? Complaints.

Federal and state agencies do not go looking for problems. Truly heinous violations – and the substantive and substantial complaints that follow – are what drive government actions. Government agencies are, by nature, reactive entities. The fact that investigations are occurring in noticeable numbers speaks volumes about what is happening in our industry.

ISOs and MLSs have generated enough condemnation to draw regulatory attention. Short-sighted company management and the actions of a small percentage of sales reps are to blame.

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View

The way back

The sales environment was positive for a long while, with residual income from healthy, growing portfolios very much the norm for career salespeople.

Now that sales have slowed and the pool of merchants is smaller because of the poor economy, selling behaviors have changed. To keep revenue streams flowing, illegal things are being done with contracts. Not unethical: illegal.

The regulatory scrutiny we see building is being brought on by this type of behavior. It is time we look inward and realize that the self-regulation we have fought to maintain will only be allowed if we re-establish and adhere to best practices and codes of ethics and force consequences on abusers.

If we do not want official regulatory oversight, we must clean up our act. The alternative is that unscrupulous ISOs will, sooner or later, find themselves in the sights of regulators.

This is not unlike the wonderful folks who brought us predatory lending. It was never right, no matter how it was spun.

The instigators benefited themselves and no one else; least of all, the hapless buyers.

Because business activity has softened, now is the time to adjust and fine-tune policies. The get-rich-quick playbook truly is history. Those who work honestly and ethically will be here tomorrow, and the rest will be bagged by regulators.

In an effort to gain unfair competitive advantage, some will draw attention away from themselves and point the blame at others. Often, these individuals are a mirror image of their unscrupulousness.

The flip side of this is that ISOs may want to dismiss dishonest MLSS, hoping they will go to work for competitors – where they will cause damage. These scenarios can't be tolerated either.

All of us need to consider what's good for our industry and work together to reclaim it. 

Biff Matthews is President of Thirteen Inc., the parent company of CardWare International, based in Heath, Ohio. He is one of 12 founding members of the Electronic Transactions Association, serving on its board, advisory board and committees. Call him at 740-522-2150, or e-mail him at biff@13-inc.com.



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A countertop tonic for recession blues

By Bulent Ozayaz

VeriFone

How do you get merchants to commit to new payment terminals during the worst recession since World War II? Offer them a product that is going to save them money each month while bolstering their ability to increase revenue and maximize profitability.

There's no doubt it's going to be a tough year, but there exists a solid opportunity to jazz up your customers' countertops with General Packet Radio Service (GPRS) wireless solutions that are as easy to set up and use as cell phones.

Yes, you can sell instant, Internet-protocol solutions for the countertop that not only provide good deals for your customers but also give you a new source of recurring monthly revenue.

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Changing perceptions

It's unlikely mom-and-pop retailers are going to bang on your door and beg for terminal upgrades in light of current economic trends. So it's up to equipment suppliers and you, as ISOs and merchant level salespeople, to make the case for why merchants should be attracted to these new solutions.

The key message: Time is money. With a cellular broadband solution, merchants can enjoy the benefits of broadband speed for faster transactions without any of the networking hassle associated with Ethernet, digital subscriber line (DSL) or cable broadband services.

They'll also gain the flexibility to place terminals at any location with an available power source. This will enable them to cut back on monthly telecom fees and potentially expand revenue sources.

Today, a second business phone line or a business DSL account runs a merchant somewhere between \$40 and \$60 a month (none of which is likely to land in your pocket), and it may require wiring installation and a service call to implement.

A GPRS terminal account, on the other hand, costs in the neighborhood of \$20 per month. For many merchants, using entry-level, countertop GPRS terminals is a better deal than sticking with traditional dial terminals.

More compelling, from your standpoint, is that wireless service is more accommodating to the resale equation: You can sell this service bundled with the terminal and earn a monthly percentage of the telecom fees.

The economic message

Up to this point, wireless payment has typically been perceived as a solution for specialized business circumstances such as merchants needing payment portability in venues like stadiums. It has also carried a premium price tag. But the reality is changing rapidly – just in time to juice up sales for 2009.

While there is still a small premium for countertop GPRS terminals compared to traditional dial terminals, the cost difference is much smaller than for mobile wireless solutions because countertop versions don't require batteries; they plug into standard electrical outlets.

Also, GPRS device prices are coming down due to economies of scale as more and more mobile devices of all types are sold – telecom carriers report that landlines are declining at rates of 6 to 10 percent per year as more and more consumers and businesses rely on cell phones.

With broadband terminals, merchants are able to take advantage of multitasking memory that supports bank cards and value added applications like loyalty or gift

cards. It's also much easier for merchants to offer PIN debit acceptance to customers, which can mean substantial cost-savings on transaction fees.

Even today's value-priced systems incorporate an approved PIN pad, so with a GPRS system located right at the POS, it's easy for consumers to swipe and enter PINs right on the terminal, negating the need for an additional peripheral.

Still, while the case for broadband is compelling, the total cost of ownership is what drives the majority of smaller customers.

Eliminating the expense of a second phone line is a simple, easy-to-communicate message that resonates, particularly in today's business environment.

Security concerns

Once you get merchants' attention with the cost-cutting aspect and the quick return on investment for putting in new terminals, you can layer in additional messages.

Security – while probably not a driving concern for smaller merchants, who are primarily concerned with staying in business – is nonetheless an important issue.

Many merchants are undoubtedly using systems that predate the Payment Card Industry (PCI) Data Security Standard (DSS).

Sooner or later, merchants will have to switch over to PCI-approved payment terminals. If you get their attention with the cost savings of wireless, the security equation is certainly another compelling argument to help close sales.

The beauty of simplicity

Installation of GPRS-based payment systems is simple; networking expertise is not necessary. That means the sales process is simple, too.

Keep it simple is a wise mantra to adopt for 2009. You need to sell simple solutions with simple messages to close sales with small merchants today.

If you can make the case that you can ease a payment burden, you should be able to keep moving terminals to the street even in the face of adversity. ☑

Bulent Ozayaz is General Manager and Vice President, Wireless Solutions North America, at VeriFone. He can be reached at bulent_ozayaz@verifone.com.

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View

Changes afoot, challenges ahead

By George Sarantopoulos

The Access One Group

A storm is coming, one that will challenge both merchant level salespeople (MLSs) struggling to maintain residual levels and ISOs who have gotten used to six, seven or even eight figure incomes. Both will be adversely affected due to the severe economic downturn we are experiencing.

There is no doubt our industry will undergo fundamental changes from top to bottom in 2009. Here's my thinking on how the industry as a whole will be affected not only by these challenging economic times but also by a new U.S. presidential administration that must do everything in its power to make sure the economy regains its footing and is reinforced to ensure future prosperity.

No major movement on interchange

Banks will be on the agenda in Washington, D.C., but the No. 1 priority will be keeping banks solvent and getting them to loan money to businesses and homeowners

"There may be a push for limited legislation requiring the approximately 17 million apparently healthy people who make over \$50,000 per year yet forgo health insurance to be more responsible and buy health insurance."

- George Sarantopoulos
The Access One Group

to get the wheels of commerce unglued. Because of this, lobbyists who work on behalf of retailer associations fighting Visa Inc. and MasterCard Worldwide to lower interchange will be pushed aside.

The card issuing banks will most likely receive breathing room; the federal government and the U.S. citizenry, concerned about the deepening recession, will not be looking to take away from the banks something that might help them inch back to stability and pay back the billions of dollars they have received in government aid.

The 111th U.S. Congress convening in January 2009 will be interested in legislation to rein in things that could further devastate the economy: exotic derivatives, hedge funds and 125 percent mortgages, for example.

Hedge money evaporating

To maintain liquidity several major hedge funds, including one run by JPMorgan Chase & Co. and the Tudor Fund (the oldest such fund in the country), have instituted a hold on redemption of investor funds.

A significant amount of capital from hedge funds has been invested in the payments industry, but that flow has begun to dry up.

Money from hedge funds has been invested directly into companies and used to buy portfolios; it has been the funding source behind several cash advance companies; it has been the well from which our industry has grown.

Today, several companies in the cash advance space are having difficulty obtaining new money, and several portfolio buyouts have been stalled. It will be several years before the flow of investor funds resumes.

Also, several companies in our sphere will no doubt be absorbed by bigger, well-capitalized players in the coming months.

No universal health care

I expect that due to the staggering cost of the current eco-

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Does your accountant think that:

- An ISO is a perk of working for a public company?*
- An MLS is a website for looking up real estate?*
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If you were to tell your accountant you are in the acquiring industry, would the response be:

Really? I thought you sell credit card machines.

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Mike Laird is the CPA who gets you and your business. Mike has invested years educating himself about the industry. He even attended ETA this year. Mike has already advised ISO's and Agents on portfolio sales, partner buyouts and mergers.

What has your accountant done to meet your changing needs?

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conomic bailout and all the controversies that will spring forth in efforts to get our economy on the right track, the new presidential administration will not have enough political capital to tackle universal health insurance.

The topic of universal health coverage is fraught with controversy. There is disagreement about whether to insure the approximately 10 to 12 million undocumented people living in the United States.

Also, many people who have insurance do not want to give up their premium coverage for a government medical program.

There may be a push for limited legislation requiring the approximately 17 million apparently healthy people who make over \$50,000 per year yet forgo health insurance to be more responsible and buy health insurance.

This group would likely include entrepreneurs (such as ourselves and our merchant customers) who might use available funds to grow their businesses instead of purchase health insurance.

While requiring this group to purchase insurance might not use up much political capital, it could hurt small merchants and entrepreneurs.

It may become more difficult for small businesses in the United States to rise to the next level, especially those at the lower end of the \$50,000 income cutoff. They may have to defer hiring new employees or postpone adding new locations due to newly mandated health insurance costs.

Fewer feet on the street

A serious push for a "green" economy and development of "green" jobs will necessitate a punitive tax on gas to make it economically attractive to switch to hybrid or "flex fuel" vehicles, especially since the price of gas has fallen from the more than \$4-per-gallon highs that it hit in the summer of 2008. In addition, hybrids and other alternatives are still priced too high compared to traditional gas-powered vehicles.

The big push will likely be for ethanol, the producers of which receive massive subsidies from the federal government to make it work as a fuel. In the short term, that means new MLSs will be driving less and will have to focus on telemarketing to save money on gas.

And merchants in our portfolios will be hit by an increase in phone calls and mailings from ISOs and banks looking to poach business.

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View

Smaller lines of credit

In better times, American Express Co. must have looked like a genius for offering businesses large credit limits. And the practice served small businesses, giving them needed capital to operate.

Now that most merchants have had their credit lines shrunk or altogether eliminated, our merchant customers will face more turbulent times. The Internet is abuzz with business customers complaining about these cutbacks in credit for what appears to be no reason. AmEx seems to be following a strategy of pulling back from the riskier small-business sectors.



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Also, banks will not want to team up with AmEx to issue AmEx-branded cards because AmEx just received a bank charter from the U.S. government. Banks will see AmEx as a threat instead – a direct competitor to the Wells Fargo & Co.s and the Capital One Financial Corp.s of the world.

In addition, financial institutions will see an opportunity as AmEx retreats from the small-business market it has taken for granted for years. They will be looking to attack this space in the new year.

American opportunity sustained

Conflicting agendas will fight for attention in Washington in the coming year; it is possible mistakes will be made. I hope Congress and the new presidential administration do not legislate away the one thing that makes America special: the courage to take risks and plunge ahead into new frontiers.

There will be a great temptation to legislate all the risk out of the economy. There has even been talk about the "end of capitalism."

But I do not believe capitalism will end. For our country to be relevant in the 21st century it is imperative that we reinforce the initiative that has made our country great.

Perhaps we should come up with "Capitalism 2.0," a refined version of our economic core that gets us back to making things, regulates away complex and possibly destructive financial instruments, encourages innovation and provides the tools entrepreneurs need to keep pushing forward for years to come.

Keep selling in 2009. 

George Sarantopoulos is the Director of Marketing for The Access One Group/Access One ATM and is working with a new bankcard ISO – Paymint Partners. He can be reached at georges@accessoneusa.com or 866-764-5951.

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IndustryLeader

The go-to guy

Paul Martaus has all the answers. Well, maybe he doesn't know everything about the payments industry. But if a bright young merchant level salesperson stumps him with a question, chances are he knows the person who has the answer.

Martaus is a bit of an anomaly. He lives on 10 acres of woodlands in northern Arkansas, yet he has his finger on the pulse of the payments industry. He knows just about every industry leader; perhaps, more importantly, they know him. He burns up the phone lines at least eight hours a day, and he has three computers up and running on his desk at all times.

In short, Martaus is the go-to guy for all things payments. But how did he earn this distinction?

"A big mouth and attitude," he said self-deprecatingly.

In the beginning

Martaus' father was career military, which means Martaus' childhood was a series of new homes and new schools. This upbringing taught him to quickly develop rapport with people.

He was a 23-year-old veteran of the Vietnam War when he accepted his first job in banking at First Bank of Virginia. He felt immediately at home in the banking milieu, found the business easy to understand and moved up quickly. However, when the opportunity to work for a shared ATM network presented itself, he signed on, eager for an opportunity to stretch his imagination and tackle a new challenge.

After a few years, Martaus moved onto Applied Communications Inc. in Omaha, Neb. At first he worked in technical sales support. Later he moved into sales, where he became responsible for a 13-state territory.

A college degree in business gave Martaus a knowledge base that enabled him to hit the ground running at ACI. The company also offered a strong training program, and what he couldn't learn through official training, he learned on the job. But, the position did have one downside: travel, and lots of it.

Routinely, Martaus had to leave his family's home on a Sunday night, visit six or seven cities, and return home the following Friday. On Sunday night he would begin the cycle again. After five years and many missed family functions, Martaus needed a change.

In the middle

Wanting to stay closer to home, and recognizing that he

"Over the years I developed relationships with folks, and they all grew up to be important and I didn't. They honored me with their trust, so I can pick up the phone and talk to the movers and shakers, and odds are they will honor me with their time."

- Paul Martaus

had to make his own opportunities, Martaus carved out a job for himself at Payment Systems Inc. (PSI), a consumer research organization. There he learned about consulting. As an added perk, he finally achieved his Master of Business Administration, with coursework in statistics, which he put to good use.

Martaus went from marketing the company's research programs to becoming Director of Non-Traditional Payment Systems, which included something brand new – the POS system. It was 1985, and his customers included major bank holding companies such as Citigroup Inc. and Wells Fargo & Co., as well as emerging, technology-driven companies such as First Data Corp., Visa Inc. and Master Card Worldwide (then MasterCharge). Martaus was able to forge strong relationships with people at those companies.

Martaus found himself doing increasingly more hands-on consulting at PSI. However, the company was focused on consumer behavior, such as how many people use ATMs or home banking. PSI was not in the business of providing one-on-one service.

Since Martaus had established relationships with the bank holding companies, PSI asked him to develop a consulting side for the business. But PSI's consumer research focus was based on theories and calculations; it was not a good fit for Martaus. He wanted to focus on consulting. So he quit his job and founded Martaus & Associates in 1990.

Keys to the kingdom

With Martaus as President for the last 18 years, Martaus & Associates has enjoyed tremendous success; Martaus highlighted a few reasons why.

First, he has spent his entire career building relationships and has always taken the opportunity to meet new people. When he was in banking, he attended the meetings his boss didn't want to attend. As a youngster in his 20s,

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he was exposed to chief executive officers and decision makers. "Over the years I developed relationships with folks, and they all grew up to be important and I didn't," Martaus said. "They honored me with their trust, so I can pick up the phone and talk to the movers and shakers, and odds are they will honor me with their time."

Second, he has never stopped asking why or how. "I have a questioning mind and want to know, How does this work?" he said. "How do you make money?" Third, he can be trusted; the people who matter know that. "I am respectful and inquisitive, but I never, ever betray a confidence," he said. "I know that, and they know that."

Although Martaus likes to talk, he knows how to listen, too. He often makes himself available to confidants as a sounding board for their problems and concerns. Furthermore, it is not by accident that Martaus is not a member of any associations. "I feel it is important to be completely neutral," he said. "Most institutions have an agenda, and I don't."

Lust for life

Martaus is grateful for the life and career he has built for himself. He cannot wait to get in the office each morning.

"I am the luckiest person you've met in your life," he said. "I get to get up in the morning, come to the office, pick up the phone and talk to my friends."

Since he loves what he does, he doesn't consider his job work, but play. Even when he travels (flying is the only part of his job he dislikes), he loves giving

presentations and hobnobbing with his peers.

Martaus especially enjoys working with colleagues that he admires, people such as Paul Garcia, President and CEO of Global Payments Inc.; Pamela Joseph, Vice Chairman, U.S. Bancorp Payment Services; Bob Carr, Chairman and CEO of Heartland Payment Systems Inc.; and Diana Mehochko, President, First National Merchant Solutions.

Martaus considers these four individuals to be deep thinkers with a grasp of the bigger picture. "You have to have a vision to understand," he said.

"I tell my clients year after year, 'If you don't have vision, you don't have anything.' You have to be able to see through a brick wall."

Even though Martaus loves his work and the payments industry, he believes there is always room for improvement.

"I would like to restore the profitability to it," he said. "I would like to restore a level of sanity to the whole thing. We've become such a dog-eat-dog competitive environment. We've become a commodity product."

Knowledge is king

Martaus expects to stay in business for at least another decade. Considering all the people who rely on him for information, counsel and brainstorming, he better make that decades.

Martaus' life may seem exhausting, but that is exactly how he likes it. "I have that work ethic," he said. "I like to make that one more phone call. I like to read that extra book."

Perhaps that is why he is currently reading seven books, ranging from old classics to science fiction to detective novels. "I still want to know everything," he said. "I can't, obviously, due to the limitations of brain power, time and scope. But I want to know everything." 

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A partner for challenging times

Much has changed for Charge Card Systems LLC since it was originally profiled by *The Green Sheet* in 2005. But one thing that hasn't changed is the sign that greets all who enter the company's Boca Raton, Fla., headquarters: "Serving ALL Merchant Challenges."

Of course, some challenges are greater than others. CCS, a registered ISO with First Data Corp., handles neighborhood retail merchants and Fortune 500 companies that process more than \$15 million in electronic transactions monthly. But CCS also takes on difficult-to-place merchants such as furniture stores, adult service providers and those in travel-related industries.

Changes

CCS was founded in 2002 by the father-and-son team of Bernard and Jeffrey Shavitz, along with close friend Anthony Andreozzi, all of whom had successfully sold their respective businesses prior to founding CCS.

The company moved into its 10,000-square-foot Boca Raton corporate office in 2006. It has also opened three new regional offices in New York, Rhode Island and New Jersey. CCS' 28 full-time employees support more than 385 agents nationwide.

Despite the current economy's worrisome state, the company remains energized. Bernard Shavitz, Chief Executive Officer of CCS, said the most significant challenge of the past few years has been maintaining its residual margin.

"Competition is ferocious," he said. "You have to be that much better to

maintain profitable accounts."

To remain competitive, CCS continues to evolve and grow. In early 2008, CCS hired Certified Public Accountant Paul Ruggieri as its Chief Financial Officer. Ruggieri brings a comprehensive background in the ISO space to CCS.

"We recognize that all we are doing is processing money," Bernard said. "[Ruggieri] is a watchdog for all those areas. From an agent point of view, he is to ensure that our sales partners are receiving the proper residuals for which they have worked so hard."

In the last two years, CCS also established two business entities to target specific vertical markets: Franchise Merchant Services for the franchise business community and Education Payment Systems for schools and daycare operations.

But CCS has not forgotten its roots in the health care market. Through its CCS Medical program, it continues to aggressively market to medical practices, hospitals and other health care organizations.

CCS has been named the preferred processing partner for organizations that account for in excess of 25,000 doctors. CCS is the preferred processor for The New York County Medical Society and is also the processing vendor for The Mount Sinai Medical Center, as well as many other hospital systems throughout the country.

New resources

Additionally, CCS appreciates that its merchant level salespeople (MLSs) and ISO partners require

Company Profile

new tools to stay competitive. CCS has been constantly upgrading its proprietary Web site, dubbed AgentOffice, which allows ISOs and MLSs to view and manage their merchant accounts in real time.

Supervised by CCS's Vice President and National Sales Manager, Adam Moss, the site further empowers agents by providing education about the industry and downloadable merchant account forms and contracts.

"We understand that our partners are focused on selling," said Jeffrey Shavitz, Executive Vice President at CCS. "Our role, among other things, is to ensure that we make their job easier, and we believe that is done via communication."

CCS has access to nine processing platforms, providing agents the resources to board almost every kind of merchant. "We believe that our investment with these multi-registrations will benefit our agents significantly with greater approval rates," Andreozzi said.

Through its wholly owned subsidiary, Alternative Merchant Processing, CCS allows its selling partners to board hard-to-place and nonconventional businesses. To that end, AMP works with three domestic and two international banks.

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Quality control

CCS emphasized that it aggressively recruits ISOs and MLSs who share the company's value system of honesty and integrity in dealings with merchants.

After CCS vets potential partners with a series of phone interviews, it rolls out the red carpet in bringing them on board. The company will fly MLSs to its corporate headquarters to meet with key personnel to give potential sales partners a better understanding of the inner workings of the company.

"It's very different and much more powerful looking into a sales agent's eyes, watching body language versus the traditional telephone conversation," Jeffrey said.

"We are very proud of our company, our people, and this can only be highlighted with a physical visit." Although expensive, CCS considers the monetary outlay for these trips among the best investments the company continues to make.

CCS supports its agents with many options and pricing plans. "Our remuneration program is very competitive, and we have many incentive programs throughout the year," Jeffrey said.

"We researched the industry and believe that most merchants understand only the base rate and transaction fee but not all the hidden fees in a merchant statement."

CCS instituted a 1.9 cent transaction fee on all types of merchant accounts, whether that means face-to-face retail, MO/TO or Internet-based payments. While other processors might charge double or triple that amount, CCS believes this low fee helps sales partners close more deals.

With the CCS pricing program, ISOs and MLSs have the flexibility to determine their transaction fees or discount rates.

CCS feels its creative pricing program enables its agents to close more deals by either employing the mid-qualified and nonqualified fees or significantly reducing transaction fees. CCS does not offer a buy-rate program, which also enables its sales partners to close larger deals.

In addition to the low transaction fee, CCS offers a minimum 50/50 split on all levels of profitability, as well as bonus money of up to \$750 per deal. Residuals are paid monthly and bonuses weekly. CCS has other programs at significantly higher splits for more active and productive offices.

Moss pointed out that many agents do not understand the split they are earning. "How do you know if you are truly being paid 50/50 as most ISOs claim in *The Green Sheet*?" he asked. "You don't," he said. "It comes down to

the trust and relationship with your ISO. We do things by the book."

CCS also provides other benefits to its ISOs and MLSs, including in-house direct mail and lead generation programs. CCS will schedule between 10 and 20 appointments per week for active sellers.

Focused on efficiency

No business has remained untouched by the United States' current economic struggles, including CCS. Bernard maintains the company continues to grow, just at a slower pace.

"With the market changing daily, we are facing growth issues, new challenges, and developing new systems to make our office and our agents more efficient," he said.

The company considers its next-day funding – also known as 12-hour funding – a popular feature for all Visa Inc., MasterCard Worldwide and Discover Financial Services payments; CCS also offers cash advance, automated clearing house programs, gift and loyalty programs and check services.

"We are very well capitalized and have never been late making a payment to an agent and/or supplier of ours

since our inception," Jeffrey said. As an entrepreneurial firm, CCS listens, learns and adapts to the changing marketplace. It works to provide its agents with the necessary pricing, products and support to make its sales partners successful.

"We believe that our structure sets us apart from our competition," said Androozzi, President of CCS. "Our multiple registrations and other partnerships within the payments space allow us to give our sales partners the tools, from pricing to products, to close more deals and thus increase the residual income to our valued agent base."

While competitive pricing is vital to ISO and MLS success, Androozzi believes value added services are just as important. "With the industry starting to be recognized as a commodity, CCS is dedicated to developing niche markets and special programs for many vertical markets," he said.

If the larger financial services industry is just now waking up to the value of businesses in the payments space, CCS recognized long ago the importance of aligning itself with great personnel. CCS recognizes it is essential to employ the highest caliber of sales partners. To this end, CCS is dedicated to supporting their success. ☐

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SellingPrepaid

SellingPrepaid now in print

Considering the exciting news coming out of the prepaid industry and the positive forecasts for continued growth, we have established a new section in *The Green Sheet* devoted exclusively to the prepaid marketplace.

The Green Sheet Inc. launched the Web site SellingPrepaid.com in March 2008. Since then, prepaid has evolved at light-speed, with big players like First Data Corp. and the major card brands staking out territory in the sphere. But the moves and shifts of smaller companies with ferocious business plans and innovative ways to capitalize on the numerous uses of prepaid cards have been equally intriguing.

ISOs and merchant level salespeople (MLSs) need look no further than the merchants in their portfolios to recognize opportunities to grow revenue and increase merchant stickiness with such prepaid products as virtual gift, open loop reloadable, travel, teen, transit, payroll, health and wellness, remittance, and game cards.

Additional selling opportunities reside in merchant-funded discount networks domestically and with mobile payments internationally. And prepaid processors, program managers and software vendors are implementing reseller channels to distribute their products and services to a wider array of merchants and consumers.

The possibilities do not end there. Mercator Advisory Group reported that the U.S. network-branded prepaid market alone was \$38.7 billion in 2007, up 44.5 percent from 2006. As market segments continue to expand year after year, the opportunities will likely keep pace.

Also, consumers are now using gift cards as personal budgeting tools – an activity that couldn't have been predicted five years ago. And as the economy continues to stumble, consumers will increasingly turn to prepaid cards as an alternative to credit and debit cards. The purchasing power of a new generation of consumers and their creative use of payment cards are other compelling factors.

Featuring SellingPrepaid in *The Green Sheet* will help more ISOs and MLSs recognize the potential for prepaid to help sustain and increase their profitability in the years ahead.



Prepaid in brief

NEWS

BBB says buyer beware

Connecticut Better Business Bureau President Paulette Hotton Scarpetti said gift card recipients should pay special attention to the writing on their cards.

"Use of these prepaid bankcards may involve substantial fees and limitations, and they vary, so we recommend consumers read the fine print and ask lots of questions about the cards' restrictions," Scarpetti said.

The BBB recently researched one bank-issued card and discovered more than 27 fees attached to it. "Because there is no way of telling in advance whether a retailer will go out of business, your BBB advises that you think before giving gift cards," Scarpetti said. "If you have a gift card, use it as soon as possible. You never know how long its issuer will be in business."

Chase keeps people's pulse

Chase Paymentech Solutions LLC's 2008 Cyber Holiday Pulse Index, an annual measurement of holiday online shopping activity, indicated in mid-December 2008 that holiday season sales were up over 2007 by 13 percent. Transaction count increased 26 percent.

The discrepancy between the two numbers is the result of the lower average amount spent on an individual transaction, which is down 13 percent from 2007.

"Average order values are down, even though the volume of transactions is up," said Sucharita Mulpuru, Principal Analyst for Forrester Research Inc.

"And while there has been plenty of ho-hum news, there are some reasons for hope." To see daily updates to the Pulse Index, visit <http://pulse.chasepaymentech.com>.

Build it and they will transfer

A survey commissioned by mobile payment provider **Upaid Systems** found that Latin Americans living in the United States are anxious to use mobile money transfer

services. The majority of Latin Americans using mobile phones to transfer money are men ages 25 to 34.

The most popular countries this group sent money to are Mexico (41 percent), Puerto Rico (12 percent) and the Dominican Republic (6 percent).

ANNOUNCEMENTS

Prepaid companies get holiday spirit

In December 2008, **ACE Cash Express Inc.** and **NetSpend Corp.** presented five \$100 March of Dimes reloadable prepaid cards to families represented by a Dallas-based nonprofit organization. The families recently completed *Comenzando Bien*, a specialized training program on outreach and education for prenatal care.

ACI proactive in fraud management

Payment systems software manufacturer **ACI Worldwide Inc.** sold its Proactive Risk Manager, which delivers comprehensive fraud and anti-money-laundering monitoring and detection, to financial services company **Indue Sales and Services Inc.** Proactive Risk Manager will reportedly enable Indue to cost-effectively reduce fraud by filtering transactions to look for fraud.

BioPay partnerships help underserved

Partnerships with biometric identification authenticator and check processor **BioPay Paycheck Secure** are indented to provide retailers with new product offerings, including walk-in bill payment and prepaid debit services, to better meet the needs of underbanked consumers.

Retailers will be able to load funds from cashed checks directly to prepaid cards, which can then be used at ATMs, online or in brick-and-mortar locations.

sQuid secret recipe at Coffee Republic

Coffee Republic PLC introduced a new payment and loyalty contactless smart card for its customers using the electronic money service **sQuid eMoney**. The card is Coffee Republic-branded; customers register the card online, view transactions and top up their "payments purse."

Rio de Gemalto

Digital security company **Gemalto NV** will provide **Banco Santander** with Brazil's first multifunctional smart card as part of the national University Identity Theft Card Program.

The card combines Europay, MasterCard Worldwide and Visa Inc. payment and contactless access control on an identification card for use by students, teachers and university staff throughout the country.

Down Under riding contactless wave

In **Hypercom Corp.**'s second trial program at the Melbourne, Australia, Docklands waterfront development, the POS terminal maker is providing residents with contactless payment devices. The program allows consumers to make purchases by waving their near field communication-enabled mobile phones over contactless readers integrated with Hypercom's Optimum T4200 family of devices.

"Customers immediately embrace the idea of using their cell phones like a payment card," said T.K. Cheung, Managing Director, Asia-Pacific, Hypercom. "It's fast, there is virtually no learning curve, and our high security products give complete confidence in the payment process."

MiCash now your cash

MiCash Inc., a prepaid marketer and money service business, introduced a prepaid debit card that offers cardholders the ability to make card-to-card or card-to-cash worldwide money transfers. MiCash provides general purpose and prepaid debit card services, such as payroll cards and reloadable cards, with unique remittance capabilities.

NetSpend helps spendthrift consumers

Prepaid debit card provider **NetSpend Corp.** launched a reloadable prepaid card that eliminates overdraft fees and interest rates by preventing consumers from spending more than the amount loaded on cards. Because cardholders cannot overspend with the MetaBank- and Inter National Bank-issued cards, consumers have more control over their money.

Association grants first accreditations

Trade association **Prepaid International Forum** disclosed that **G-T-P Prepaid Services Co. Ltd.** and **White Eagle Europ PLC** were the first member organizations granted PIF accreditation. The accreditation scheme introduced by PIF in July 2008 creates an international standard for prepaid commerce designed to ensure best practices in prepaid products, enhance consumer confidence and reduce reputational risk.

The accreditation process follows PIF's Best Practice Guidelines and Issuer Code of Conduct. "Once again, PIF and its members show leadership in prepaid," said Chris Reddish, Chairman of the PIF.

PARTNERSHIPS

Cross border prepaid alliance

Stored-value card manufacturer and processor **Trans Card Canada Ltd.** teamed with **University National**

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Bank in St. Paul, Minn., to process prepaid transactions for the bank. "Working with TransCard will help us further serve the underbanked and unbanked," said Nichol Beckstrand, Chief Operations Officer with UNB's parent company, Sunrise Community Banks.

Piloting cross-continent remittance program

International mobile communications provider **Vodafone Group PLC** partnered with **The Western Union Co.** to pilot a cross-border mobile money transfer service between the United Kingdom and Kenya. The service reportedly enables customers to quickly send remittances from select locations directly to Safaricom mobile subscribers in Kenya.

Harris Bank gets NYCE

NYCE Payments Network LLC reported **Harris Bank N.A.** renewed its NYCE network participation and named NYCE its primary provider of PIN debit and ATM card access. Harris has 276 branches in Illinois, Indiana and Wisconsin.

ACQUISITIONS

Neovia acquires IDT division

Online payment provider **Neovia Financial PLC** agreed to buy the European prepaid services division of **IDT Corp.** in a cash deal worth approximately 10 million pounds.

APPOINTMENTS

Two new drivers at FNDS

John Hancock joined processor **FNDS3000 Corp.** as its new Chief Executive Officer and Director. Additionally, **John Watson** was appointed the organization's new Executive Vice President. Hancock replaces Michael Dodak, who will remain Chairman of the Board.

Loh named to board

Stanley Loh was appointed to financial services investment group **All Asia Licensing Inc.**'s board of advisors. Loh has several years' background in software and technology development as well as prepaid and loyalty electronic payment processing.

i2c gets new leader in Panama

Processor **i2c Inc.** hired **James Riggsbee** as its new Site Leader, Panama Contact Center. Riggsbee's sales and management experience include stints with Chase Paymentech Solutions LLC, Citigroup Inc., Bank of America Corp., Discover Financial Services and Western Union.

Rolen is new SVS boss

Stored Value Solutions Inc., a gift and prepaid card solutions company, named **Ralph Rolan** as its new Executive Vice President and General Manager. Rolan will lead strategic direction, operations, product development and revenue initiatives. Rolan joins SVS from payment processor **Total Merchant Services Inc.**



Features

Going boldly into m-commerce

In November 2008, prepaid processor **eCommLink Inc.** signed a strategic alliance with mobile money expert **Monitise Americas LLC** – a move both companies expect will position them to capitalize on the rising wave of mobile commerce.

Monitise reportedly gives **eCommLink** global access to prepaid users through the wireless networks Monitise operates and the mobile banking and payments software it has incorporated into millions of mobile handheld devices. And **eCommLink** provides Monitise another distribution channel.

Lisa Stanton, Chief Executive Officer at Monitise, called the alliance "a perfect union" between the prepaid and mobile commerce worlds. "The prepaid market from our perspective is one of the best suited for mobility in terms of having 24/7 access to information like balances, etcetera," she said.

Stanton added the alliance will help push mobile banking to the next level – into mobile payments. "Mobile banking is sort of a first step, we believe, along the path to doing what many call m-commerce," she said. "So first we start with providing information, and then we find ways to create value to the new payment opportunities via the mobile device."

The extra value lies in the alternative payment capabilities of prepaid cards, which can include payroll, travel and general spending.

Global mobility

T. Jack Williams, CEO of **eCommLink**, said the combination of mobile phones and prepaid cards provides a strong value proposition for travelers. "You can be traveling anywhere in the world," Williams said. "You have one of our

cards in your pocket and you only put on the card what you need right then. But then you need more money. All you have to do is pull out your cell phone, pull up your Monitise application, go bang-bang-bang-bang-bang: the transfer is done."

According to Williams, the transfer would take 10 seconds domestically and about 30 seconds internationally.

Tying prepaid cards to mobile phones delivers m-commerce in its "truest sense," Williams said. "So you can do a balance inquiry, do a transaction history request, and you can ... move money onto the card, move money off of the card, pay bills or whatever."

Williams added that consumers with existing payroll cards will be able to easily link cards to mobile phones equipped with Monitise's application. Basic card information entered into the Monitise interface takes banking functions cardholders could only access through Internet connections into the mobile arena.

Another huge market Williams mentioned for mobile prepaid is international remittance. Cell phone use cuts across all borders and just about all socioeconomic groups worldwide. Since the mobile technology infrastructure is already in place, the global workforce is primed to utilize prepaid to send money home.

"When you look at the Tropic of Cancer, Tropic of Capricorn and most of the countries in those areas, their biggest export are their people to work in other countries," Williams said.

The Philippines, for example, has 20 million citizens working around the world, Williams remarked. "We're talking about the international unbanked," he said.

"Even though they may have a bank account in the Philippines, it's still very difficult if you're not working there; it's still very expensive to go into a Western Union, pay \$19.95 plus 2 percent to move money to your bank account in the Philippines.

"But you can do an SMS [short message service] text message, and we can do it for a \$1 or \$1.50. ... So if you're going to send money to your parents in the Philippines and you're working in the United States, now you can use your phone to do that."

Riding the wave

Williams and Stanton believe the future is golden for mobile prepaid. Its role in supplying the unbanked and underbanked populations domestically and globally with an alternative banking tool will only grow in importance if the U.S. and world economies worsen, they predict.

As more people are denied credit and bank accounts are too expensive to maintain, consumers will migrate to pre-

paid cards used in conjunction with their mobile phones to reduce costs and remain viable in the commercial electronic world. The alliance between eCommLink and Monitise is poised to take advantage of that trend.

"The widely shared belief is that mobile commerce will dramatically increase the volume of transactions that run over the networks, sort of disintermediating cash and check usage," Stanton said.

"And this is an opportunity for merchants and merchant processors to be the next wave in the evolution of payments." 

Achieve wellness with rewards

Because of skyrocketing health care costs, employers are increasingly implementing health and wellness programs for employees. If employers can motivate workers to live healthier lives, employees won't tax employers' health care plans or take as much time off from work to take care of health-related issues.

In "Fit to be Paid: The Dynamics of the Wellness Reward Market," a webinar presented by Celent Senior Analyst Red Gillen, the best way to encourage employee participation is to provide them with rewards.

Gillen said companies can expect to see a 20 percent to 30 percent increase in participation if employees are provided incentives.

Employers can reduce health insurance premiums or dole out cash to workers who successfully complete smoking cessation or weight reduction programs, Gillen said. Another popular offering is prepaid cards.

According to Gillen, closed loop, private-label gift cards and open loop, network-branded, general purpose reloadable prepaid (GPRP) cards are the most popular types. But Gillen asked, "Which one is more attractive to being a motivational tool?"

Retailer gift cards are popular because of their low cost; they are two to five times less expensive than GPRP cards, Gillen said.

But GPRP cards are popular with employees as well because they can be used anywhere the card brand (Visa Inc., MasterCard Worldwide or American Express Co.) is accepted.

For that reason Gillen admits GPRP cards seem more engaging. But the counter argument is that GPRP cards will be swallowed up in employees' day-to-day living

Selling Prepaid

expenses. They will use the cards to buy gas or pay for groceries, not as a special treat or gift to themselves for completing wellness programs.

Point to ponder

Like most markets in which prepaid cards are utilized, wellness programs require several players: health plan providers, wellness program vendors, rewards aggregators (program hubs that integrate the various systems) and rewards vendors that are responsible for fulfillment of rewards to program participants.

Gillen cited American Express Incentive Services LLC, Citi Prepaid Services and TSYS Loyalty Inc. as examples of rewards vendors.

Traditionally, many employers have opted to institute what Gillen called "simplistic" wellness programs in which employees receive rewards at the successful completion of programs. Gillen believes programs based on points systems, while being more complex to operate, can also be more effective.

Gillen compared a wellness points program to an airline's mileage program. As travelers accrue miles of travel via an airline, they earn points that can be redeemed for flight upgrades, free flights and discounts on car rentals.

Wellness programs can be structured the same way, with points earned for successful completion of stages in programs; rewards are triggered once a certain number of points are earned.

The golden carrot of prevention

Gillen predicts the wellness rewards market will explode in the next few years – exceeding \$2.7 billion by 2013. The market is expected to be dynamic because the need for businesses to reduce health care costs will be enormous.

"The idea behind wellness is that if you can address employees or individuals' health conditions early on – nip them in the bud – you basically avoid a lot of costs," Gillen said. "Look at smoking, stress, obesity and so forth," he continued. "It's widely accepted that the common cause of these chronic conditions and diseases is due to behavior. So people smoke – that's a behavior. Perhaps people eat too much – that's a behavior. People don't exercise – that's a behavior.

"But the underlying thought is that if you can somehow reverse this behavior, you could correspondingly reduce the costs associated with these chronic conditions."

Addressing chronic conditions before people get sick is increasingly being done through the use of wellness programs, Gillen said. With programs tied to prepaid cards, ISOs and merchant level salespeople can improve the health of their bottom lines. 



Company profile

FirstView LLC

A new outlook for the unbanked

With check writing declining and electronic payments surging, it seems counterintuitive that prepaid processor and program manager FirstView LLC is launching a check product for unbanked consumers. But the strategy makes sense when Cherie M. Fuzzell, President and Chief Executive Officer of FirstView, explains it.

Fuzzell said the patent-pending service allows cardholders of Espree prepaid debit cards to write personalized Espree checks. The open loop, MasterCard Worldwide-branded Espree cards are used by employers as payroll cards for unbanked workers. From employers' general payroll accounts, wages are loaded onto Espree cards.

Although the cards are not tied to traditional demand deposit checking or savings accounts, cardholders can buy products and services in face to face retail environments or online, just like users of traditional credit or debit cards. But payroll cards cannot be used for every type of payment.

The indestructible paper check

Despite the decrease in check usage, Fuzzell pointed out that everyone – banked and unbanked alike – pull out checkbooks, on average, two to three times a month. Fuzzell gave an example of who would use an Espree check.

"We have one account holder whose mortgage is over a \$1,000 a month," she said. "And with his card product, he can only withdraw a \$1,000 a day at an ATM. So he has to go the ATM for two consecutive days and then get a money order to pay his mortgage.

"So we thought about this guy, and we said, 'How can we solve his problem?' And that's what the Espree checks are intended to do."

Espree account holders receive personalized checks. When a user wants to pay with a check, the user calls into an interactive voice response (IVR) service where his or her identity is authenticated.

Then the user enters the Espree check number, the check

amount and speaks the name of the check recipient into the phone (the name is then saved as a digital audio file). Finally, the user receives an authorization number to be written on the check.

"And then they can use that check just like any of us use checks – pay rent, send money to school for a field trip, to engage in the activities that the regular payroll card doesn't enable them to do," Fuzzell said. "It really brings them into the financial mainstream of banking because, if you can't write a check, you're still in large measure unbanked."

FirstView has incorporated fraud prevention controls into the system. If Espree checks are invalid, checks are not bounced (a time-consuming and costly process accompanied by inherent delays), the checks are simply rejected at that time.

Another control happens on the payee end. Payees can dial into the IVR system, enter the authorization code on the check and FirstView plays back the payee's name – via the digitally saved waveform audio format files – to verify checks were supposed to be written to them.

A balanced view

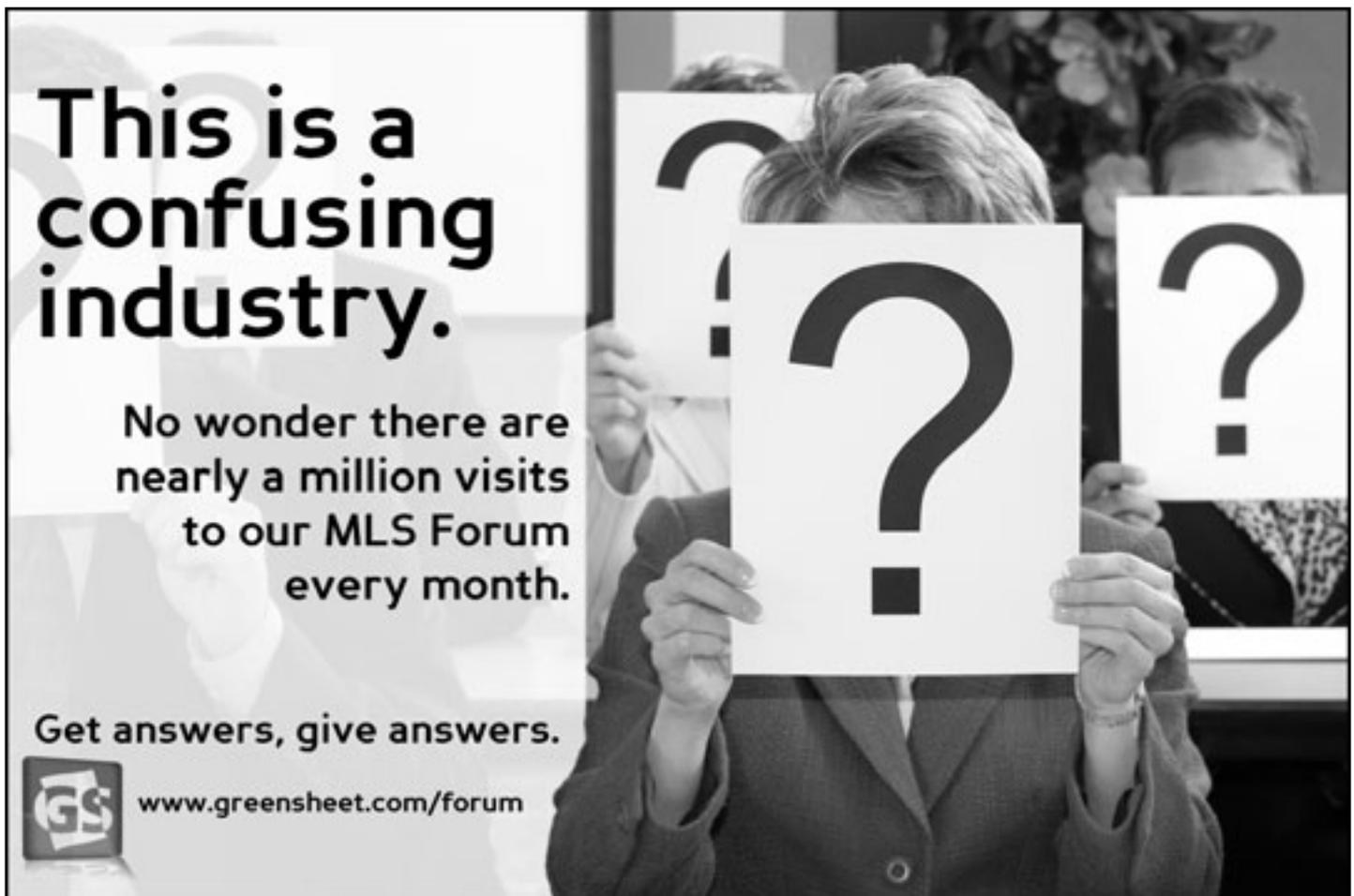
Fuzzell considers Espree checks a value added service that

"rounds out" the Espree card program. It's less expensive and more convenient than money orders – Espree users don't have to journey to money order businesses or pay the often exorbitant fees, she noted. In addition to being an Espree card issuer, Atlanta-based FirstView is a third-party processor and ISO (sponsored by Metabank).

In that capacity, FirstView offers a bill payment processing system called FirstPoynt. It is an online payment engine utilizing the automated clearing house to serve the needs of small to mid-sized businesses.

"It allows billers to take payments online or over the IVR, or through a customer service rep," Fuzzell said. "And it allows those billing customers to make payments with credit cards, debit cards, e-checks. We are certified – or in the process of certifying – to most of the major processors." Global Payments Inc., TSYS Acquiring Solutions and Chase Paymentech LLC top that list.

Founded in 2005 by Chairman Joseph Meyer, FirstView is looking to expand its reseller channels to offer FirstView's products and services to more consumers and merchants. Interested ISOs and merchant level salespeople can contact Al Williams, Executive Vice President of Sales and Marketing, at 404-806-7244, ext. 111 or via e-mail at awilliams@fvfn.com. 



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Online shoppers stay the course

According to market research firm comScore Inc., online consumer spending patterns for the 2008 holiday shopping season exceeded industry projections. The year's transaction volumes kept pace with 2007 and soundly beat spending figures for 2006. The company said Web surfers cut back somewhat with online spending this year. But retailers reported \$25.5 billion in holiday sales, down only 3 percent from 2007.

This is the first time online spending during the November and December holiday shopping season has fallen since the reporting firm began tracking e-commerce sales in 2001.

EBay Inc. led Internet retailers in consumer traffic, garnering 85.4 million visitors during the first three weeks of December. And Amazon.com Inc., in its fourteenth year of operation, noted that the 2008 holiday season was the best ever for the company. Amazon sites generated 76.2 million visitors, up 7 percent from the previous year. On Dec. 15, over 6.3 million items were ordered via Amazon.com worldwide, a record-breaking 72.9 purchases per second.

Cash-based coming on strong

Also, the credit crunch caused a shift to cash-based consumer payments. Javelin Research estimates that in the next five years online credit card purchases will decrease nearly 20 percent. However, the study, entitled Online Retail Payments Forecast, projects that other online payment methods, including retailers' private-label, closed loop cards, as well as prepaid cards, will see 23 percent and 42 percent annual volume increases, respectively.

"While overall total retail sales are down in the 5.5 percent to 8 percent range for November and December, there were quite a few signs of relative strength," said Michael McNamara, Vice President of Research and Analysis for macro-economic reporting firm SpendingPulse. "However, e-commerce sales remain comparatively healthy, and the grocery, merchandise and restaurant sectors helped to keep total declines in the single digit range for all commerce." ■

Morgan Stanley sues Discover

Wall Street investment firm Morgan Stanley filed a lawsuit against its former subsidiary, Discover Financial Services, accusing the card brand of not honoring its original agreement from Discover's June 2007 spinoff. The agree-

ment specified the proceeds Discover would pay Morgan Stanley once the antitrust lawsuit Discover filed against Visa Inc. and MasterCard Worldwide in 2004 had been resolved.

On Oct. 27, 2008, Discover settled its lawsuit – which alleged the two biggest card brands barred their member banks from issuing Discover cards – for a reported \$2.75 billion. Morgan Stanley is suing Discover to hand over in excess of \$1.2 billion from that settlement.

But Discover contends Morgan Stanley undermined its antitrust case and violated the terms of the spinoff agreement. Therefore, Discover balked at paying its former parent company that settlement money. Now, both companies are digging in to fight over the spoils.

Behind closed doors

When Discover spun off from Morgan Stanley in 2007, the two entities signed an agreement governing the manner in which the antitrust case was to be pursued and how the proceeds of the litigation were to be shared.

Discover agreed to pay Morgan Stanley the first \$700 million it received and half of any proceeds above \$1.5 billion, but the total was not to exceed \$1.5 billion.

As part of the spinoff agreement, Discover was given sole negotiating power with the card brands in the antitrust case and could accept or reject any deal Visa and MasterCard threw its way. The negotiations between Discover and the card brands dragged on into 2008, and the two sides were set for an October trial.

But on Oct. 13, the day before the trial was to begin, Discover claimed that it learned Morgan Stanley was secretly negotiating with the card brands to settle the case, which violated the spinoff agreement.

Discover was seeking more than \$6 billion in its antitrust lawsuit. But when it found out Morgan Stanley had allegedly gone behind its back to the card brands and potentially compromised information Discover felt was critical to its success at the trial, Discover believed it was compelled to settle the case for much less than it would have received if Morgan Stanley had not interfered.

Discover said the company was afraid of risking a trial without knowing whether privileged and confidential information had been disclosed to its opponents, permanently damaging Discover's ability to get a fair trial.

Out in the open

Morgan Stanley claims Discover knew the investment firm had been speaking with Visa and MasterCard. But when Discover settled the antitrust case, Morgan Stanley said it potentially lost billions that could have been won had the trial been successfully litigated in Discover's favor.

Discover said this statement is false and has countersued Morgan Stanley, claiming that since the firm wouldn't receive any monies over \$1.5 billion in the spinoff agreement, it had no interest in seeing the case go to trial. But, legal analysts believe, Discover may need to explain why it chose to settle rather than go to trial despite the alleged illegal arbitration by Morgan Stanley.

The discovery process of the litigation between Discover and Morgan Stanley has yet to begin, and if both companies are unable to reach an agreement, it will likely go to trial in 2009.

Discover and Morgan Stanley officials could not be reached for comment at press time. ☒

TARP eases AmEx woes

American Express Co., the fourth-largest card issuer in the United States, said the U.S. Department of the Treasury gave preliminary approval for the company to participate in the Troubled Asset Relief Program (TARP). AmEx reported it will receive \$3.39 billion from the financial institution

rescue fund to ensure the card brand's survival.

In exchange for the funds, AmEx agreed to issue and sell to the Treasury Department preferred stock worth approximately \$3.39 billion and warrants for common stock worth up to 15 percent of that amount. The preferred shares will pay dividends at a rate of 5 percent annually for the first five years and thereafter 9 percent annually.

When the U.S. Federal Reserve approved AmEx's application to become a commercial bank in November 2008, the company gained access to a portion of TARP. Previously, the company would package securities backed by consumer loans and sell them to raise capital.

TARP was originally conceived to purchase mortgage-backed securities and other investments that became nearly impossible to sell in the wake of the housing market meltdown. These assets poisoned balance sheets, leading to massive write-offs that resulted in the collapse or near collapse of some of the country's biggest financial institutions.

Financial services firms have faced dwindling funding options as the credit crisis has mushroomed in recent months. AmEx said it sought funding from the govern-

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ment to replace operating capital it could no longer raise in the securities market. The securitization market, which AmEx exploited to raise operating capital, all but evaporated when investors avoided purchasing the company's stock.

Efforts to stabilize

Becoming a bank holding company allowed AmEx to apply for an array of government funding and lending programs. Regulators said they approved AmEx's application for TARP funds because of the "unusual and exigent circumstances" roiling the financial markets.

"The ability to avail themselves of government funding takes the dire scenarios off the table," said Richard Shane, Analyst for San Francisco-based consulting firm Jefferies & Co. "The company was staring at \$24 billion of debt maturing over the next 12 months. While they may have been able to pay that off, gaining access to TARP funds removes any concerns about financial insolvency.

"In the long term, the increased regulatory oversight banks face, and the higher capital levels they have to maintain, may require American Express to scale back its lending, thereby reducing profit. This means potentially lower leverage going forward, as well as potentially diminished returns."

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AmEx officials said the company was hit hard by mounting credit losses which, in turn, forced the company to cut nearly 10 percent (7,000 jobs) of its global workforce in October 2008 after profits fell 24 percent in the third quarter of 2008. Credit losses rose 50 percent in the same period.

"We are in a significant financial crisis," said Marshall Front, Chairman of Front Barnett Associates, a Chicago law firm. "The Treasury and the Fed are making up a game plan on the fly and they are trying to strengthen many financial institutions in order to get them through this period." ■

Is TALF on target?

U.S. Treasury Secretary Henry Paulson introduced the Term Asset-Backed Securities Loan Facility (TALF) in November 2008 as part of the ongoing U.S. effort to stabilize global financial systems and boost confidence among lenders. The move came in response to significant declines in the asset-backed securities (ABS) market, especially in the credit card sector.

Intended to jumpstart lending among consumers and small businesses by making funds available through ABS, TALF was funded with \$200 billion to open up lending in nonrecourse loans (loans secured through collateral, typically real estate) through the New York Federal Reserve Bank. The U.S. Department of the Treasury is also backing the loans with \$20 billion in cash in the form of credit protections to the NYFRB.

However, according to new research from TowerGroup, the size and design of TALF will prevent it from becoming a long-term answer to a possible freeze of U.S. consumer credit markets.

"The reason is that its size is fairly modest in terms of what they're trying to accomplish," said Dennis Moroney, TowerGroup's Research Director, Bank Cards. "However, in fairness to Paulson, TALF will eventually be expanded into other loan types. The distinction here is that they need to get investors back into the market, and they're trying to come up with creative ways to do that. So, they're modestly sticking their toes in the water to avoid bigger problems later on."

U.S. credit card issuers rely on ABS to fund as much as half of their lines of credit. Between 1991 and 2002, the number of cards, transaction volume and receivables increased more than 10 percent annually.

Cutting off air

But lending institutions have tightened lines of credit, which dropped from a \$86 billion total in the first quarter 2007 to \$56 billion in the second quarter 2008, meaning

\$30 billion less was available for consumer lending. This has led to lower transaction volumes and smaller ticket sizes in the payments sphere.

Additionally, proposed changes by the Federal Reserve Board, the Congress and the Financial Accounting Standards Board could inhibit pricing flexibility, reconfigure consumer credit risk profiles and repatriate billions of dollars of credit card debt back to the card issuer's balance sheets. This could effectively alter the credit granting process and the amount of lending capital available.

"The lenders have to make loans; they have to have a market to sell or securitize loans," said Bobbie Britting, Research Director, Consumer Lending Practice at TowerGroup.

"If financial institutions can't securitize their portfolios, they have no money to make loans, and card usage is adversely impacted."

TowerGroup believes these changes will adversely affect credit card issuers' profitability by reducing interest and penalty fees, which generate approximately 80 percent of total credit card income. "I'm not saying that the banks are without sin – some of their tactics are borderline aggressive, but this is something that happened over time when people went to other forms of borrowing on credit, like home equity loans," Moroney said.

"Credit card companies needed a way to come up with the difference in the earnings they weren't getting from customers who stopped revolving their balances. So, they came up with these punitive fees, and now people are crying financial stress."

Moroney believes real stimulation entails providing people with additional cash flow so they have money to spend. "But unless the government can improve confidence in the market, both lenders and consumers are going to basically have a circle the wagons mentality," he said. "Lending and spending will plummet. TALF could help secure those assets, yes, but until you can bolster confidence in the marketplace, it doesn't matter how well-intentioned you are." ■

RBS staves off hackers

RBS WorldPay, the U.S. payment processing division of The Royal Bank of Scotland Group, reported on Dec. 23, 2008, that its computer system had been improperly accessed by hackers and that the personal, financial information of approximately 1.5 million cardholders may have been affected; of this group, 1.1 million "may have had their Social Security numbers improperly accessed as well," according to an RBS press release.

However, only 100 consumer cards had been fraudulently used before RBS discovered its system had been hacked on Nov. 10, 2008. The company told InternetNews.com that compromised prepaid gift cards still on retailer shelves have been removed and destroyed. Consumers who currently own RBS prepaid cards can continue using them.

But Graham Cluley, senior technology consultant for anti-virus vendor Sophos PLC, suggested the delay in the announcement is suspicious, given that the attack happened more than a month prior to the press release. "I'm sure that, if my confidential information had been compromised, I would want to know about it as soon as possible," Cluley said.

"And I can't help but think that making a public statement just before the holidays might fulfill regulatory requirements, but the fact that they buried the news from reporters and released the information around the holidays tells me they would rather go unnoticed."

Remedial action

RBS notified law enforcement and federal regulators shortly thereafter and immediately took steps to mitigate risks of further thefts. RBS WorldPay's internal security staff and outside security experts are investigating the

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situation with federal and state authorities.

"Privacy is important to RBS WorldPay, and we regret any inconvenience this may cause affected individuals," said Ben Barone, President and Chief Executive Officer of RBS WorldPay.

"We have taken important and immediate steps to mitigate risk, and none of the affected cardholders will be responsible for unauthorized activity on their account resulting from this situation.

"We are working closely with leading computer security firms to further safeguard our system and with law enforcement agencies to assist them in seeing these criminals brought to justice." RBS WorldPay have notified affected individuals by letter and have offered a free one-year credit monitoring subscription with all three major credit reporting agencies.

Victims will not be held financially liable for the fraudulent withdrawals, a company spokesman said. PIN numbers for all PIN-enabled cards have been reset in order to prevent any future misuse. Assistance information for affected individuals is posted on RBS WorldPay's Web site, www.rbsworldpay.us. 

Shift4 podcast available

Shift4 Corp., a supplier of secure payment processing services, now offers the podcast "Trying to protect payment data when you can't even find it all." Produced in partnership with StorefrontBacktalk, an online resource focused on retail technology and e-commerce, the podcast is available at www.shift4.com.

The resource is intended to help merchants simplify Payment Card Industry (PCI) Data Security Standard (DSS) compliance and achieve total security for their payment systems. The podcast captures a conversation between David Taylor, founder of the PCI Knowledge Base and former Security Analyst with Gartner Inc., and J.D. Oder, Shift4's founder and Chief Technology Officer. They discuss card information replacement technologies (CIRT) and how retailers can effectively evaluate alternative payment security solutions. The podcast also covers how information technology departments can regain control of their most sensitive data.

Oder noted that if people don't possess sensitive data, it



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"The less storage you put in the hands of individual employees, the less likely they are to be able to put data in a whole bunch of places, whether it's USB [universal serial bus] sticks on their PCs or in e-mail addresses sitting on their servers."

- David Taylor, founder of the PCI Knowledge Base

can't be stolen from them. "I think the key here is to look at this as a very corporate-wide systemic approach and look at all of the data that you're storing, including payment data," he said.

"The less storage you put in the hands of individual employees, the less likely they are to be able to put data in a whole bunch of places, whether it's USB [universal serial bus] sticks on their PCs or in e-mail addresses sitting on their servers," Taylor said.

Keep it secret, keep it safe

Cardholder storage and security is a top priority of financial institutions. And lost cardholder information is a nightmare for payment professionals. According to Oder, sound in-house company security policies need constant review and revision. "You can strictly enforce things, but it's a moot point if the employee does everything right and the company infrastructure fails," Oder said. "The

challenge we run into is that policy is simply words. But it's the actions and ability to stay focused on a day-to-day basis that keeps card data in control. Breaches happen when mistakes are made, but simplifying PCI means having the right technology in place."

Taylor believes one of the ways to do this is to move back to business architecture that entails centralized computing and virtual terminal devices. The less storage you put in the hands of individual employees, the less likely they are able to put data helter-skelter in data storage systems.

Taylor noted that it will be "incredibly expensive" to make the necessary changes. "What we really need to do is look at how we reduce the volume of data that is all over the place," he said. "Finding it and purging is a necessary thing. To avoid a regression, we have to greatly confine the sensitive cardholder data we have to as few locations as possible once we find it." ■

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██████ New moves from page 1

According to Jesse Torres, board member at The Center for Financial Executive Education, social networking users are no longer predominantly Gen Y; it is a heterogeneous group that is becoming increasingly more diverse. "Social network marketing is about creating and nurturing conversations with [merchants] in order to determine how to best serve their needs while developing trust and respect," Torres said.

However, payment professionals caution that this type of marketing, while successful in reaching new prospects, takes patience and consistency.

Virtual pied piper

"A lot of merchants are just looking for someone to follow, they're looking for a leader to give them guidance," said Paul Lonsford, MLS for Texas-based First Data Independent Sales. "With social networking, you can actually do that with your client base, but it takes time to build a following.

"Once you get it, though, you've created a strong client base with an immense sense of loyalty. And I love that I can use a vehicle like Twitter to update them on the industry or related payment processing information. I don't have a huge following yet, but I keep sending out information, and it continues to help grow my business." In the past four years, Lonsford has consistently been in the top 10 sales offices for FDIS.

Brian Crozier, co-founder of alternative payment solutions provider UseMyBank Services Inc., believes social networking Web sites are here to stay. "I tell you one little trick I've learned," Crozier said. "Google has a service you can subscribe to for free called Google News Alerts. They keep you up to date on what is going on in the industry, what you are interested in. Any time the key words I submit come up in articles, I'm notified right away by e-mail. I also get links to sites and merchants I never would have found otherwise. It's amazing how many merchants you can find that you never knew existed."

Michael Pratt, Chief Marketing Officer for Panini North America Inc., said social networking is vital if companies plan to appeal to customer segments that are either businesses interacting in a consumer capacity or consumer markets themselves. "If you look at things like Facebook, MySpace or Twitter, they are very real in terms of their dynamic growth and as ways for people to change the way they interact with each other," Pratt said. "Online networking has become small bits of digestible, rapid-fire news in real time. That said, laying the groundwork and participating in these forums is a slower way to gain advocacy, but I believe it will produce longer-term benefits as we move forward."

Power in the people

Regardless of technological evolution, sales and market-

ing at its core will always be about people. For smaller ISOs whose businesses are regional, personal attention and consistent contact with merchants still remain the foundation of their marketing and sales efforts.

Neal Tichelkamp, President and CEO of Ladera Business Solutions in Jefferson City, Mo., said community involvement is the key to his company's success. The reason, he believes, is that his merchants see Ladera's sales agents and management team as personally invested in their own success. "We're a very regionalized sales office, so we get involved with our local businesses, schools, hospitals, the Special Olympics, food banks," Tichelkamp said. "We also do volunteer work as much as we can because we feel like that does a few things.

"One, it gets the Ladera name out there and builds confidence in it. Two, it's good for the people you are helping. And third, it's tremendously good for our employees because it gets them involved, puts a friendly face to a name, and builds camaraderie. We've gotten some of our best merchant and partner relationships from this – and it's brought us a lot of additional revenue as a result."

Face time

Lonsford recalled that when he was new in sales, he was taught to sell an "ancient" way. In his opinion, the process of cold calling, getting appointments and making presentations was "worn out and tired." He found the best inspiration to generate leads was to try something different, to "go with my gut and against traditional sales models."

Lonsford became a student of direct response marketing. "I do a lot of Internet marketing, and I wanted to do something out of the ordinary," Lonsford said. "I looked for ways to find lots of people and best leverage my time. How can I cover more territory in less time? So I started doing video marketing.

"It's getting great response. The Web stream is cool because it lets people see who I am. I'm no longer just a Web page; I'm a person. Now when prospects talk to you they've got a face to attach to the voice on the phone. They feel like they already know me prior to that first communication. By marketing with the video, the presentation is perfected and I don't have to repeat myself a hundred times.

"It's like anything new, though. You've got to build the buzz first, make what you do memorable to merchants. I think virtual direct response is a growing segment. Additionally, you can put some pretty amazing video out there for less than \$500 in equipment. And, hey, we're a two-man office and still doing 100 to 150 accounts a month, in no small part because of the video."

Simple and cost-effective

Social networking, video streams and community volunteering: These are all compelling ways to market your

Old school but not old hat

You're a brand new MLS about to sign your first merchant. You've had all the training, you're up on all the latest security and governmental requirements; your motivation to succeed is enviable.

However, in your presentation to your first prospective client, your focus on pricing and the complicated explanations of your products fail to gain the prospect's interest or win the account.

ISOs and MLSs need to be creative and stay up on the latest innovations to stand out. But some of the best techniques and strategies in use today are tried and true methods that have helped MLSs

sign merchants for years. Here are some old-school tips from industry veterans:

- When you are out selling, make return on investment for products and services a top priority.
- Develop relationships with merchants incrementally; introduce new products and services gradually over time as your clients' businesses grow.
- Get away from competing on basis points alone.
- Provide merchants with easy-to-understand contracts, terminal downloads and staff training instructions.
- Be able to facilitate payments securely and reliably.

- Don't focus solely on price.
- Provide personal attention and support to your merchants; it will never go out of style. Many believe fewer clients and more personal attention lead to higher revenue streams and greater merchant retention.
- Contact your clients on a consistent, regular basis; don't wait for something to go wrong.
- Find the key contact in a company ahead of time. Don't make repeated presentations to gatekeepers or executives not authorized to make purchasing decisions.
- Join a payments industry association; attend conferences; attend local networking groups to hone your sales and marketing skills. 

company and its products and services. But what if you are just beginning to build a portfolio, and you have neither the financial resources nor the manpower to implement these marketing tools?

"If you're a start up or a newbie and you're going to stay in the payments industry, it is well worth the time and money to join a payments association," Crozier said. "Attend conferences, be part of the whole atmosphere. We were fortunate enough to join NACHA a few years ago. Through them, we've been able to meet people who have helped us do a tremendous amount of business."

Security compliance rules keep increasing; consequently, some ISOs and MLSs are using this issue as a means for getting merchants' attention. "We started looking in places for merchants and for leads that we never looked in before, like PCI [Payment Card Industry] compliance," Tichelkamp said. "We've been using the self-assessment questionnaire as a lead in to sell equipment. It's worked very well for us."

Scott Henry, Director of North American Product Marketing for VeriFone, believes companies need to consider the benefits of selling security solutions. "I think the feet on the street and the ISOs can really step up in their organizations by taking it upon themselves to use these offerings as a stage to gain a wider audience," Henry said. "Proper staff education regarding all compliance issues and regulations is key as well," he added. "Merchants are looking for knowledge experts; they can't take these issues upon themselves, so obviously there is potential to gain significant additional market share. It's a market ISOs and MLSs need to keep a keen eye on."

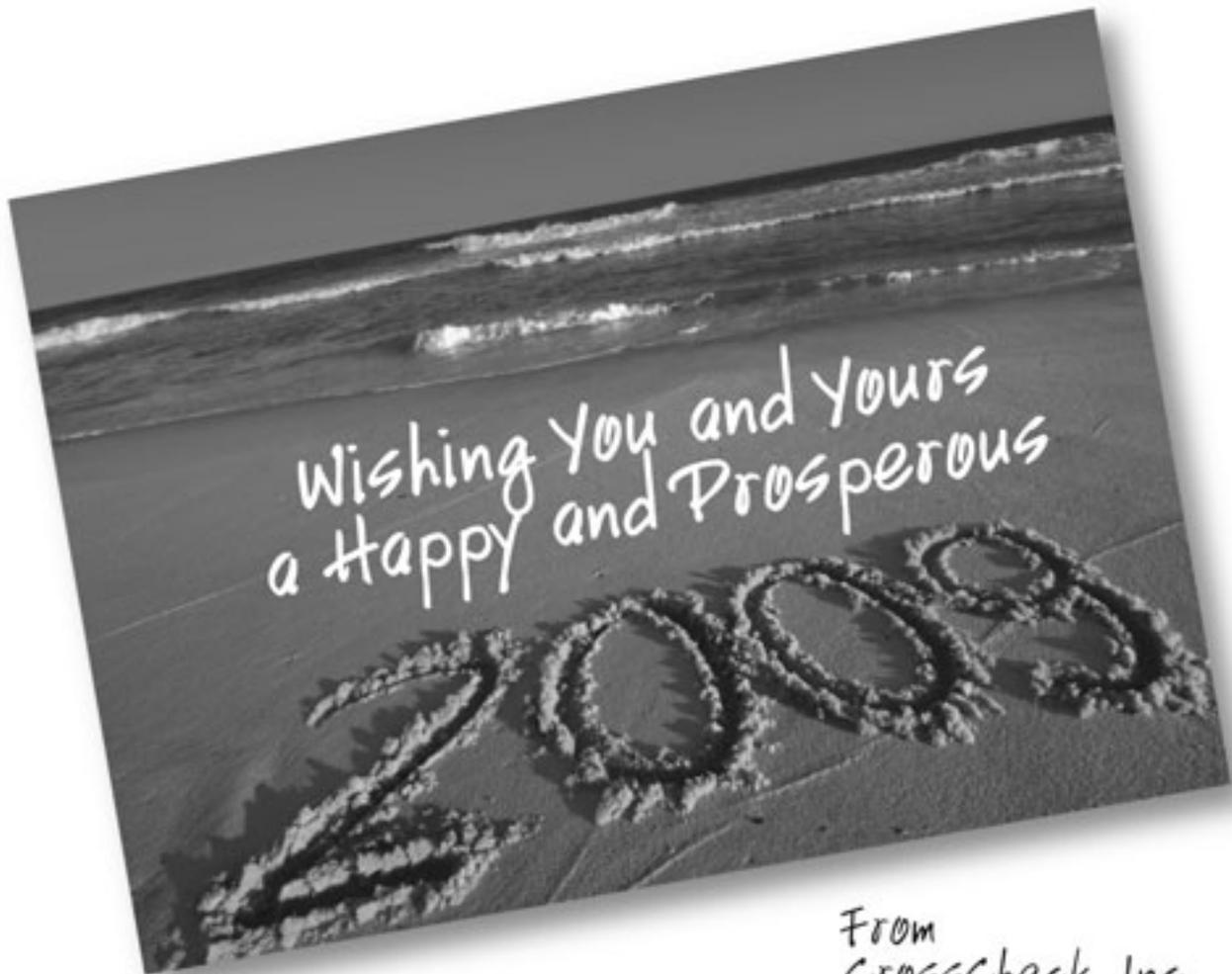
Who's got the remote?

Using unique sales and marketing methods is crucial to continued portfolio growth in today's world. However, value added services are becoming as important, if not more so, in the opinion of some industry veterans. One such value add is now five years old, but a number of payment experts believe it is poised to break out in 2009. For many, remote deposit capture (RDC) is an enticing offering. Smaller merchants and professional businesses "represent a huge opportunity for vendors in the check imaging market, especially through ISO reseller channels" said David Foss, General Manager of Jack Henry and Associates Inc.'s ProfitStars unit.

Foss said there are millions of microbusinesses (companies that process three to five checks per day) ripe for check imaging services and flatbed scanners that require no updated software and are perfect for small businesses as part of their multifunction payment processing. According to Pratt, more than 20 million businesses in the United States have annual revenues of less than \$1 million, but only about 500,000 of those have RDC.

Sales opportunities exist with professional offices – legal, dental, medical, nonprofit organizations, municipalities, business-to-business (B2B) transactions – still locked into traditional billing with receivables taking up to 120 days for payment. And RDC specialists are confident about the technology's future incorporation into small and mid-sized businesses.

"We remain very bullish on the outlook for the RDC market," Pratt said. "I think there are compelling benefits to small businesses that they readily recognize in terms of



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No sunset on this horizon

In an effort to market check processing to a wider audience, NetDeposit Inc. developed a comprehensive RDC payment offering that processes checks, electronic funds transfers, debit and credit transactions.

"We are beginning to package specific products to medical offices, for example, that provide them real benefits beyond RDC, like creating recurring payments or reconciling their claims," said Danne Buchanan, Chief Executive Officer of NetDeposit Inc. "What we have seen in the marketplace are very siloed offerings, with ISOs focusing on one or two verticals and limited payment types.

"We've been working with ISOs to take a much broader approach to payments with additional delivery mechanisms – check electronication, ACH [automated clearing house], Web and mobile transactions – and move into areas they haven't focused on in the past.

"With the B2B market and, to a certain degree, the business to customer space over the Internet, we believe ISOs could do very well here and greatly expand their footprint."

Click-and-mortar opportunity

Merchants and consumers alike are always searching for faster, easier and more efficient ways to process payment transactions. In addition to RDC and other emerging value adds such as mobile banking, gift cards, loyalty programs and prepaid, e-commerce is, according to Victor Newsom, Senior Vice President of Operations for prepaid debit processor eCommLink Inc., an untapped mine of revenue generation.

"With the amount of concern and uncertainty in the marketplace, we have an opportunity here to change paradigms and behaviors as a result of environmental conditions that are disrupting normal, comfortable patterns of consumer purchasing behavior," Newsom said. "Internet retailing is vital for merchants to offset unpredictable walk-in traffic."

The U.S. Census Bureau reported e-commerce sales for the third quarter of 2008 nationally accounted for only 3.1 percent of all retail sales. Creative ISOs and MLSs who are willing to introduce e-commerce to the 96.9 percent of the brick-and-mortar market that hasn't embraced it yet could enjoy substantial revenue as a result.

Prepaid panacea

ECommLink's CEO T. Jack Williams said the payments space, from a sales perspective, is entering an age of

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specialization. As an e-commerce-only payment firm, eCommLink is marketing its prepaid products more aggressively this year as credit lines tighten. "I think now is a great time for the acquiring side to offer more value than they ever have with prepaid services in a market gaining increased attention and acceptance," he said.

"We market prepaid debit products aggressively to the underbanked and the teen market – which I think is going to be huge – but we also can now pursue the more mainstream consumers impacted by the credit crunch. I think the acquiring side needs to look at delivering new, incremental revenue generating programs in the prepaid and e-commerce debit space. To me, that's the Holy Grail of payments," Williams added.

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Consumers are looking for the same payment options on the Internet as they have in the physical brick and mortar world. "Merchants are way more receptive now to understanding that if they have more payment options that are secured and certified, they're going to have more people to do business with, and that's going to positively affect their bottom line," Crozier said. "Alternative payment companies have a tremendous opportunity here to gain traction with merchants in this type of economy and with the continuing expansion of Internet space."

Give 'em the goods

Jared Isaacman, CEO of United Bank Card Inc., which processes for 1,500 ISOs, believes state-of-the-art products and services ultimately take precedence over marketing tactics. "We're like a general practitioner at UBC," Isaacman said. "We have a monster ISO network, and every one of them has their own sales techniques."

"Our responsibility comes down to delivering quality products and services that are true market differentiators. Sales people need something unique, and if you have products and services that make sense, then any one of a number of marketing and sales techniques is going to be successful. And with the combination of reliable equipment, first class customer service and personal relationships, you have the best remedy against attrition."

Drexler believes merchants consider payment processing to be a necessary evil. Given that, she never tries to sell a product or service that a merchant is not ready for. "When you consider that these small and mid-size retailers and restaurateurs are struggling to keep their own businesses afloat in this tough economy, the biggest favor we can do for our merchants – and ourselves – is to continue to do whatever it takes to help them accept all types of payments from all customers, simply, seamlessly and at a fair price," Drexler said. ☐



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Education

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Become an enterprising networker

By Jason Felts

Advanced Merchant Services Inc.

Do you become anxious at the mention of networking at business functions? If you answered yes, you are not alone. Some sales professionals excel at networking. Others get a bit uncomfortable when it's time to strike up conversations with strangers at business mixers, so they struggle to achieve the number of leads or contacts they desire.

Many others question whether they are using their networking time to maximum effect.

No matter what your situation is, an enterprising spirit can take your networking to new heights.

An enterprising person is one who comes across a pile of scrap metal and sees the makings of a wonderful sculpture. He or she drives through a decrepit part of town and envisions a new housing development. An enterprising person sees opportunity in all areas of life.

To be enterprising is to keep your eyes open and your mind active wherever you are – including networking events. It's to be skilled, confident, creative and disciplined enough to seize opportunities – regardless of the economy or any anxiety you may feel.

A person with an enterprising attitude believes it makes sense to conduct research, be resourceful and do everything possible to prepare for the great future to come. And then take action.

Good doesn't cut it

Often, sales managers encourage their sales teams to attend chamber of commerce meetings, Rotary clubs, BNI groups and other networking opportunities. However, very rarely do they provide the tools needed to excel in these environments. This article should help fill the gap

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and build your confidence for the next time you walk into a networking opportunity.

Networking doesn't have to be traumatic, scary or a waste of time. When done properly, it can truly make a difference in the amount of business your company generates. With the right approach, you can use it to build a wealth of resources and contacts that will help make your business very successful.

Networking is a form of relationship building. As businesses employ new technologies and grow in different avenues, you, as payment professionals, are challenged to be increasingly creative.

You need to find unique ways of connecting with potential prospects, customers and clients. You should also find witty ways of connecting with business counterparts and learn how to make a great first impression.

Being good in your profession or industry is not good enough. As a professional, you should strive to be excellent in your profession and approach networking as a business art to be mastered.

But how can you be memorable when meeting others at networking events? How can you find the best ways to build significant relationships for business and

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When meeting people, always remember to look them in the eyes, and greet them with a firm handshake. Leave the dead fish on the beach, never in your handshake.

social success? How can you use your unique personality and skill set to brand yourself?

Take 12 easy steps

While I always extol the benefits of volunteering to speak at events whenever possible, this article is for traditional networking activities at mixers. Following are 12 tips you can use to expand your network and have fun while making the most of your time.

1. Ensure the right first impression. Dress to impress. In many networking environments corporate-branded attire works perfectly, while at others, a professional suit might be more appropriate. Either way, make sure you look sharp. And when meeting people, always remember to look them in the eyes, and greet them with a firm handshake. Leave the dead fish on the beach, never in your handshake.

2. Use the proper networking tools. These include a name badge, informative business cards, small brochures or flyers about your business, and a small calendar or personal digital assistant so you can schedule appointments. Always, always exchange business cards.

3. Set an attainable goal for the number of people you'll meet. Identify a reachable goal based on the nature of the event and the number of attendees. If you feel inspired, set a goal to meet 15 to 20 people. Make sure you get a card for everyone you meet, and don't leave until you've met your goal.

4. Become a host, not a guest. A host is expected to assist others; a guest sits back and relaxes. Volunteer to help greet or serve people. If you notice visitors sitting alone, introduce yourself and ask if they would like to meet others. Act as a conduit. The more you assist others, the more you get your own name out there.

5. Share a clean, funny joke. A great way to break the ice and have fun is to tell a good joke. You can share an interesting experience that is clean, uncontroversial and not invasive of anyone's privacy. Always make sure jokes are tasteful and have good punch lines. They should be inoffensive, lighthearted, uncomplicated, witty and clever.

It is simple to create jokes – even from experiences that aren't particularly funny. But it will probably take practice. Review all your jokes with family and friends before debuting them at networking events.

6. Give referrals whenever possible. The best networkers believe in a "givers gain" philosophy: If I help you, you'll help me and we'll both do better as a result. This means if you don't genuinely attempt to help the people you meet, you



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When you meet someone interesting with whom you'd like to speak further, set up an appointment for a later date.

are not networking effectively. If you can't give people bona fide referrals, offer information that might be of interest to them (such as details about an upcoming event).

7. Listen, and ask great questions. Remember, a good networker has two ears and one mouth and uses them proportionately. After you've learned what another person does, tell your new acquaintance what you do. Be

specific but brief. Don't assume the person knows about your business.

8. Manage your time efficiently. If your goal is to meet a given number of people, be careful not to spend too much time with any one person. Spend 10 minutes or less with each person you meet, and don't linger with friends or associates. When you meet someone interesting with whom you'd like to speak further, set up an appointment for a later date.

9. Write notes on the backs of business cards. Record anything you think may be useful in remembering each person you meet. This will come in handy when you follow up on each contact.

10. Share a funny story. Stories are great ways to encourage conversation and questions on the personal and social side. They should relate to business or the subject of the conversation you're having at the moment. You can discuss your family, friends, co-workers or colleagues. Each story should include a lesson learned.

Before each event you attend, evaluate the stories you might like to tell. Practice your stories; make them concise and meaningful. Your business counterparts will remember both your tales and the quality of your delivery.

11. Ask for appointments; don't try to close. Networking events are not meant to be vehicles for closing deals or hitting on business people to buy your services on the spot. Networking is about developing relationships with other professionals.



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Meeting people at events should be the beginning of the sales process, not the end.

At the same time, there's nothing wrong with asking for an appointment. Have your calendar ready, and schedule appointments at mixers you attend. Leave the selling for subsequent appointments. This practice will help ensure your success.

12. Follow up. You can obey the previous 11 suggestions religiously, but if you don't follow up effectively, you will have wasted your time. When you return to your office from an event, drop a card or note, telephone, or send an e-mail to each person you met. And be sure to fulfill any promises you made.

Keep in mind that enterprising people always see the future in the present. They always find a way to take advantage of a situation, not be burdened by it. And enterprising people aren't lazy.

They don't wait for opportunities to come to them, they go after opportunities. Enterprise means always finding a way to keep yourself actively working toward your ambition.

Also, you need creativity to see what's out there and to shape it to your advantage. You need creativity to look at the world in a new way, to take a different approach – to actually be different.

Hand-in-hand with creativity goes courage. You must have courage to act on your creativity, courage to stand alone if you have to and courage to choose activity over inactivity.

And finally, being enterprising doesn't just relate to making money. It also means feeling good enough about yourself to seek advantages and opportunities that will make a difference in your future. By doing so, you will increase your confidence, your courage, your creativity and your self-worth – your enterprising nature.

So, make it a goal in 2009 to become a consummate networker with an enterprising spirit. 📧

Jason A. Felts is the founder, President and Chief Executive Officer of Florida-based Advanced Merchant Services Inc., a registered ISO/MSP with HSBC Bank. From its onset, AMS has placed top priority on supporting and servicing its sales partners. The company launched ISOPro Motion, its private-label training program, to provide state-of-the-art sales tools and actively promote the success and long-term development of its partners. For more information, visit www.amspartner.com, call 888-355-VISA (8472), ext. 211, or e-mail Felts at jasonf@gotoams.com.

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Education (continued)

The new age in customer retention

By Christian Murray

Global eTelecom Inc.

How many times did you check in with your merchants last year to ask how things were going? When did you last send an e-mail or call just to check in with your customers? How often did you introduce additional products or services after a sale?

Do you know how many times in 2008 competitors contacted your merchants and pitched value added solutions?

Not all merchants jump ship based on lower rates or free terminal programs. Many evaluate their processors based on how well their accounts are serviced and whether the processor offers useful solutions to streamline business and generate additional revenue.

Merchant stickiness depends on the quality of the relationships ISOs and merchant level salespeople (MLSs) build with their merchant customers. It depends on the perceived value ISOs and MLSs bring to the table. This can be true even with price-conscious merchants.

Many things contribute to account longevity, including robust product offerings. But it takes dedication and focus from ISOs and MLSs to help merchants' businesses grow over time.

Unattractive rates, poor service or lack of value added offerings can cause headaches for ISOs. It's difficult to fix such problem areas or reprogram MLSs to focus on value added products if ISOs don't see their value to merchants.

Not having a well-rounded marketing campaign or cross-selling initiative designed to keep merchants sticky can ultimately weaken portfolios and frustrate MLSs selling value added solutions.

Ongoing management

Many companies in the payments industry are not effectively managing retention and driving proactive initiatives. Unfortunately, good inbound customer service alone does not secure long-term success.

Evaluating and tracking portfolio attrition should be standard operating procedure. Some of the data may show how well merchants are sticking with you. Other data might surprise and frighten you.

If evaluating and tracking the merchants in your portfolio has not been important to you, now is the time to make it a priority.

Keeping in touch, servicing accounts proactively and consistently contacting merchants can become difficult as your portfolio grows. The larger the operation, the more difficult having such a focus is likely to be. Also, MLSs are often trained to "turn and burn" to meet their sales quotas.

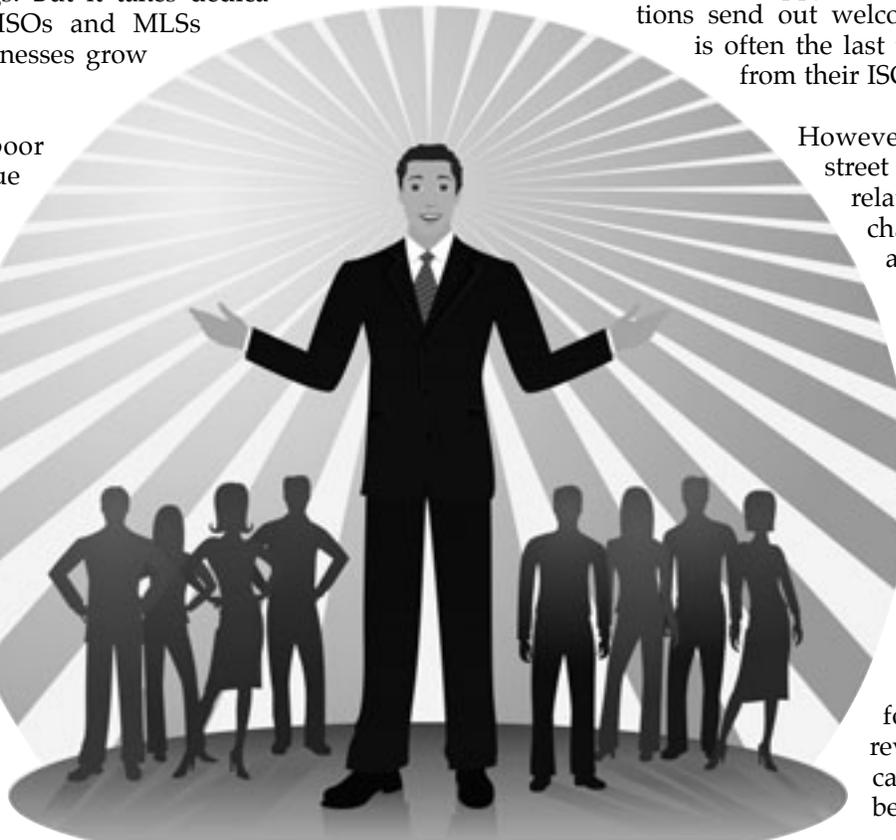
Focus on building strong relationships and servicing accounts – this is what ultimately prevents attrition.

No neglect

It is recommended that MLSs visit or contact each new merchant client shortly after the sale to help install equipment, verify things are up and running and ascertain that the merchant is happy. Sometimes larger operations send out welcome kits. Sadly, that is often the last time merchants hear from their ISOs.

However, the feet on the street typically have closer relationships with merchants and can manage follow-up directly. Often, it takes repeated visits to earn merchants' trust and loyalty.

Ongoing contact with merchants after a sale is critical to portfolio retention. Tailor your sales efforts to meet your customers' needs by introducing solutions that focus on increased revenue streams. Bank card processing may be the main thrust on



the initial sale, but regular follow-up opens the door to merchant acceptance of additional services.

Merchants feel abandoned without consistent contact from their service providers. If you don't keep in touch, you could lose your merchants to more organized providers.

Smart selling

Creating a standard outline with steps for selling new services and building and maintaining client relationships is not realistic for most.

The dynamics can change based on individual merchant needs and circumstances. Also, ingrained sales techniques and closing styles can't just be tossed aside and replaced with new ways of selling and servicing merchants.

New hires learning the business may have a better chance of adapting and implementing techniques that can ultimately promote merchant longevity.

Evaluating the variety of merchants in a portfolio and then assigning the right MLS to build solid relationships with them can be a good formula.

For example, if you have an MLS who is experienced in selling to restaurants, provide the MLS an arsenal of value added products for that vertical. That MLS can then sell or offer the following solutions:

- Third-party direct mail services
- Newsletter software
- Mobile phone marketing
- Banners and signage
- Table tents and bill inserts
- Gift and loyalty cards
- Web sites and search engine optimization services
- Flyers or other printed marketing collateral
- Employee incentive programs
- Radio or newspaper advertising

Matching each MLS's individual success with various merchant types is a great way to maximize sales and help merchants get the right products. Merchant questionnaires are another effective way to collect feedback and build loyalty.

If an organization can identify the products and services a particular merchant needs, it can simultaneously decrease attrition and skyrocket sales of value added services.

Table matters

With smaller margins continuing to chip away at the profitability of accounts, having the right combination of effective marketing and solutions to offer is every ISO's

and MLS's concern. Developing a product selection that caters to the growth and increased profits of merchants is critical. If you successfully implement such a focus, you will always stand out from the competition.

For many, adapting third-party solutions into the sales mix might be a challenge. But not all value added solutions must be supported internally. Many providers can offer turnkey, branded solutions that they will help sell and support.

Forward focus

Cultivating relationships and building loyalty with merchants has many moving parts and evolves constantly based on new technology and merchant needs. Adapting revenue generating solutions for merchants helps their business grow and keeps them satisfied with you.

Changing the way we do business with our customers is a necessity in today's market. Merchants are looking for a one-stop shop and unconditional reliability from their payment providers.

However, many ISOs and MLSs resist embracing these philosophies and continue to invest their resources in gobbling up as many new merchants as possible without concern for the merchants' success.

Over time, as our industry evolves, merchants will stay with ISOs and MLSs who prove they can bring more value to the table. At the same time, these organizations can be a part of something bigger.

With a foundation of trust, loyalty and dependability, you won't have to offer free terminals or battle over a few basis points to thrive.

Barriers will come down as merchants realize the value you bring to them. True satisfaction and ensuing rewards come to ISOs and MLSs who help merchants find continued business success, not to those who simply save merchants a few bucks on processing.

Taking action now is paramount. If you plan to thrive in 2009 and in the years to come, get moving. Experience the difference you can make with this new focus. Your evolved sales approach will take time and determination; stay focused and keep your eye on the prize.

Your continued persistence will pay off – one merchant at a time. 📧

Christian Murray is the Director of Business Development for Global eTelecom Inc. He has more than 12 years' experience within the payments industry. GETI provides check processing and gift and loyalty solutions. For more information, visit www.check-training.com and www.giftcardtraining.com, or contact Christian directly at 877-454-3835 or cmurray@globaletelecom.com.

Education (continued)

Rising above recession: 10 tips

By Curt Hensley

CSH Consulting

One of the things I love about the merchant services industry is its entrepreneurial nature. Bright leaders come up with new ideas and venture out on their own to make them work. But in today's financial climate, it's easy for even the best company owners and their management teams to be fearful about the future.

This article offers 10 strategies for thriving amid turbulent economic times. One of the best ways I've found to implement these strategies and stay on course is to hire a coach who is well-versed in transformational leadership.

Our company has been using Dr. Cleve Stevens from Owl Sight Intentions for some time; his coaching keeps us focused on our responsibility to make a difference with our employees and within the payments community.

1. Lessen the focus on yourself; concentrate on helping others. Volunteer at a homeless shelter or children's hospital on the weekend, and you realize how great your life really is.

Focus on helping your employees and coworkers hone their skills. Contributing to others' welfare lessens anxiety about your own life. You become a source of confidence for everyone around you, and your team becomes poised for success.

2. Refuse to buy into the recessionary mindset. It's impossible to turn on the news and not hear something about the gloomy economic forecast: foreclosures, layoffs, bailouts and corporations collapsing everywhere you turn.

We've all heard of companies that clean house during the down times. But those who are innovative and aggressive and refuse to play the "recession" game will have the opportunity to do something special.

3. Focus on relationships; forget about your commodity. Given current economic trends, people are frightened about the viability of their commodities – the products and services they offer. Instead, focus on increasing the depth and power of your relationships.

How much better would things be if you took your relationships with family, friends, coworkers,

employees, suppliers, clients, and prospects to a deeper and more personal level? You can exponentially increase your earning potential by focusing on these relationships.

4. Set out to create value; don't worry about the sale. Does anyone really like to be sold? When economic times are tight, we hate being sold even more. In these times, people want value creation and solutions that help them improve their circumstances. The payments industry is full of value that can help people during a recession. Focus on value creation, and sales will naturally follow.

5. Be the leader; refuse to beat yourself up. When economic conditions change drastically, it's easy to criticize yourself if your company is not performing the way it did in previous years. But this behavior can be devastating for production. A major key to success is to be gentle with yourself, give yourself credit for your victories and enjoy the ride along the way.

A true leader will stand up during economic hardships and say, "You don't have the luxury of beating yourself up because too many people rely on you being on your game." An attitude like this is infectious and will lead to many successes.

6. Focus on today; stop worrying about the future. The future only exists as an idea; it's really an abstraction. You are creating your future through what you accomplish and create each day. Focus on what you can achieve during each 24-hour period rather than think about what you need to accomplish over the next quarter or year.

If you get the most out of each day, you'll be creating a future you can be very happy with.

7. Forget the past; focus on current opportunities. It's easy to get lost thinking about how things used to be – what your house and stock portfolio used to be worth, or what heights your business reached in the past. A better strategy is to start using new ideas, new tools, new energies and new resources to create a fresh beginning.

Don't define yourself by external circumstances. Instead, define yourself by your dreams, ideals, values and operating principles. Opportunities will come to you quickly in a changing economy, so don't become mired in the past. If you are ready when opportunities arise, you can achieve far more than you ever did previously.

8. Focus on your responses instead of events. When the economy is rolling and business is booming,



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Education

Complaining attracts negative thoughts, negative actions and negative people. Opportunities will pass by those who are too busy drowning in negativity to see them.

many people think they are actually in control of the events around them.

However, this can lead to feelings of defeat and depression when things turn out poorly. People begin to think they have lost their ability to create desired outcomes.

The most consistently successful people understand they can't control circumstances in the larger environment. And they continually work toward greater control over their creative responses to changing economics.

With these turbulent times – in which things are so uncertain day to day – comes a perfect opportunity to focus all of your attention and energy on being creatively responsive to unpredictable events that may come your way.

9. Focus on what is available; forget about what is missing. In times when the economy goes south, many desirable resources are eliminated. Resources like information, knowledge, tools, systems, personnel and capabilities can all be cut. For some companies, these missing components are paralyzing, and their ability to make decisions or take action is crippled.

A successful strategy here would be to use every readily available resource to its full potential. Focus on achieving small results and positive daily progress. As these small daily victories mount and become bigger wins, your confidence to do more with less will grow rapidly.

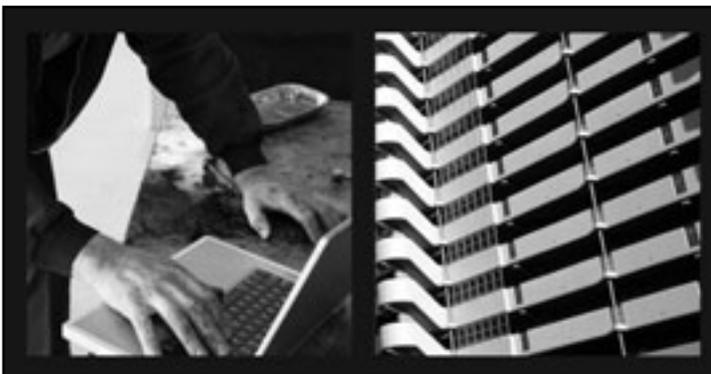
10. Focus on gratitude; leave the complaining to others. When the chips are down and times get tough, each of us has a decision to make – you can complain about the situation or simply be grateful for what you have. Gratitude is the best way to ground yourself in the reality that life is good and that you – and your company – will prevail.

Complaining attracts negative thoughts, negative actions and negative people. Opportunities will pass by those who are too busy drowning in negativity to see them. Gratitude creates an opportunity for the very best thoughts, actions and outcomes. It is one of the keys to happiness.

As a recruiting firm serving this industry, we are fortunate enough to see the companies that practice these strategies and aren't paralyzed by fear of what might happen. Several companies are aggressively moving forward and taking advantage of new resources that this economy provides.

By following these basic time-tested methods, you can assure your success in good times and bad. You can also have a positive effect on all those around you and create the energy necessary to turn things in a positive direction, even in this recession. 📧

Curt Hensley is the founder, Chief Executive Officer and President of CSH Consulting, a recruiting firm exclusively focused on the payments industry. He and his leadership team have over 50 years of combined experience recruiting in the merchant acquiring arena. They have placed over 1,200 payments industry professionals since their inception eight years ago. Contact Curt at 480-315-8800 or curth@cshconsulting.com.



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Education (continued)

PCI, an aspect of PII

By Ross Federgreen, CSRSI

Ken Musante, Humboldt Merchant Services

Theodore Svoronos, Group ISO

The Payment Card Industry (PCI) Data Security Standard (DSS) falls under the broader topic of personally identifiable information (PII). The theft of PII is commonly known as identity theft.

Identity theft issues are broad and far reaching; they are consuming greater corporate resources, both nationally and internationally. The consequences of handling PII in a manner inconsistent with prevailing laws can be severe, regardless of whether the noncompliance was due to accident, incompetence, compromised internal staff or lack of knowledge regarding applicable regulations.

Fraud resulting from identity theft is now a \$50 billion-per-year crime, and growing. According to the Federal Trade Commission, it is the most common complaint the agency receives from consumers.

In 2006, the Identity Theft Data Clearinghouse, a national database established to assist law enforcement investigations, received 674,354 complaints forwarded by the FTC, the Internet Crime and Complaint Center and other organizations; 246,035 of those (36 percent) pertained to identity theft.

Each year the number of agencies involved and laws enacted regarding PII at federal and state levels increases. Also, many laws in effect in international venues parallel or exceed rules in place in the United States. Rules and regulations governing PCI are implemented country by country.

PII can bite your customers

PII covers a growing list of data elements that can be tied to or represent a given individual. Illegal or negligent use of these elements can cause individuals to be harmed. PII includes:

- Social Security numbers
- Date of birth
- State identification numbers
- Credit card numbers
- Debit card numbers
- Driver's license numbers
- Bank routing and transit numbers
- Account numbers
- Any other assigned number that can be used to cause an individual harm

PII is often used to open bank accounts as well as merchant accounts. In most instances, a combination of data elements is required for a compromise to occur.

Many of the items listed under the umbrella of PII are regulated both by civil and criminal laws; they carry penalties on federal and state levels. As of this writing, 48 states regulate the use, storage, transmission and disposal of various elements of PII – including credit card information. The federal government has adopted, or is considering, a number of rules and regulations regarding actions associated with PII. The most specific edict to date is the 2008 FTC consent decree released in the Life Is Good Inc. case.

The FTC charged that LIG "failed to provide reasonable and appropriate security for the sensitive consumer information stored on its network," even though the company stated on its Web site that such information "is kept in a secure file."

The consent decree is broad. In nine specific orders, it covers all aspects of LIG's data protection policies, procedures and ethics. One order requires the company to obtain an independent, third-party auditor to review and assess its security measures every other year for the *next 20 years*.

Already, at least 13 federal laws and regulations either directly or tangentially affect PII. Some examples are the:

- Federal Trade Commission Act
- Gramm-Leach-Bliley Act
- USA Patriot Act
- Health Insurance Portability and Accountability Act
- Fair Credit Reporting Act
- Fair and Accurate Credit Transactions Act (including Red Flag rules)
- Veterans Identity and Credit Security Act

And during the 110th U.S. Congress, Senate committees favorably reported out three data security bills that include information security and data breach notification requirements. Other data security bills were also introduced in the House of Representatives and the Senate.

It's bigger than PCI

The PCI DSS, the Payment Application DSS and the PCI PIN Entry Device Standard are designed to protect primary account numbers and their related sensitive data – in other words, credit and debit card numbers – from illegal or unauthorized use.

These industry best-practice-driven recommendations and mandates are closely tied to the current, pending and proposed directives of various federal and state entities. In fact, many distinct principals of these rules and regulations can be traced back to historical legislation in this field.

As in all situations, state and federal laws and regulations trump regulations and mandates of the PCI Security Standards Council. And in the absence of a comprehensive federal data breach notification law, many states have

enacted laws mandating consumer notification regarding security breaches of personal data.

As of January 2008, 39 states had enacted data security laws *requiring* entities to notify persons affected by security breaches and, in some cases, to implement information security programs to protect the security, confidentiality and integrity of data. One example is the California Financial Privacy Information Act, which dictates that, in the event of a breach, the impacted company must publicly disclose said breach.

Additionally, six states (California, Connecticut, Illinois, Massachusetts, Minnesota, and Texas) have introduced bills designed to strengthen merchant security and hold companies liable for third-party companies' costs arising from data breaches.

As a result, public disclosures have heightened interest in the following:

- Security of sensitive personal information
- Security of computer systems
- Applicability of existing federal laws to the protection of sensitive personal information
- The business and regulation of data brokers
- Liability of retailers, credit card issuers, payment

processors, banks and furnishers of credit reports for costs arising from data breaches

- Criminal liability of persons responsible for unauthorized access to computer systems
- Remedies available to individuals whose personal information was accessed without authorization
- Adequacy of tools available to law enforcement officials and federal regulators
- Prosecution of identity theft crimes related to data breaches

What does it all mean for you, as ISOs and merchant level salespeople? Failure to ensure your merchants are PCI compliant will open you up to greater and greater liability from multiple sources, both civil and criminal. 📄

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Education (continued)

PCI: What to hope for in 2009

By Tim Cranny

Panoptic Security Inc.

The end of the old year and the start of the new is a good time to step back and review where the Payment Card Industry (PCI) Data Security Standard (DSS) compliance program has taken us – to look at what has gone right, what has gone wrong, and what ISOs, merchants, and the rest of the payment card industry can hope for in 2009.

The PCI DSS was expanded and refined in 2008, and this was generally done in a careful, effective way. The year saw a modest revision of the standard, as well as escalating compliance demands on payment applications. And it was the start of the long, demanding process of bringing smaller merchants into compliance.

It also saw steady, although not spectacular, improvement in the compliance and validation success rates for merchants across the board. All of this is real progress and directly serves the ultimate goal of PCI: to protect cardholders, their privacy and their transactions.

However, not everything is ideal with PCI, and it's far from guaranteed that the problems that do exist are just the growing pains of a still-young standard. The more pessimistic analysis, and probably the more realistic, is that the active involvement of the PCI Security Standards Council (SSC) and payment brands will be necessary to make sure the PCI achieves its longterm goals.

PCI compliance will be a big issue for ISOs in 2009. Understanding problems associated with compliance and knowing what to worry about (and what not to worry about) will make the year ahead safer, simpler and more rewarding.

PCI issues can be divided into two basic categories: real challenges and artificial challenges. As we'll see, too many ISOs are being distracted by artificial challenges, most of which are really little more than counter-productive vendor fights.

Real challenges

These are the almost-silent problems faced by individual merchants trying to grapple with PCI. For larger (level 1) merchants, compliance is just a chore: The company is large enough and sophisticated enough to meet the challenge with either in-house expertise or consultants.

But for smaller merchants the administrative, technical and security demands of PCI compliance are always going to be daunting.

After assisting thousands of merchants with their PCI validation and compliance efforts, it is clear to Panoptic Security that many smaller merchants are having several different types of problems with PCI.

Remember that PCI has two types of demands:

- Validation, which is PCI-speak for merchants' ability to *show*, via standard documents or tests, that they are meeting PCI requirements.
- Compliance, which means meeting all of the requirements laid out in the PCI DSS.

It has been obvious for a long time that compliance places a heavy burden on merchants: The standard is both broad and deep, and many merchants are going to find it a drawn-out, difficult process to make the required hardware, software and procedural changes needed to get into compliance. But above and beyond that, all too many merchants are struggling even with the simpler mechanics of validation.

For example, at Panoptic Security, we were surprised how much attention was needed to walk merchants through the process of identifying which Self-Assessment Questionnaire (SAQ) was applicable.

Our statistics show that when exposed to the standard raw wording of the SAQ, many merchants (one in eight) will incorrectly self-identify as a service provider, dropping them into the longest, most complicated SAQ (version D).

When we followed up with such merchants, many of them said that since they did, in fact, provide services to their customers, they had answered the question that way without seeking further clarification.

It is clear that many of these merchants were incorrectly classifying themselves, because with comprehensive real-time assistance, the number of merchants identified as service providers dropped significantly.

This example emphasizes an ongoing challenge of PCI compliance. Simplification is needed, but simplifying the process by adding clarifications, alternatives, and flexibility can actually make things more complicated and time-intensive. In the latest version of the SAQs released in late 2008, the expanded handling of "not applicable" options has almost doubled the page count of SAQ A – from eight to 15 pages.

Artificial challenges

Real issues relate to how merchants assess and improve their security to better protect cardholders. Unfortunately, a lot of confusion and wasted effort is coming from vendors trying to influence industry trends in their favor.

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Education

A critical factor in the PCI's long-term health will be its willingness to limit the extent of this spin. This will help merchants, ISOs and acquirers focus on the real goal of protecting cardholder data.

A critical factor in the PCI's long-term health will be its willingness to limit the extent of this spin. This will help merchants, ISOs and acquirers focus on the real goal of protecting cardholder data.

One example of this spin relates to the first generation of security vendors for PCI, the Qualified Security Assessors (QSAs), who are essentially consultants servicing the large merchants first targeted by PCI.

The QSA business model is fundamentally inappropriate for dealing with the millions of smaller merchants now being targeted for PCI validation and compliance.

But some members of the QSA community are pushing their services with the line "only a QSA can help small merchants with their Self-Assessment Questionnaire." That is obviously incorrect, given the meaning of the word self-assessment, but ISOs must cut

through the hype to see what solutions and strategies are best for them and their merchants.

A more dangerous distortion that has been around for a while comes from a few payment application vendors promising that they make PCI "go away" with the purchase of their solution. It's true that the right payment application (properly installed and maintained) can greatly simplify a merchant's PCI burden, but that's a very different thing from avoiding PCI altogether.

Again, ISOs who uncritically accept these types of statements may find that they've made the wrong partnership deal and may still have portfolio risks they thought had gone away.

Looking ahead

ISOs, merchants, and everyone else in the payments industry will have an easier 2009 if the PCI SSC and the payment brands:

- Continue their strategy of incremental rollout and expansion of PCI, with all players given adequate warning of deadlines and changes to requirements.
- Keep explicit focus on the ultimate goal of PCI (protecting cardholders) and prevent the formalities and process of PCI from becoming goals in themselves. Becoming "internally focused" like this is a common failing for compliance regimes, and it is now becoming a threat to PCI success.
- Provide even more education and message clarity to ISOs and merchants about the PCI DSS. Doing so will help ISOs make informed decisions about PCI and give them the chance to find the right solutions and partners for their particular circumstances and portfolios.

ISOs that concentrate on the real challenges of PCI compliance and avoid wasting resources on artificial challenges can make 2009 a year in which PCI actively helps them so they can end the year with safer merchants and stronger businesses. 

Dr. Tim Cranny is an internationally recognized security and compliance expert and is Chief Executive Officer of Panoptic Security Inc. (www.panopticsecurity.com). He speaks and writes frequently for the national and international press on compliance and technology issues. Contact him at tim.cranny@panopticsecurity.com or 801-599-3454.

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CYNERGY DATA

Education (continued)

Weathering the coming payment storms

By Jeff Fortney

Clearent LLC

Once upon a time, weather forecasting was an art. The weatherperson would check wind directions, see storms over the horizon and predict rain. But, more often than not, their predictions were wrong. Weather was fickle. Whatever the forecast, it was always wise to take an umbrella just in case.

Today, weather forecasting is a science. Computer models, pressure patterns, satellite imagery and advanced radar provide fairly accurate forecasts.

For professionals in the payments industry, predicting the future used to be similar to the early weathercaster – it was an art, and often wrong. The industry was in a constant state of evolution and moving too quickly for anyone to predict what would happen next.

Although this evolution continues, using industry experience, history and current market conditions, it is possible for experts to forecast several "storm clouds" for 2009. You may have heard of these coming storms, but are you aware of the significant impact they could have on your career?

PCI DSS

The Payment Card Industry (PCI) Data Security Standard (DSS) is an often discussed industry topic; for merchant level salespeople (MLSs) it may also be the most misunderstood. Confusion frequently centers on ISOs adding fees to merchants or to MLSs, calling them "PCI compliance" fees.

In 2009, expect PCI conversations to grow louder as ISOs begin realizing the size and scope of potential losses due to cardholder data theft. Greater emphasis will be placed by card networks on prevention and accountability. This will put strains on many ISOs, strains they aren't prepared to handle.

This goes beyond just the potential of losing merchants. Although ISOs may not hold merchant liability, they face monetary risk. If ISOs do not have plans for managing PCI (beyond small actions like buying insurance), and a data compromise occurs, the fines may be too great for ISOs to handle.

MLSs should question their ISOs about their PCI plans. MLSs must insist that ISOs have education plans designed to inform and educate merchants and sales forces.

If they don't, MLSs should find other partners because

ISOs who devise and execute the best plans for managing PCI issues will be best positioned to weather the PCI storm.

Merchant attrition

Attrition happens all the time. In 2009, however, attrition pressure will come from different sources than in past years.

Merchants of all sizes will be affected by current economic pressures. Many may shut their doors for good. A small percentage of desperate merchants may look for other means to keep in business, including perpetrating card fraud themselves.

Back-end processors recognize that the potential for fraud increases in a tough economy. Therefore, merchant transactions are analyzed more carefully – resulting in more transactions being held for further research. In most cases, these transactions are released, but merchant funds are subsequently delayed.

These delays may not have been noticed during good times. But when money is tight, merchants are more sensitive to having deposits delayed. When merchants aren't prepared for it, or don't understand the reasons behind it, acrimony may ensue, which could result in merchants switching to the competition.

However, ISOs can help prevent this attrition with ongoing merchant education programs that emphasize what is being done to protect merchants from risk and fraud. ISOs should also ask their processors to inform them when transactions are being held so ISOs can communicate more effectively with merchants about delayed deposits.

The important thing is to be proactive and reach out to impacted merchants before they reach out to the competition.

Clawbacks

Many MLSs participate in bonus programs that pay percentages of merchants' past three month's average volume. At a specifically designated time (usually 12 months after merchant account activation), the volume processed over the past year is averaged.

If volume decreases more than a small percentage, ISOs have the right to "claw back" the difference between what was originally paid to MLSs and what the bonus amount should have been based on the true volume average.

In previous years, that volume normally didn't drop

precipitously over that 12 month period. In fact, the processing volume increased in many cases.

However, in 2009 there is a strong likelihood that the average volume will be much lower than at a similar time in 2008. This will result in bonus adjustments, and either direct debits from MLSs' accounts or the withholding of residuals to cover the difference.

Don't look to ISOs to forego their option to pull back the money. With the increasing revenue pressures many ISOs are now feeling, this is one contractual element they won't be waiving or ignoring.

If you received bonuses for "conversions" or for "existing merchant applications," you are at risk. Like the tornado that suddenly appears, the damage to MLSs caused by clawbacks can be significant. They may find their accounts depleted, suffer overdraft expenses or lose residuals completely.

Nothing can be done to prevent clawbacks. However, MLSs can reconsider their revenue strategies to avoid these situations completely. It may be necessary to find new ISOs that are structured to pay more over longer terms (through residuals or with different bonus structures) and not through bonuses that can be here today and taken back tomorrow.

Dress for the weather

With these storms on the horizon, it's prudent for MLSs to take stock of current contracts with ISO partners. Are you and they truly partners or are you being exploited as sales sources? Is the revenue pressure too great for your ISOs to survive?

It will take true partnerships to survive the first two storms and a change in mindset to recover from the last one. Even if ISOs seem strong, there will be failures in 2009. Size will not matter. Just because certain ISOs are large doesn't mean they are immune to financial turmoil.

Ask existing and potential partners questions. Review what they offer you; find out whether they use future income to pay current residuals. This will alert you to areas of potential concern.

Don't get caught in bad weather unprepared. A little preparation – and a good umbrella – may prove the difference in making it successfully to 2010. ☒

Jeff Fortney is Director of Business Development with Clearent LLC. He has more than 12 years' experience in the payments industry. Contact him at jeff@clearent.com or 972-618-7340.

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Check fraud, a money maker

The proliferation of inexpensive hardware and software fueled a new type of check fraud. With scant technological knowledge, thieves began printing checks and cashing them with ease. In response, sales of check guarantee services rose; merchants were willing to pay up to 15 percent of check transaction volume for the service.

ACH happenings

First of Omaha Merchant Processing (now First National Merchant Solutions) sent one of the first cross-border automated clearing house transfers to Insight Direct Inc. in Canada via VisaNet's ACH Cross-Border service. Meanwhile, CrossCheck Inc. planned to facilitate payments to its expanding Canadian base through the CrossCheck Cross-Border service.

Smart card interest grows

Despite a lackluster smart card trial launch in New York, the Smart Card Forum (now Smart Card Alliance) welcomed seven new corporate members, bringing total membership up to about 200. First Data Corp. was among the newbies.

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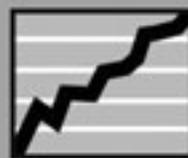
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NewProducts

Seek profitable harbor with POS

Product: Harbortouch POS Systems

Company: United Bank Card Inc.

Maintain merchant stickiness; that's the mantra for 2009. The way to do that is by offering merchants value added services. Gift and loyalty card programs, cash advance and back-office products and services are some of the ways ISOs and merchant level salespeople (MLSs) can keep their merchant customers from being snared by competing service providers.

But New Jersey-based ISO United Bank Card Inc. has gone a step farther in its merchant retention strategy by developing its own full-blown POS system. Harbortouch POS is designed for small and medium-sized businesses in the retail and hospitality verticals.

The system – which comes in two configurations (one for

retail, the other for hospitality) – reportedly offers smaller merchants the same degree of functionality that big-box retailers and national chain store restaurants, hotels and motels enjoy with their POS systems.

Jim Surber, Vice President of UBC's POS division, illustrated the value of Harbortouch with a recent discussion he had with one of UBC's MLSs about a Harbortouch installation.

"That salesperson was out talking to one of his merchants," Surber said. "And the merchant said, 'You know, after a month I had \$10,000 more in my pocket. After the second month I had another \$8,400 in my pocket. This system is making me money.'"

Retail

Surber said that in the retail environment, Harbortouch excels at inventory management. "Not only having the right amount of inventory in stock, but having the right items," he noted. "You can have the right dollar amount of inventory but all the wrong items and you won't sell anything."

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NewProducts

Surber offered the example of a liquor store merchant on the Fourth of July to illustrate his point. Knowing a large quantity of beer will be sold that holiday weekend, the merchant orders 20 extra cases from two competing labels. All of the beer from brand one sells out, while 10 cases from brand two remain on the shelf at the end of the weekend.

"If I would have known that, then I would have put 30 cases of brand one and 10 cases of brand two on the shelf," Surber said. "I would have sold more and I wouldn't have my money tied up in stuff that I hadn't sold."

To alleviate that pain point, Harbortouch allows merchants to rank the popularity of their goods and adjust their inventory accordingly.

Hospitality

For small restaurants and bed-and-breakfasts, Harbortouch reduces shrinkage and table turn, Surber said. In the hospitality world, shrinkage refers to when a server or chef gets an order wrong and a diner receives the wrong meal; the order must be corrected. Essentially,



Harbortouch POS System

the diner gets a free meal and the restaurant eats the cost, which reduces the amount of revenue received from that table. Surber said Harbortouch helps eliminate such errors because orders are keyed directly into the touch screen.

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Table turn pertains to how efficiently a restaurant manages its dining capacity on a daily and monthly basis. "The ability to turn your tables one more time in a month, two more times in a month, it's a huge amount of money," Surber said.

A restaurant with 20 tables that averages \$100 per table can earn an additional \$2,000 per month just by increasing the table turn by one revolution. But businesses fail to do that because of inefficiencies in communication between servers and food preparers. Orders can be incorrect or hard to read, resulting in unnecessary delays.

Wasted time means meals don't get prepared as quickly and tables are not turned over as quickly. This results in lost revenue. But Harbortouch "walks [servers] right through the process of placing the order so they don't get it wrong," Surber said. "It's right when it gets back to the kitchen."

ROI

According to Surber, hundreds of Harbortouch systems have been installed to date. Merchants who have gotten by with just card swipers and PCs are getting set up with them by their ISOs and MLSs. Merchants are also switching from competing systems to Harbortouch.

Surber related one instance where a merchant would have had to spend \$6,000 to achieve Payment Card Industry Data Security Compliancy on a competing POS system. "And they put a Harbortouch in for less than that," Surber said. "They got a brand new system that costs them less than to upgrade an older system."

UBC supplies its ISOs and MLSs with the tools to sell the system – from brochures to return on investment (ROI) models to online demonstrations of the Harbortouch's capabilities.

Set-up times vary according to type of business. Surber said installation is quicker for general retail environments than for hospitality. UBC must build databases for hospitality businesses.

But once the system is up and running, businesses can expect to see a quick ROI. Thus, Surber believes the inherent value proposition of Harbortouch makes it an easy sell. "And in many cases it sells itself," Surber said. 

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Securing data on the edge

Product: Cipher Security Module

Company: Semtek Corp.

The edge of POS systems has become the place where card data security begins. The edge is considered the most efficient and practical location where data should be encrypted.

Semtek Corp. considers its award-winning Cipher Security Module an "edge" device because it secures cardholder data directly at the point of swipe.

It is designed to provide advanced security at the precise point in the payment network where card data enters the system – at the edge of the network.

The module is designed to replace the security features on conventional mag stripe readers. It can be integrated into new card swipers or retrofitted as a plug-and-play device on existing terminals.

Semtek said the module is compatible with every terminal deployed in the last 10 years. Its form factor is not radically different than conventional mag stripe readers, which enables it to fit into many new and installed payment terminals.

Edge inside

The firmware that powers the module is based on the application-specific integrated circuit (ASIC). Within the ASIC design is a set of security applications that transforms the module into a powerful computing platform; the applications make up the Cipher Applications Suite, and include powerful tools for data encryption, card authentication, and real-time security reporting, Semtek noted.

The module itself is a federal innovation processing standard-architected design, providing physical security to the same standard usually found in much larger, network-based hardware security modules (HSM). Therefore, Semtek refers to the module as a "mini HSM."

"Our cipher technology provides an end-to-end security solution that is, we believe, the most efficient and powerful means of securing card data available in the world today," said Patrick Hazel, Chief Executive Officer at Semtek. ☐

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Year's end is neither an end nor a beginning but a going on, with all the wisdom that experience can instill in us.

- Hal Borland

Beyond resolutions

The month of January is loaded with expectations for many people. It is supposed to represent new beginnings, the turning over of a new leaf. You start that new diet with the goal of losing 10 pounds; you give up smoking and join a health club; you vow to donate more time to charity; you focus fervently on finding that one true love.

In short, when Jan. 1 rolls around, it is the start of your new and better life. But by the end of January, what will have changed? Will you see the results in your new and improved body, lifestyle, behavior or love life?

For many, the answer is no. And the reason is that if you wait for transformation to kick in on that magical Jan. 1, you're probably not really serious about changing your life.

What about the woman who vows to give up her drinking habit on Jan. 1, but then gets hammered in a bar with her buddies on Dec. 31 as the ball drops in Times Square?

Or consider the man who promises to cut back on spending come January, knowing full well he is overspending on presents in December. How committed do you think they are to their goals?

Like many people who put off changing destructive behavior until some arbitrary future date, they are probably just fooling themselves.

New Years Resolution

- ✓ Make more money
- ✓ More customer service
- ✓ Offer more value added services
- ✓ Find new referrals
- ✓ Become more Eco-friendly

Making sense of change

Changing behavior is a lifelong process, not a game that begins on a certain day and time. And the process begins with understanding not only *what* you want to change in your life but also *why* you want to change it.

Do you think losing a few pounds will make you more attractive to the opposite sex, which in turn will lead you to finding your soul mate with whom you will live happily ever after? Or do you want to lose weight to be healthier and live longer?

It has been scientifically proven that overweight people who lose pounds by adopting healthy diet and exercise regimens do live longer.

But it has not been proven that losing weight will lead to everlasting love and happiness.

The former is a realistic goal; with patience and perseverance, it can be met. But the latter is a fan-

Inspiration

tasy that can quickly lead to disillusionment and abandonment of improved behavior when the desired outcome is not realized. So, the first step to lasting change is to reflect honestly on your desires and determine what is drawing you toward particular outcomes.

This will enable you to differentiate between goals that are based on wishful thinking and those that are sensible. Once you have identified realistic goals that are backed by sincere motivations, you can take action.

One step at a time

People who consistently attain their goals recommend breaking each goal

into small, sequential steps that will each lead toward attainment of the larger goal.

For instance, you cannot increase your bottom line by \$1,000 per month overnight. You have to devote time and effort to identifying and carrying out certain basic steps. These will differ depending upon each person's unique circumstances.

Perhaps you need to devote an extra hour each work day to phoning merchants in your portfolio and offering them value added services.

Or maybe you need to stop letting warm lead information pile up on your desk and follow up on each lead immediately by sending an e-mail and then phoning to set up an in-person visit.

Perhaps you need to break into a new geographic area or pursue an emerging vertical market to forge a path to your financial goal.

The important thing is to define your path and stay the course, making refinements as necessary along the way as you learn what works best.

It is one thing to vow to change your ways; it is quite another to actually follow through. If you're not serious about making changes, New Year's resolutions are a waste of time – promises that are never kept.

And broken promises – the ones you make to yourself as well as to others – can be more damaging than making no promises at all.

But promises you keep are blessings indeed that will pay dividends – personally and professionally – for years to come.

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Paul H. Green, President and CEO

Trade Association News

Mt. Snow clear for summit

The Northeast Acquirers Association will hold its 11th annual Winter Seminar at the Grand Summit Hotel, Mountain Road, Mt. Snow, Vt., from Jan. 27 to 29, 2009. Topics for this year's event include packaging products versus selling value adds; the power of perseverance; the effect of bank closures on portfolio values; updates on American Express Co. and Discover Financial Services; and legislation affecting the industry.

Speakers will include Jason Felts, Advanced Merchants Services Inc.; Donna Embry, Payment Alliance International; Ken Musante, Humboldt Merchant Services LP; and Jill Miller, Payments Attorney.

"What we're trying to accomplish is to bring the latest information geared towards anyone in the payments industry on the acquiring side," said Jacques Breton, Corporate Recruiter for CoCard Corp. and the Summit's Event Coordinator. "The NEAA is looking forward to setting the tone for 2009 on a positive note. Everyone is hearing how abysmal the economy is. We want to take a different twist to say that's it's not all that it seems to be."

Breton said the NEAA expects approximately 75 to 78 vendors and about 60 attendees; it was important to keep the numbers down and create a more intimate feel, making the event a bit more prestigious this year. He noted that vendor registration is nearly full.

The sign-up fee is waived for payment professionals who register before Jan. 19, 2009. Consultants and marketing experts are charged a nominal fee of \$150. However, once at the site, everything, except the hotel bill, is on the NEAA's tab.

"This is a destination resort, and the vendors like it because the attendees show up and they are a captive audience – there's nowhere else for them to go," Breton said. "Basically, costs to the attendees are minimal: gas to the resort and hotel expense. Quite honestly, after that, I don't think they have to take a dime out of their pocket. It will be amazing, and everything is right on the property."

For more information, visit www.northeastacquirers.com. 

Getting smart about contactless

The Electronic Transactions Association and the Smart Card Alliance have teamed up to produce four webinars intended to help payment professionals sell in vertical markets that use smart card technology.

"We have a division within the SCA called the Contactless and Mobile Payments Council, which produces reports and research on the adoption of contactless payments," said Randy Vanderhoof, Executive Director of the SCA. "We're also beginning to look into mobile payment trends as well, and we felt that ISOs, merchant level salespeople and processors were an ideal audience for us to tailor specific information for," Vanderhoof said.

Topics on target

The first webinar in September 2008 focused on smart cards in mobile payments and near field communication (NFC). The webinar discussed the function of NFC-enabled mobile devices and how mobile wallets and NFC proximity payments are emerging as a new consumer payment type.

The second webinar, shown in November, addressed the fundamentals of smart cards in the payments industry. "The technology fundamentals webinar drew a smaller audience than the first one, but that is typical of executives and sales agents who are more interested in the business applications than necessarily knowing

how the technology was developed and how it operates," Vanderhoof said.

"There was an incredibly strong interest from financial institutions and processors, and through our partnership with the ETA, we feel like we're targeting the right audience."

The third free event in the series, shown on Jan. 13, 2009, discussed best practices for contactless and mobile payment implementation. Speakers included Rori Forensic of the ETA; Brent Bowen, Inside Contactless; Dan Loomis, VeriFone; Mohammed Khan, ViVOtech; and Vanderhoof.

They shared practical, timely information required for merchants implementing these payment platforms.

The finale, "Smart cards and payment security," will air Feb. 3, 2009. Vanderhoof said both merchants and consumers still have concerns about contactless and mobile payment security. "We're going to address that issue with subject-matter experts to discuss how chip technology increases security features," he noted.

To view these webinars, visit the SCA's home page at www.smartcardalliance.org, mouse over Alliance Activities in the left-hand menu and click on Web Seminars from the cascading menu that appears. 

DateBook

Visit www.greensheet.com/gs_tradeshows_events.php for more events and a year-at-a-glance event chart.



Glenbrook Partners LLC

Payments Boot Camp

Highlights: This in-depth look at U.S. payment systems has been called comprehensive, lively and time-efficient by satisfied alumni. The curriculum focuses on current trends, issues and emerging players affecting the industry.

The two-day camp, offered in January and March 2009, is divided into three sections:

- An overview of payment system designs, functions and uses, including payment system volumes and the shifts in actual and projected payments usage. Perspectives of key payments industry constituencies will also be shared.
- A discussion of how the basic payment systems in the U.S. market work. Cards, checking, automated clearing house (ACH), cash and wire transfer will be thoroughly covered.
- An examination of emerging and evolving payment markets and infrastructures, including e-commerce, chip and contactless cards, prepaid and gift cards, international remittances, mobile banking and mobile payments, POS payments, and online bill payment.

Classes will be taught by industry veterans and Glenbrook Partners principals Carol Coye Benson and Scott Loftesness.

When: January 20 – 21, 2009

Where: TechMart Network Meeting Center, Santa Clara, Calif.

Registration: www.glenbrook.com/bootcamp-payment.html

When: March 10 – 11, 2009

Where: Mid-town Manhattan conference center of the American Management Association, New York

Registration: www.glenbrook.com/bootcamp-payment.html



Northeast Acquirers Association

2009 Winter Seminar & Outing

Highlights: This event will offer vital knowledge for those new to the payments industry and opportunities for seasoned veterans to gain further information and insights.

Slated topics include industry updates from card companies, legislation affecting the industry, the impact of bank acquisitions on portfolios and packaging products versus selling value adds.

In addition, attendees will have ample opportunities to network with their peers – while browsing the vendor fair, sipping

cocktails at the opening and closing receptions, or playing in the Texas Hold 'Em charity event. One ski lift ticket is included with registration; snowmobiling is also available.

When: Jan. 27 – 29, 2009

Where: Grand Summit Lodge, Mount Snow, Vt.

Registration: www.northeastacquirers.com/nextevent.htm



Southeast Acquirers' Association

2009 SEAA Annual Seminar

Highlights: The SEAA's annual meeting offers a congenial atmosphere in which to network with fellow attendees and vendors. Breakout sessions and panel discussions led by industry leaders will offer advice and inspiration while addressing the latest payment developments and opportunities.

Vendors will include processors, equipment manufacturers, leasing companies and other third-party vendors.

When: Feb. 23 – 25, 2009

Where: Wyndham Orlando Resort, Orlando, Fla.

Registration: www.southeastacquirers.com



Bank Administration Institute

BAI TransPay Conference & Expo

Highlights: This year's conference is designed to inspire and engage attendees with visionary keynote speakers, an expo floor packed with resources and solutions, as well as interactive sessions and preconference workshops that will offer new perspectives on payments industry opportunities.

Scheduled speakers include author Dr. James Canton, who will address trends influencing the banking industry; Ram Charam, a leadership expert who has coached successful chief executive officers at multinational corporations; McKinsey & Co.'s David Stewart, who will discuss cash as a driver of growth in electronic payments; and Susan J. Webb, Product Executive of Global Core Cash Management at JPMorgan Chase & Co.

When: Feb. 23 – 25, 2009

Where: San Diego Convention Center, San Diego

Registration: www.bai.org/transpay



Electronic Retailing Association

eRetailer Summit

Highlights: This year's summit will feature keynote presenta-

tions, solution-focused education sessions, networking opportunities and a business exposition.

Slated educational topics include the art of the sale; lifecycle e-mail marketing; extreme Web site makeover and marketing crossfire. Some segments will fulfill ERA accreditation or certification requirements.

In the extreme makeover session, experts will enhance e-commerce sites while participants watch. Marketing crossfire will pit marketing experts against marketing students in a format inspired by television game shows.

At the Direct Response Industry Experts Roundtables, participants will meet with industry experts on all facets of multichannel marketing.

When: March 1 – 3, 2009

Where: Intercontinental Hotel, Miami

Registration: www.retailing.org/Summit



Institute for International Research

Prepaid Card Expo 2009

Highlights: This expo provides a chance to network with 2,400 attendees from over 25 countries, as well as share and explore new ideas in the prepaid industry. The event will feature vertical market workshops, market focus sessions and cross-industry track sessions.

And the latest in prepaid technology, services and solutions will be displayed and demonstrated in a spacious exhibit hall.

Scheduled speakers include Ozzie Smith, former shortstop with the San Diego Padres and St. Louis Cardinals, member of the National Baseball Hall of Fame, and current broadcaster; Carol Kinsey Goman, Ph.D., author, coach and consultant; Mark W. Yusko, President and Chief Investment Officer, Morgan Creek Capital Management LLC; and Alpesh Chokshi, American Express Co.'s President, Travelers Checks and Prepaid Services.

When: March 9 – 11, 2009

Where: Orlando World Center Marriott, Orlando, Fla.

Registration:

www.iirusa.com/prepaidcardexpo/event-home.xml



Chase Paymentech LLC

MRC (Merchant Risk Council) Annual Conference

Highlights: This conference will focus on ways to make Internet shopping easier, safer and more profitable. Scheduled presenters include top multichannel and Internet merchants, credit card companies, risk management providers, law enforcement agencies and various consultants and educators.

The event will feature approximately 40 speakers and panelists. Terry Jones, founder of Travelocity.com will deliver the keynote

speech and Chris Hansen, Dateline NBC correspondent, will deliver the closing speech.

Topics planned for the 30-plus sessions include growth, diversity and risks associated with e-commerce payments; new global electronic commerce business models; and identifying current and future global cyber threats.

When: March 10 – 12, 2009

Where: Wynn Las Vegas Resort, Las Vegas

Registration: www.merchantriskcouncil.org



Electronic Transactions Association

ETA Annual Meeting & Expo

Highlights: Thousands of professionals attend this annual event, which sports a host of educational programs and an exposition hall featuring more than 180 exhibitors. It also offers a chance to network with partners, clients, vendors and peers – new and old.

General sessions, panel discussions, topical lectures and more informal gatherings feature industry veterans, as well as rising stars; they cover issues of concern to attendees, including best business practices, legislative developments and data security requirements, as well as the latest innovations in technology.

Past speakers have included Fox News Analyst Stuart Varney, CNN Host Lou Dobbs, Visa Chief Executive Officer John Philip Coghlan, Discover Financial Services CEO David Nelms and other top executives in the payments space.

When: April 21 – 23, 2009

Where: Mandalay Bay Resort & Casino, Las Vegas

Registration: www.electran.org/content/category/6/35/118



Association for Financial Professionals

2009 AFP Payments Forum

Highlights: This forum is dedicated to achieving economic gains through e-payments and will explore solutions for payment efficiency designed to yield benefits throughout an organization.

Industry leaders will share success stories and give practical advice on managing payment and receipt processes.

This three-day event also promises interactive roundtables, lectures explaining the basics of ACH rules, international payments, card payments and check imaging.

All payment methods will be covered.

When: April 29 – May 1, 2009

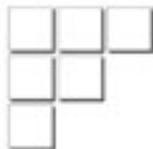
Where: The Hilton New York

Registration: www.afponline.org/pub/pay/pay.html

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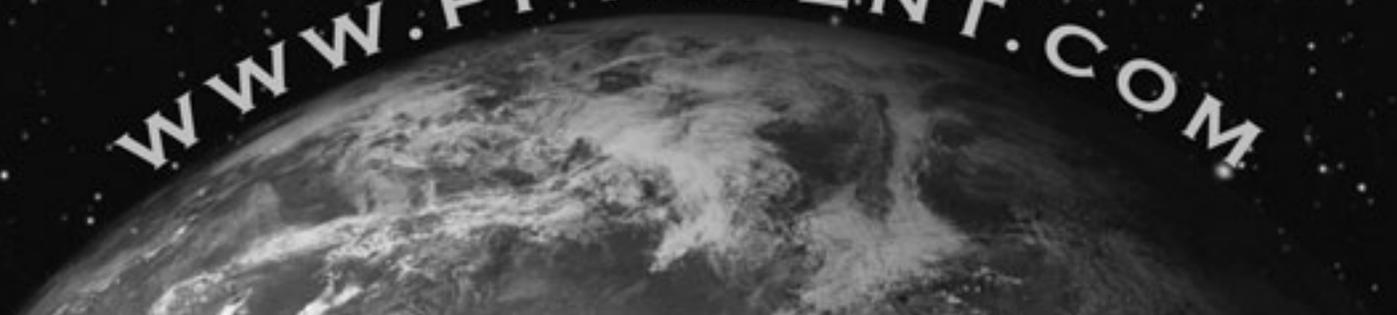
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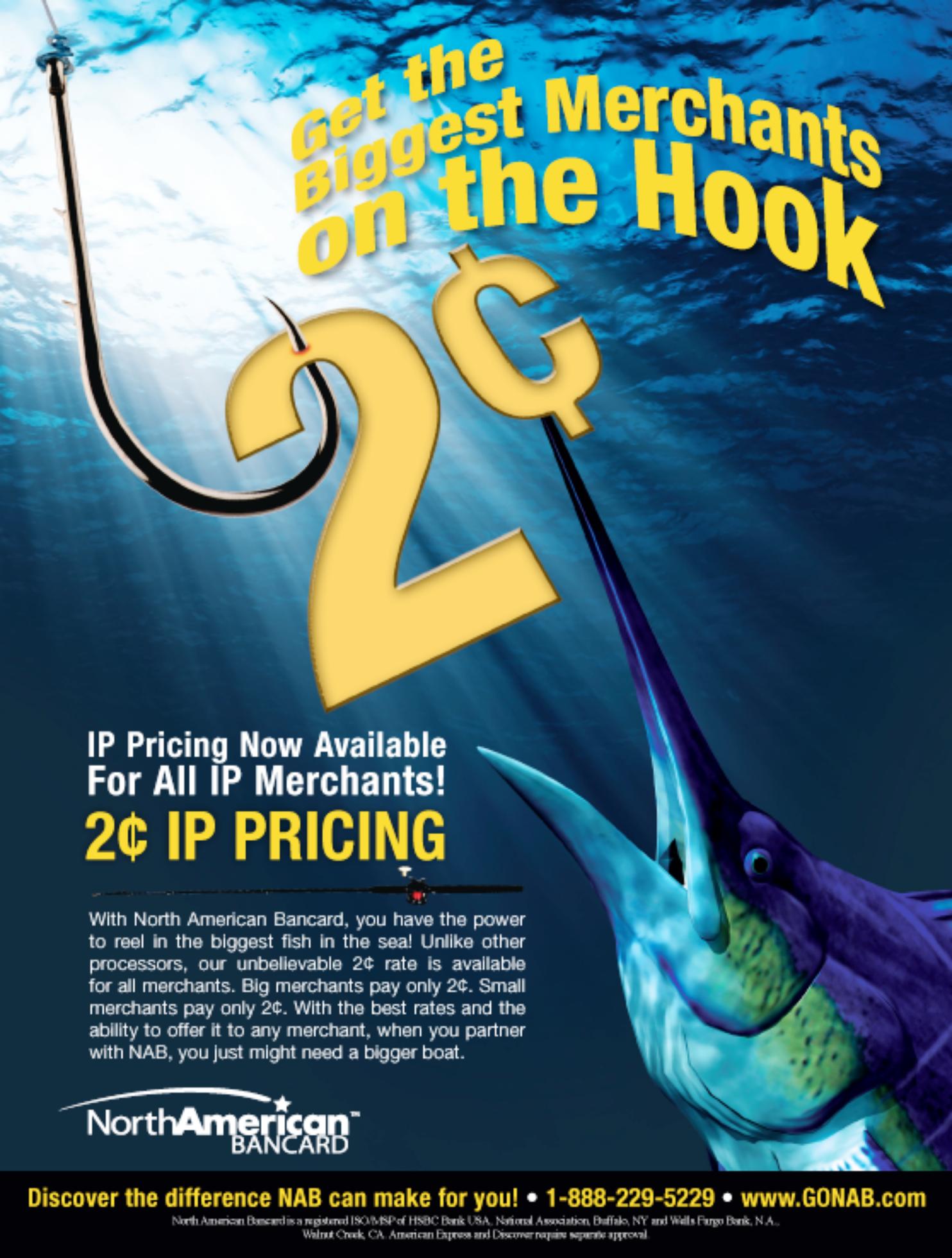
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