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June 22, 2009 • Issue 09:06:02

The road ahead for mobile payments

As the avalanche of legislative and executive decisions continues to reshape the economy, breeding uncertainty about what the future holds, mobile commerce is being touted as a new and exciting sector of economic growth and vitality. And with good reason, since giving merchants and consumers the ability to initiate transactions from mobile handheld devices promises faster, more convenient payments.

It seems natural that payments should migrate to mobile phones, since a majority of the world uses them. Just over 60 percent of the global population employ cell phones, said Gary Yamamura, President of banking and payment consultancy édept LLC.

In the webinar "Mobile payments – Is now the time to get into the water?" held during a virtual conference presented by Bankerstuff.com, Yamamura stated that close to 90 percent of all adults in the United States use mobile devices. But according to Yamamura, that number is low compared to other regions of the world.

In Argentina, 99.8 percent of adults use mobile phones, he said. In Russia, the number stands at 121 percent saturation – with many Russians employing two or even three cell phones: one for work, one for home and one for friends, Yamamura said.

But cell phone usage is also expanding rapidly in remote areas of the developing world, he added. In third-world countries where villages lack landlines and traditional payment infrastructures, upward of 50 percent mobile phone adoption exists, Yamamura reported.

Up close

With the globalization of mobile phone usage underway, Yamamura sees "exciting opportunities" ahead for U.S. payments industry professionals. Perhaps the biggest and most discussed opportunity is proximity mobile payments, which involves the much-hyped contactless payment technology known as near field communication (NFC).

An NFC chip embedded in a mobile device renders the instrument into a payment mechanism. When the phone comes into proximity – within a few centimeters, according to a Smart Card Alliance white paper – with a contactless reader at the POS, a payment is initiated.

According to Yamamura, proximity payments allow businesses, like quick service restaurants and convenience stores, to move customers "in and out" quicker. "A few seconds of time per customer means a significant increase in revenue," he said. Additionally, proximity payments are more convenient for consumers. Instead of fishing for cash or payment cards, consumers reach for mobile handheld devices, which are always at the ready.

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Notable Quote

Comparing rates for processing swiped transactions through the Blackberry and Windows Mobile devices to the cost of processing manually keyed transactions through the iPhone, we know the merchant saves money by steering clear of the iPhone.

See story on page 30



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Forum

Cheers for the encryption story

I got the GS (09:05:02) today and I must comment on how comprehensive and truly well written the lead story, "Diverse perspectives on end-to-end encryption," is. ... Secondly, where the story continues on page 63, the top of the page says, "Women Who Mentor from page 1." Is this a Freudian slip?

Brandes Elitch
CrossCheck Inc.

Brandes,

Thank you for letting us know you appreciate the quality of the cover story for The Green Sheet May 25, 2009, issue 09:05:02. We strive to offer timely information that will help our readers thrive in their careers, and we count on feedback from people like you to help us continue to provide useful, stimulating content as the industry continues to evolve. The text at the top of page 63 should have said "Encryption from page 1." It was a slip, but not likely of the Freudian kind. It's just an error we failed to catch during the proofing process; please accept our apologies.

Editor

What's up with High Value World Interchange?

How can I find out how the High Value World Cards (new interchange levels) affects pricing in interchange?

Dave Roberts
First Payments Systems

Dave,

We referred your question to Green Sheet Advisory Board member Ken Musante, Executive Vice President and Chief Sales Officer of Moneris Solutions. His response follows:

MasterCard Worldwide's interchange can be found at the following URL: www.mastercard.com/us/merchant/pdf/mastercard_interchange_rates_and_criteria-april_2009_final-with_interregional_rate_revisions.pdf

High Value World Interchange is addressed on pages 44 to 55. The High Value interchange schedule and rates are identical to those of MasterCard World Elite.

The reason they have separate schedules is that the High Value and World Elite are targeted to different consumer bases. High Value targets consumers spending over a threshold of \$50,000 per year; World Elite targets high net-worth and high-income individuals.

Although the two interchange schedules are the same, at some point, MasterCard could differentiate these programs. This allows for greater flexibility in targeting MasterCard's competitors – Visa Inc. and American Express Co.

We hope this explanation is helpful. Please let us know if you have further questions.

And thank you, Ken Musante.

Editor

From GS Online's MLS Forum

The premier online network for payment pros

Recently, GS Online MLS Forum member thelimeusa wrote that he intends to set up a "one-man office working for a couple of large ISOs" and asked whether he should set up a company or work as an independent contractor. Here are excerpts from the many helpful responses thelimeusa received. To see all of the advice offered, click on the "New MLS Question?" thread in the MLS Forum.

Set up an LLC or S corporation. In both, all profits drop to the owners, so you have the same tax liability. Intake all the monies into your company, get a payroll service and pay yourself a small salary each month to cover your taxes. Pay all expenses from the company account. Do not mix personal bills and money with business. – ccguy

Incorporate. Anything can happen. Get liability insurance. There is liability waiting for you at the merchant's site you have never thought of. ... Also by having your ISO pay the LLC, payment will continue if you get hit by a truck. Some ISOs don't pay heirs. This will protect them. – Coach Bob Schoenbauer

Just remember, if you do set up your own company, which is all great advice, you cannot promote yourself as that company unless you register it with Visa and MasterCard. You will still have to say you represent ABC and XYZ ISO. – FastTransact



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QSGS

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

Cover Story

1

The road ahead for mobile payments

As the avalanche of legislative and executive decisions continues to reshape the economy, breeding uncertainty about what the future holds, mobile commerce is being touted as a new and exciting sector of economic growth and vitality. Is the mobile payment revolution finally ready to take hold in the United States?

Feature

38

Franchise that closed-loop

At the Electronic Transactions Association's 2009 Annual Conference & Expo held in Las Vegas in April, the inaugural Prepaid Day included a discussion on how a successful gift card program operates. The presenter was Thom Aldredge, President of World Gift Card. His motto? "Keep it simple, stupid."

View

26

Interchange debate rages on

After failing to secure an interchange amendment to the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (Credit CARD act), merchants are pressing for standalone legislation that would rewrite federal anti-trust law so merchants can negotiate interchange fees en masse – like the way unions negotiate wages for the rank and file.

News

51

Interchange in federal sights - again

Retailers may have lost the battle over interchange when they failed to convince the U.S. Congress to add strong language about interchange to the Credit CARD Act, which was signed into law in May 2009. But they haven't given up the fight.

View

30

Mobile payments gaining traction - finally

What a great idea: process credit card transactions right through your phone by just punching in the credit card number, expiration date, et cetera, and pressing "Process." But mobile payments have been out for a while, so why all the buzz now?

News

51

Will Merrick's lawsuit affect PCI auditors?

Following a breach of its card processor, Merrick Bank took an unusual step: It filed a lawsuit against the security auditor that had certified the processor PCI compliant. The suit's outcome could have far-reaching implications for the payments industry.



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News

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Respect sought for MLSs

According to one payments industry veteran, merchant level salespeople (MLSs) are never mentioned, described or articulated as a viable entity in the contracts that Visa Inc. and MasterCard Worldwide sign with ISOs. In an effort to gain greater recognition from the card brands, a handful of MLSs started the Association of Bankcard Professionals in May 2009.

Education

64

Street SmartsSM: Raising the networking bar

By taking a few minutes to find out who will be at an event and doing a simple Internet search, you can raise the networking bar 10 notches. Now, instead of trite conversation about the weather or traffic, you can exhibit a sincere interest in a fellow attendee and guide the conversation to something that may be mutually advantageous.

News

55

Pulse touts positive debit trends

A new study shows an increase in overall debit transactions, as well as an increase in PIN debit transactions and a decrease in fraud loss rates, with an overall debit transaction growth of 8 percent in the second half of 2008. What's behind the trend?

Education

73

Negotiate to get your way

Negotiation occurs in all aspects of life, including the commercial, nonprofit, government, education, personal, legal, and international relations spheres. Most of us negotiate on a daily basis, without recognizing we are doing so. This article discusses the traits that all good negotiators share.

Humboldt
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Education

76

Fallout from the Great Recession

With what has been aptly dubbed the Great Recession causing a number of relationships in the payments industry to go sour, it's important to guard against some of the uglier situations arising out of today's climate. Here are some ways to take preventative action.

Education

84

Want a long-lasting relationship? Snail away

New relationships are great; sustained ones are better; long-term, committed relationships are the most satisfying of all – if you're looking for profits, that is. Rather than seeing your customers as leads or prospects, view them as relationships in formation.

Education

80

Stand alone or marry up

As anyone who has combined disparate technologies can tell you, the result can be a bitter disappointment or a match made in heaven. This article offers ways MLSs can help merchants bridge gaps between stand-alone devices to create transformative, integrated processing solutions.

Inspiration

93

Welcome your inner dingbat

People usually don't want to broadcast their errors. Yet, embracing shortcomings rather than evading them is the sign of a successful and self-confident person. This article offers a few pointers to help you and your sales team turn mistakes into something positive.

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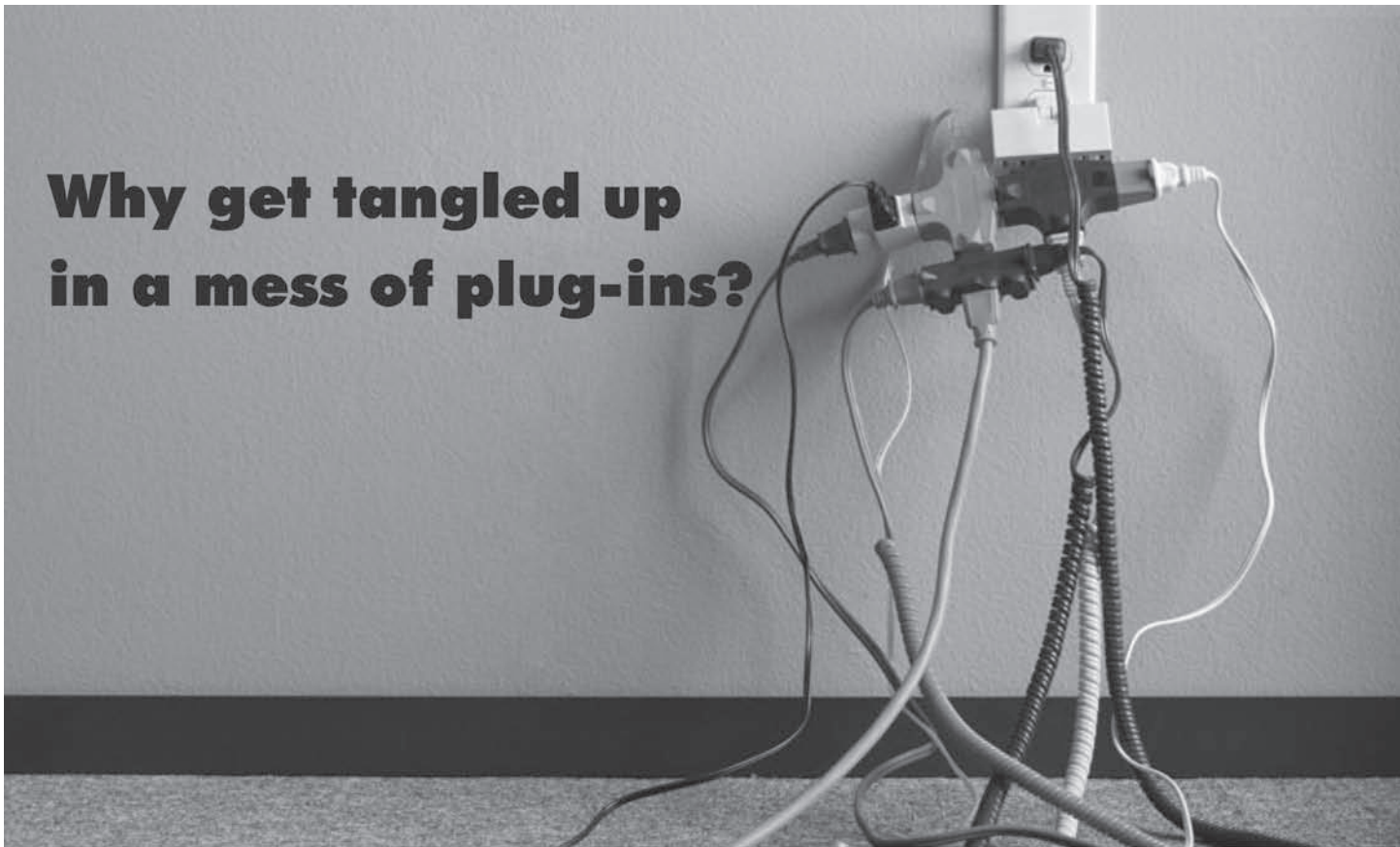


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IndustryUpdate

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NEWS

Call for PCI council collaboration

Trade groups concerned about the complexity and cost to merchants to implement the Payment Card Industry (PCI) Data Security Standard (DSS) wrote a joint letter to the PCI Security Standards Council (SSC).

The letter was co-authored by representatives of the National Retail Federation, the Merchant Advisory Group, American Hotel and Lodging Association, the International Franchise Association, the National Restaurant Association, the National Council of Chain Restaurants and the NACS – The National Association for Convenience & Petroleum Retailing.

The letter recommends that the PCI SSC:

- Incorporate a formal review and comment phase on revisions to the PCI DSS by participating membership before they are issued
- Ensure the amount of time from issuance of a revision to the PCI DSS and ensure the effective date is appropriate for all merchants, including level 1 merchants making enterprisewide changes, based on the revisions that are being implemented, as well as small operators without the resources to readily comply
- Follow, and adopt, the Accredited Security Committee X9 Inc. plan to develop a new standard to protect cardholder data, which may include end-to-end data encryption
- Use the concepts of key controls and controls ratio-

nalization to restructure the more than 200 detailed requirements of the PCI DSS

- Require credit card companies and their banks to provide merchants the option of keeping only authorization codes and truncated receipts

New resource to minimize breaches

Intersections Inc., in partnership with Financial Services Roundtable and the Identity Theft Assistance Center, launched BreachCenter.com.

John Scanion, Chief Operating Officer for Intersections Inc.'s Business Services, said, "We want BreachCenter.com to be that trusted resource.

Through our exclusive partnership with ITAC, we are also able to provide valuable tools and resources that businesses can use to help minimize the impact of a breach and to help them and their customers recover if a breach has occurred."

The Web site features articles; white papers; case studies; blogs; and a forum for open discussion, opinions, news and reviews of data breach recovery services.

The site also includes Intersections' Seven Steps to Data Breach Readiness and a database of consumer notification laws (updated quarterly and organized by state).

It also feeds information from Open Security Foundations Dataloss Database and ITAC's blog.

ITAC's Victim Assistance service relies solely on Intersections for its operations. A podcast of the launch announcement with John Scanion can be heard at www.breachcenter.com.

BOTTOM
LINES

HEADLINES
FROM THE
RETAIL
WORLD

THANK YOU, PLEASE READ AGAIN!
TRANS ID:460465 EMP:120400

- **The U.S. Census Bureau** reported that retail e-commerce sales for the first quarter of 2009 totaled \$31.7 billion, an increase of 0.7 percent from the fourth quarter of 2008.
- The **Consumer Electronics Association** said consumer electronic sales are expected to reach nearly \$724 billion in 2009, up 4.3 percent from sales of \$694 billion in 2008. Mobile phones accounted for 26.7 percent of total U.S. electronic device sales in 2008 but are projected to grow only 2.1 percent in 2009.
- In a **Shop.org** study conducted by **Forrester Research Inc.** 58 percent of retailers in the United States reported an increase in online sales in the first quarter of 2009.
- In a June 2009 survey by **Retail Forward**, 48 percent of consumers questioned said they avoid impulse items as a way to control shopping expenditures.

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Industry Update

U.S. tourism spending down in 2009

According to Visa Inc.'s **Tourism Outlook: USA**, visitors to the United States spent more in 2008 than in 2007, in spite of the poor economic condition. Year over year spending was up by \$7 billion based on the use of Visa-branded payment cards. Similarly, American international spending in 2008 rose 3 percent over the previous year.

But Visa's survey reveals a different story this year. Spending between January and March of 2009 by Americans abroad and tourists to the United States is down over the same period last year.

However, according to the survey, almost half of American respondents said the economy has not affected their desire to travel outside the United States, and 18 percent were more willing to travel abroad this year.

Americans are modifying their spending, though. Eighty-three percent are avoiding the more costly peak seasons, and 31 percent plan to travel closer to home.

Although total inbound tourist spending declined in the first quarter of 2009, compared to the previous year (\$11 billion compared to \$12.9 billion), the United

States is still the most popular destination for international tourists.

ANNOUNCEMENTS

Axway cuts through global red tape

Axway Inc., a global provider of multi-enterprise data management solutions, introduced Financial Exchange to provide visibility, security and control over transaction flows through functions such as community management, multi-enterprise collaboration, analytics and process management.

The Phoenix-based company said its solutions are Electronic Banking Internet Communications Standard-certified and compliant with numerous regional and international security standards.

Elavon enhances global payment platform

Building upon its existing, proprietary global payment platform, **Elavon Inc.**, a wholly owned subsidiary of U.S. Bancorp, expanded its multicurrency, cross-border and dynamic currency conversion (DCC) functionality.

The Elavon network reportedly can authorize transactions in 89 currencies and settle in 16. In addition, Elavon said it can provide DCC for up to 48 currencies.

The company has also brought its DCC offering to Germany, where 27 currencies can be converted, providing merchants with added revenue through conversion fees.

Epay launches debit card

Epay Inc. released its newest EPAY debit card, offering features and benefits that it said will appeal to both consumers and small-business owners. Users can benefit from reduced transaction costs compared to bank wires and cash transfers. Besides worldwide use at ATMs, POS and e-commerce environments, the card can be utilized for payroll, commissions and money transfers.

Heartland delivers one-stop statement

Since enhancing its offerings with Discover Financial Services and American Express Co., **Heartland Payment Systems Inc.** gives its merchants the ability to receive authorizations, settlement, funding, statements and customer service for all four major card brands directly from Heartland.

This consolidation promises faster funding, according to Heartland. With Heartland's Online Merchant Center, merchants can also track transactions and account information and have one customer service center for all four card brands.

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Industry Update

Awareness Month underway

Pulse, Discover's national ATM and debit network, kicked off ATM & Debit Card Safety Awareness Month with safety tips for consumers. "ATM withdrawals, cash-back during point-of-sale transactions and PIN-based purchases are convenient ways to spend and access your money whenever you need it," said Steve Sievert, Pulse's Senior Vice President, adding that it's a good idea to take appropriate precautions when performing any transaction.

Tethering loyalty

After two years in development, **Tetherball LLC** released a new radio frequency identification-based mobile loyalty and rewards solution. "Mobile marketers have been struggling to develop a solution that not only provides an easy method to deliver targeted offers to mobile users, but allows them to truly measure the return on their investment," said Jay Highley, President and COO of Tetherball; the solution does it in a "radically simple way," he added.

The latest from TowerGroup

TowerGroup recently issued a number of research reports pertaining to the payments sphere, including

Protecting Personal Information: We lost the Battle, Can We Win the War? by George Tubin, TowerGroup Senior Research Director, Delivery Channels; Just Rewards: Adapting the Credit Card Loyalty Feature to a Debit Card World by Brian Riley, Research Director Bank Cards; and Mobile Banking and Payments, April 2009, Leaders, Laggards and New Trends by Charul Vyas, Analyst Emerging Technologies. For more information about these and other TowerGroup reports, e-mail marketing@towergroup.com.

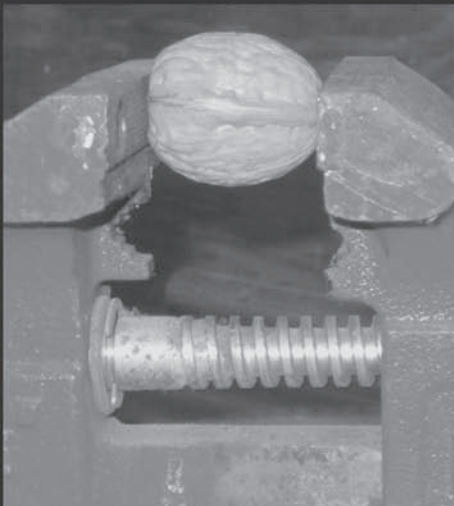
Payment essentials for private practice

U.S. Bank N.A. added Healthcare Payment Management (HPM) Essentials to its existing HPM solution, which is designed specifically for the private practice environment. The tool allows doctors' offices to accept and track more self-pay funds such as co-pays and deductibles. Ralph Bernstein, Senior Vice President of U.S. Bank Healthcare Payment Solutions, said, "Physicians understand that with the right tools, they can significantly reduce bad debt and the associated collection costs."

US Dataworks hits record in 2008

US Dataworks Inc. reported the company processed 95 percent more automated clearing house, standard-entry, class-coded transactions in 2008 than in the previous

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Doin' it right

For Jim McKenzie, Chief Executive Officer for payment solutions company Network Merchants Inc., and Ted Cucci, NMI's Chief Operating Officer, acts of philanthropy come down to a simple equation: love.

Following their hearts in May 2009, the two donated \$50,000 to the Schaumburg Child + Family Center, based in Schaumburg, Ill., the village outside of Chicago where NMI is also headquartered. And except for a plea from Karen Selman, Regional Vice President of Children's Home + Aid, their donation would have remained anonymous. The Schaumburg center is a project of the CH+A.

"We really didn't want to tell anyone that we had made this donation but for the fact that Karen called me and said they were having some problems getting funding and asked if we could enlist the help of others," McKenzie said. "We kind of let the cat out of the bag in an attempt to spark others to do the same."

Defining a mission

Founded in 1883, the CH+A is a nonprofit organization dedicated to helping children born to low-income, young and undereducated single parents. It provides social service programs to 40 Illinois counties. Its Schaumburg center provides an educational environment for children who have not yet reached school age.

"Jim has been attending Schaumburg Rotary Club meetings for a couple of years now," Cucci said. "One morning before a meeting, he was thinking about a couple of kids he knew and countless thousands like them. They are living their lives in constant struggle. How did they get there? Why can't they get out? And what can we do to help them?"

Getting them early

McKenzie said the answer is in reaching these children in infancy and educating them before they become disadvantaged.

He added that until about 12 months of age, nearly all healthy children test at the same developmental levels regardless of environment.

Unfortunately, after the first year, significant deficits begin to manifest in children raised in high-risk environments.

And the educational system in the United States isn't equipped to educate toddlers and preschoolers.

"What I learned from Karen is that low-income families are so focused on trying to make ends meet that they're not focused on what's going with on their kids' educational needs," McKenzie said. "So by the time they get to kindergarten they're already behind the eight ball."

Reaching more children

McKenzie and Cucci found out that CH+A was awarded a \$500,000 challenge grant from the Kresge Foundation in Detroit as part of a capital campaign to raise \$4.5 million to cover costs of the Schaumburg center's recent expansion.

According to CH+A, the 13,000-square-foot facility more than doubles the capacity for early childhood education programs targeting at-risk families in Chicago's northwest suburbs.

"At an important stage in a person's life, you reach a point where you know it's time to give back," McKenzie said. "It just happened that this was the right time for us, so Ted and I were the first to respond to the Kresge challenge grant by making a \$50,000 contribution. From when we started NMI in 2001, our company culture has always been to work behind the scenes so that others could prosper. We believe that in helping others we have found success as well."

Spreading generosity

The Kresge funding is contingent upon the CH+A raising matching funds by Sept. 1, 2009, McKenzie said. At this time, the organization has raised \$3.7 million for the Schaumburg center, so it is \$800,000 short to qualify for the Kresge grant.

McKenzie and Cucci hope their contribution will encourage others to follow suit. Cucci pointed out that some groups may charge administrative costs, but 100 percent of every dollar donated through the Rotary Club goes to the intended recipient. "Isn't it crazy how giving works sometimes?" McKenzie said.

"If you become other-centered and start to actually look out for the other guys first, good things invariably happen to you." For payment professionals interested in making a contribution, visit www.rotaryfundraiser.org or e-mail Karen Selman at kselman@childrenshomeandaid.org.

year. These transactions included check image exchange items, back-office conversion), e-commerce and telephone order. The number of check image transactions increased more than four times the total for 2007.

USMS boosts product line

U.S. Merchant Systems has added the Orion all-in-one check reader, imager and card solution from 4Access Communications Co. to its product line. In addition to fully supporting the terminal, USMS will also provide check and card software applications.

Visa delivers for tourism

Visa launched VisaVue Travel Reports to provide valuable spending metrics to the U.S. tourism industry and government agencies. The reports will be available by subscription.

"The global economy is placing considerable pressure on travel and tourism industry merchants," said Bill Sheedy, President, North America at Visa. "By converting Visa transaction data into actionable information, we can provide timely insights to businesses that rely on

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WRG commemorates 20 years

WRG Services Inc., a distributor of off-premise ATMs, celebrated 20 years in business.

From its beginnings as a coin-operated amusement company with two employees, WRG has grown into a bustling enterprise with 11,000 terminals deployed to date.

PARTNERSHIPS

BofA choice for BMC

Using Bank of America Corp.'s Comprehensive Payments suite, Boston Medical Center will pay a large number of its bills electronically. "The Comprehensive Payments suite was easy to implement, and we look forward to benefiting from the increased efficiencies of the program," said Ron Bartlett, BMC's Chief Financial Officer.

Check Into Cash selects Fiserv

Check Into Cash Inc. customers can now pay bills in

person using cash at over 900 locations across 30 states with Fiserv Inc.'s CheckFreePay service.

Check Into Cash cardholders can pay bills for hundreds of businesses including utility, cellular, auto, insurance and credit card companies. The service integrates into Check Into Cash's existing terminals.

Data Age, Pivotal team for integration

Combining Data Age Business Systems Inc.'s POS software and Pivotal Payments' gateway software, Data Age clients can now process both credit and debit transactions through its computer system.

Victor Guzman, Vice President Sales and Marketing for Data Age, said the integrated payment solution "has been designed to help small businesses in our target markets get better rates and simplify processing through a complete point-of-sale system."

Jenkon, ProPay sign deal

JIA Inc. (Jenkon), a developer of Web-based sales and business management software for direct sellers, has partnered with ProPay Inc. to offer its customers ProtectPay, a security compliance tool.

ProtectPay assigns a unique identifier to each credit card proffered for payment and processes the transaction from that identifier, eliminating the need for the merchant to handle card data, which can be compromised, Jenkon said.

JA, Veracity launch referral program

Junior Achievement of Georgia Inc.'s Augusta District and Atlanta-based Veracity Payment Solutions Inc. started a referral program called The Achievers Alliance Network. A portion of transaction revenue for participating businesses and merchants will be donated to Junior Achievement.

"Our objective is very simple," said Anthony J. Walsh, Vice President of Business Development for Veracity, "to assist Junior Achievement in reaching their financial goals to help them empower our future leaders of tomorrow."

RBS WorldPay, Century join forces

RBS WorldPay Inc. joined forces with Century Payments Inc. to manage and expand the RBS WorldPay Agent Bank program. "Century will collaborate with our agent banks to help them meet their customer and financial goals," said Tom Konz, Senior Vice President of Indirect Sales and Marketing for RBS WorldPay. "Plus they will continue to receive the same high quality, secure processing services they have grown to expect from RBS WorldPay."



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Industry Update

SeñorPay teams with U.S. Hispanic Chamber

SeñorPay LTD entered into an agreement with the United States Hispanic Chamber of Commerce to offer discounts to chamber members. SeñorPay, a division of SignaPay LTD, supports its credit card processing service with bilingual marketing, training and customer care.

ACQUISITIONS

PayCycle in to it

Intuit Inc. signed papers to obtain online payroll services provider PayCycle Inc. After the approximately \$170 million deal finalizes, small businesses will have access to PayCycle's payroll services through Intuit.

Additionally, hundreds of thousands of Intuit's accountant customers can use the services as a stand-alone payroll provider for their small business customers.

MD On-Line gets healthier

MD On-Line Inc., a New Jersey-based health care payment provider, acquired Medical Claim Corp. of Bristol,

Conn. MD On-Line's main focus is converting health care companies to an electronic submission process.

David Johndrow, Medical Claim Corp.'s founder, said, "It gives me confidence to know that after 19 years of hard work building relationships with our customers that, upon my retirement, the same level of first-class service will continue."

APPOINTMENTS

Payment provider nets new VP

Dhruv Chopra joined Net1 UEPS Technologies Inc. as its new Vice President, Investor Relations. Chopra's background includes a five-year stint as a research analyst at Morgan Stanley & Co. Inc's information technology services. Previously, he was a management consultant specializing in the financial services industry. Though UEPS is headquartered in Johannesburg, South Africa, Chopra will be based in New York.

Doran set in stone

Payment solution provider Graphite Payments tapped Kim Doran for Director of National Sales Support.

Tina Gregory, Graphite Payments' CEO, said, "Graphite Payments is delighted that Kim has headed up the start of a winning team responsible for the support of business development in the agent and ISO marketplace."

Mumby is the word

International voice and Internet Protocol solutions firm Arbinet Inc. appointed Robert Mumby as its new Vice President of Sales, North America.

Mumby is responsible for building Arbinet's international voice business with traditional and emerging carriers, prepaid companies and mobile operators across the continent.

Yapstone welcomes Price

Yapstone, a San Francisco-based payment provider for the property management industry, welcomed Robert Price as CFO. Price, a 30-year veteran in electronic commerce and high-tech industries, will oversee financial reporting, accounting, planning and human resources functions.

Mercator gets new VP

Mercator Advisory Group Inc. selected Ian Rubin, a 13-year research and consulting veteran, as its new Vice President and Managing Director. "We are very fortunate in this economic climate to be able to continue adding high-caliber talent to the team," said Robert Misasi, the firm's President. 

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Insider's report on payments**Interchange debate rages on****By Patti Murphy***The Takoma Group*

Retailers are turning up the heat on interchange fees. After failing to secure an interchange amendment to the Credit CARD Act of 2009, merchants are pressing for standalone legislation that would rewrite federal anti-trust law so merchants can negotiate interchange fees en masse – similar to the way unions negotiate wages for the rank and file.

Perhaps if I could be convinced the folks lobbying on behalf of interchange reform have the best interests of American shoppers in mind, I might be swayed. But I'm not convinced. Indeed, while retailing lobbyists press for more negotiating power over interchange, they're also fighting congressional initiatives that would make it easier for workers to unionize and negotiate with retailers and other employers over wages.

They shouldn't have it both ways.

I must admit, when I first heard of this – at the Federal Reserve Bank of Chicago's 2009 Payments Conference in May – I was skeptical.

The argument came from Tom Brown, a Partner in the international law firm O'Melveny & Myers, who worked with Visa Inc. in a debate with Mallory Duncan, Senior Vice President and General Counsel at the National Retail Federation. It seemed to me to be a typical knee-jerk reaction to Duncan's calls for interchange regulation.

Since then, I've reviewed the unionization bill Brown was referencing – the Employee Free Choice Act (S 560 and HR 1409), which is opposed by the NRF and other employer groups. Backed by congressional luminaries like Sen. Edward Kennedy, D-Mass., the Employee Free Choice Act would, among other things, take away the authority employers now have to stymie employee unionization efforts.

What's in the legislation?

Legislation addressing interchange has now been introduced in both the U.S. House of Representatives and Senate.

HR 2695, the House legislation crafted by Rep. John Conyers, D-Mich., Chairman of the House Judiciary Committee, would create exemptions to federal anti-trust laws so that merchants might send representatives to sit down at the negotiating table with banks and network operators to hammer out agreeable interchange rates.

In the Senate, Richard Durbin, D-Ill., introduced SB 1212, which would entrust final interchange pricing decisions to a panel of three judges, appointed by the U.S. Department of Justice. Durbin, who also carries the title Senate Majority Whip, plays a key role in determining legislative priorities in that chamber.

Both bills are known collectively as the Credit Card Fair Fee Act of 2009 and describe coverage as applying to "access" to "electronic payment systems," which seems to suggest any final law might not be limited to the Visa and MasterCard Worldwide networks.

As drafted, the legislation defines covered networks as those used for credit, signature debit and PIN debit cards. Under HR 2695, a covered network would have to carry at least 20 percent of the combined yearly value of U.S. credit and debit card payments (based on the previous year's tally). SB 1212 lowers that bar to 10 percent.

Only bank-controlled acquirers are covered by the legislation; federally regulated credit unions are specifically exempt. Independent processors and other third-party partners (such as ISOs) are also expressly exempt from direct coverage by the bill.

During the Chicago Fed conference, I asked Duncan, who is also a Spokesman for the Merchants Payments Coalition, how he envisioned the interchange negotiation process. Neither the Conyers nor Durbin bills had been announced yet, but Duncan felt confident legislation was coming.

Here's what I heard: An industry group, such as the NRF or the MPC, would sit down with Visa and MasterCard and negotiate interchange for the entire retailing sector. It then would be up to acquirers to negotiate individually with retailers regarding other acceptance fees.

The labor connection

I was blown away. One, even two organizations negotiating on behalf of millions of individual merchants? Are they serious?

My mind flashed back to that late 1970s. My husband was in telecommunications, and as a member of a very large union, he was routinely disappointed whenever new contracts were negotiated. He felt those sitting at the negotiation table always came away with the best pay packages.

Eventually, he took a job in a nonunion shop and I, the child of a one-time union man, was compelled to accept the notion that perhaps unions had outlived their effec-



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tiveness (at least in grey collar jobs like network operations). Now, 30 years later, economic realities seem to suggest otherwise, and unions are gaining traction in industries like retailing. It's not surprising retailers would prefer not to have to negotiate employee wages and benefits with unions. But, again, they shouldn't have it both ways.

I'm not sure the current Congress will allow that to happen. There are far too many more important initiatives that demand attention, like keeping the banking system afloat. (Of course, there are those in Washington who want banks to make concessions in return for federal bailout money, and messing with interchange may emerge as an option.)

The major problem I see is that lawmakers are never eager to vote on issues that pit one constituency (like local retailers) against another (local banks and their acquiring partners). The interchange debate also lacks any significant consumer presence, even though retailers argue that lower interchange will be reflected in lower product prices.


"It's just not a front burner issue for us," said Jean Ann Fox, Director of Financial Services with the Consumer Federation of America, during a panel discussion at last

month's Chicago Fed conference. The CFA is more concerned about bank overdraft fees, she added.

Adam J. Levitin, Associate Professor of Law at Georgetown University Law Center in Washington, points to three ways the battle over interchange can play out, and it doesn't have to be heavy-handed regulation.

The options are:

1. Remove barriers to market pricing, such as honor-all-cards and no-surcharge or discount rules, as well as bundled rewards programs.
2. Set the Federal Reserve up to compete with card networks in much the way it competes today in the check and automated clearing house arenas.
3. Regulate card payment networks as though these were public utilities.

"We have to look at net social welfare," Levitin said during a presentation at the Chicago Fed conference. "Take away the subsidies and other externalities, and this won't be a political problem." It's a compelling argument. If I were in charge, I'd take the first option. 

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



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Mobile payments gaining traction - finally

By Ben Goretsky

USA ePay

We've all seen Apple Inc.'s iPhone commercial highlighting some of the latest business applications for its phone, which features a credit card application. What a great idea: process credit card transactions right through your phone by just punching in the credit card number, expiration date, et cetera, and pressing "Process."

But is this really such a new idea? Not by a long shot. Mobile payments have been out for a while, so why all the buzz now?

Early on, mobile payments were done through phones like the i-Series Motorola models. Then came the Java-based phones offered by companies like Nokia, Toshiba America Inc. and Samsung. All these phones created the ability to accept credit card payments on multiple networks.

Sure the screens were small; the networks were slow. But the ability was there, and the concept sold.

Then came smart phones, and for every model released, software was rolled out. Blackberrys and Windows Mobile devices were readily available on multiple networks. With them came software that allowed anyone to swipe a card (using an attachment to the phone) and process a transaction right through a smart phone.

The iPhone has drawbacks

Today, transactions accepted via Blackberry and Windows Mobile applications qualify for swipe retail rates, so why is so much attention on the iPhone? Transactions accepted via iPhone currently are categorized as nonqualified retail or manually keyed.

Comparing rates for processing swiped transactions through the Blackberry and Windows Mobile devices to the cost of processing manually keyed transactions through the iPhone, we know the merchant saves money by steering clear of the iPhone.

Also, Blackberry and Windows Mobile devices are available on all payment networks, and every network has at least three models of each type. In contrast, the iPhone is only supported through one network.

In addition, devices like the Blackberry and Windows Mobile phones are available worldwide and considerably more affordable to purchase than iPhones.

But the iPhone is hip

It's no longer the size of the screen or speed of the network that matters; it's that the iPhone embodies cool. It's not that mobile payments are popular; it's that the iPhone is all the rage.

And when you add something old to something new, the old thing seems new.

Frankly, this techie is excited about the re-emergence of the mobile payment game. It's been a struggle convincing the big companies out there that mobile payment applications are the future of retail transactions. And if the iPhone is the way to open their eyes and minds to this idea, so be it.

With iPhone 3.0 on the horizon, I guarantee the iPhone apps will support swipes and maybe, just maybe, we will be able to move significantly forward on this old idea that never got the spotlight it deserved. ☑

Ben Goretsky is the Chief Executive Officer and head of IT Development at USA ePay. He has been working with his brother Alex since they started the company in 1998. E-mail him at ben@usaepay.com or call him at 866-872-3729, ext. 350.

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BookReview

A bad man gone good

In his new book, *I'll Make You an Offer You Can't Refuse*, erstwhile Mafia mogul Michael Franzese weaves mafia doctrine, personal perspective and the very different, but equally enduring, principles of two well-known philosophers into a discussion of business ethics.

The 150 page volume is an oddity – a book on ethics written by a former mobster, and a highly notorious one at that. The mob may have certified Franzese a "wise guy," but it did not make him a nice one. Indeed, the two qualities might well be mutually exclusive where the Mafia is concerned.

The author was born 58 years ago in Brooklyn to a mobster family – his dad, John "Sonny" Franzese, was a noted Colombo family Underboss at the time. It's doubtful the author was reared on anything resembling conventional propriety.

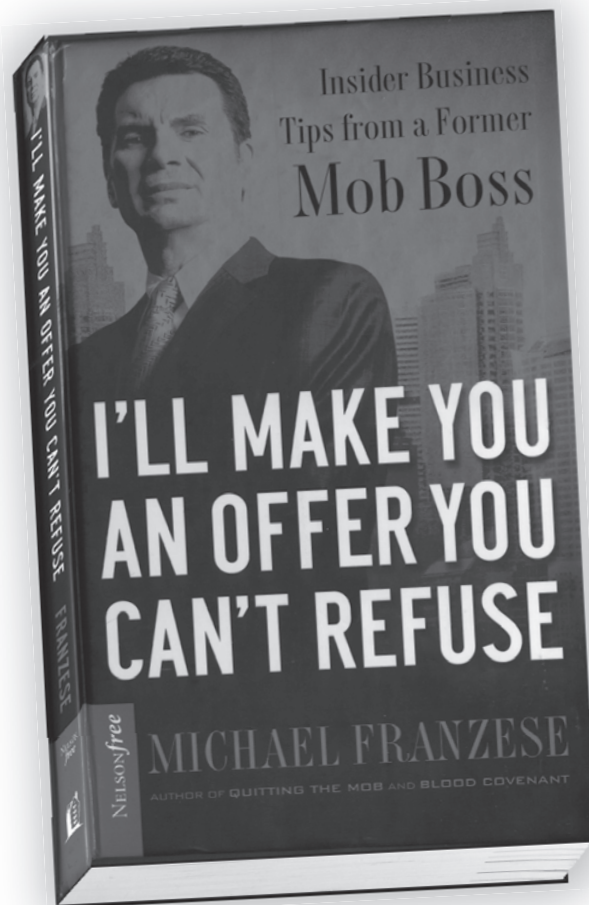
Sonny, now 92, was released from federal prison in 2008 after almost a three-year stint (his fifth time in the joint) and remains under indictment on other charges. Meanwhile, Michael just published a book on business ethics. Who'd have thunk it?

Franzese actually provides an interesting vantage point on the subject – a combination of perspectives from his Mafia days and, after a self-reinvention, his present outlook.

Not your average viewpoint

The author is uniquely qualified to analyze the merits of the opposing doctrines (championing versus rejecting ethics and morals) that form the narrative's crux.

For Franzese, the wreckage left by



his old way of life has only underscored the virtues of his new one.

Also, Franzese's Mafia knowledge informs his approach to assessing the practices and ethics of American businesses. His comparison of tactics traditionally employed by the mob to the transgressions of corporate America provides a sense of just how quickly even the mainstream marketplace can corrode.

Two prominent historical figures – the biblical King Solomon, and 16th century Italian politician and writer Niccolò Machiavelli – thread their way in and out of the narrative, offering starkly contrasting views on the subjects of business, power, wealth and ethics. Frequently, Franzese contextualizes his own business advice within their philosophies, which are quoted at length and accentuated by their separation from the main text.

Machiavelli dismisses morality as a constraint on the pursuit of power; he

I'll Make You an Offer You Can't Refuse: Insider Business Tips from a Former Mob Boss

By Michael Franzese
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favors a cut-throat approach where "end always justifies the means"; Solomon advocates a judicious approach where ethics and morals are the centerpiece of one's life.

Not surprisingly, Franzese informs us that his decades of service to the mob were informed and defined predominantly by Machiavellian principles (A distinction that may well apply to every Mafioso in the world, among whom Machiavelli is revered. Franzese points out that while most criminals read the Bible when they're incarcerated, "when mob guys are in jail, they read Machiavelli").

Under new guidance

Since resolving to travel the straight and narrow, the author professes to have reinvented himself in the spirit of Solomon. Throughout the book, Franzese weighs the viewpoints of Solomon and Machiavelli, on one subject or another, before invariably arriving at the same essential con-

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BookReview

clusion: Solomon's approach is better. It is fitting, then, that Frazese's transformation followed a stint in prison: His incarceration, which came after five other indictments that he managed to beat (including one filed by then Manhattan U.S. attorney Rudolph Giuliani), finally shattered his own Machiavellian illusion of impunity.

"Know well the condition of your flock, and pay attention to your herds, for wealth is not forever; not even a crown lasts for all time," reads one quote of Solomon, while another states: "Dishonest money dwindles away." Such warnings came to bear for Franzese (he lost his entire fortune when he was arrested and fell deeply into debt); in large part, his book is a warning to readers that

they not make the same mistakes he did. But many do, as the book also makes clear, and a chapter on gambling underscores just how quickly and easily a person can slide – and how universal the danger is, criminal upbringing or not.

Business is business

Then there is the business side of things, where Machiavellian tactics are most evident.

One example: the disastrous, though legal, practice of credit default swaps: "In a nutshell ... bets between two parties as to whether or not a third party will default on its debt," Franzese said. "If the mob had created such an instrument, the scheme would have been a RICO indictment waiting to happen."


Yet, while Franzese admonishes those shady corporate practices that resemble dealings of the mob, he mentions other mob tactics that conventional businesses would do well to emulate – ones that are both highly savvy and within the bounds of fair play.

The mob's business dealings – good or bad – are "extensive and complex," and operated by professionals with considerable expertise, he asserts.

The various snippets of its operations are among the book's best features.

"Anyone who sells the mob short when it comes to its ingenuity, its ability to connect with people from all walks of life and its substantial profit margins is simply kidding themselves," Franzese contends.

And yet, nowhere are the shortcomings of Machiavellian thought more evident. Collectively, the mob has actually defied Solomon by continuing to prosper as long as it has.

The irony is that even when the group flourishes, its members don't. As Franzese points out: "I have been blessed with ... opportunity, while most all of my Machiavellian former counterparts are either dead or in jail for the rest of their lives." 



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Selling Prepaid



Prepaid in brief

NEWS

Underbanked consumers tell their stories

At the Underbanked Financial Service Forum held in Dallas, **The Center for Financial Services Innovation's** director premiered CFSI's first video production "CFSI: Innovation in Action." The video offers success stories from customers who use prepaid cards, new small-dollar amount loan products and in-bank check cashing. "This video showcases financial service innovations that are helping to put consumers on a path toward financial prosperity," said CFSI Director Jennifer Tescher. "These stories illustrate that, with the right tools, underbanked consumers can be valuable customers."

Mindset positive at Western Union

Western Union Co.'s Payment Services Money Mindset Index, a national survey of 3,000 consumers, revealed that, despite the economy, people have entrepreneurial aspirations. Western Union said nearly 23 percent of survey respondents plan to start their own businesses.

To achieve their financial goals, consumers are changing spending habits and looking for opportunities to supplement income, the report said. The Index revealed that Latinos are especially optimistic about the future. Nearly 70 percent said they see their financial situation improving in the next six months.

ANNOUNCEMENTS

Check 'n Go expands offerings

Cincinnati-based cash advance company **Check 'n Go** expanded its consumer offerings beyond short-term cash advance to include check processing, global money transfers, remittance, bill payment services of Western Union and the Axxess prepaid MasterCard Worldwide card. Responding to consumer demand, Check 'n Go added these services across 1,000 retailers in 30 states.

Online gaming payment alternative

CyKash Inc., a provider of prepaid cards and virtual

currency for online games and entertainment, launched the **CyKash Game Card**, a multi-online game card that can be redeemed at many online gaming sites. CyKash provides users an alternative payment method for virtual items and subscriptions.

Europe, Canada loyal to MoneyGram

Payment services provider **MoneyGram International** introduced the worldwide expansion of MoneyGram Rewards, a loyalty program that offers its members fee discounts and free money transfers. The program, initially launched in Germany, will expand into France and Italy in the summer of 2009 and to Spain and Canada later in the fall.

Streamlining Internet purchases

PayByCash, a subsidiary of **PlaySpan Inc.**, is making its PayByCash Code prepaid product available to consumers in 180 countries. PayByCash said its codes offer consumers a more efficient means to make Internet purchases.

First-of-its-kind fuel card

Prepaid debit card solutions company **TransCard LLC** introduced an innovative fuel card network in Latin American countries. The fuel card is accepted at more than 2,200 locations in Mexico, representing over 25 percent of the country's fuel market, TransCard said.

Philanthropic spirit honored

Western Union earned the Committee Encouraging Corporate Philanthropy Excellence Award for developing and implementing its Our World, Our Family program, a \$50 million, five-year program to help low-income migrants stay connected to their families overseas.

PARTNERSHIPS

Three-way team for underbanked education

The Center for Financial Services Innovation partnered with **The Network Branded Prepaid Card Association** and prepaid debit card provider **NetSpend Corp.** to create educational resources associated with prepaid cards to support nonprofit organizations serving underbanked consumers. Dubbed the Prepaid Educational Resources, it offers The Nonprofit's Guide to Prepaid Cards and informational webinars.

Coinstar lets gamers pay as they go

Coinstar E-Payment Services, a subsidiary of Coinstar Inc., launched the Pay As You Go prepaid solution in U.S. retail locations.

The card, designed for online gamers, features prepaid wireless programs, long distance cards, and reloadable and one-time-use Visa Inc.- and MasterCard-branded debit cards.

Better homes and prepaid

Canadian home builder ICF World Homes Inc. teamed up with prepaid solutions company DCR Strategies Inc. to unveil the TruCa\$h/ICF World Homes prepaid MasterCard card. It will be used as a payment vehicle for commissions, incentives and expenses for ICF sales representatives, staff and independent contractors.

nFinanSe takes off with RocketBux

Mobile advertising firm RocketBux Inc. signed a memorandum of understanding with stored-value and prepaid solutions provider nFinanSe Inc. to provide coupons and offers to nFinanSe cardholders' mobile phones.

ACQUISITIONS

Bancorp acquisition supports prepaid sector

Prepaid products and services provider The Bancorp Inc. entered into a stock purchase agreement with American Home Mortgage Holdings Inc., an Illinois federal savings association, to acquire all of the outstanding shares of AHMHI's capital stock. The acquisition provides a platform for national operations and supports the growth of Bancorp's prepaid card market.

APPOINTMENTS

Endacott joins MyTravelCash board

Steve Endacott joined CorporatePay Ltd.'s new venture, MyTravelCash, as a nonexecutive Director. The new venture aims to provide foreign exchange services to the online travel community. MyTravelCash is a prepaid MasterCard card available in euros and U.S. dollars.

Mumby is the word

International voice and Internet Protocol solutions firm Arbinet Inc. appointed Robert Mumby as its new Vice President of Sales, North America. Mumby is responsible for building Arbinet's international voice business with traditional and emerging carriers, prepaid companies and mobile operators across the continent. ☎



Features

nFinanSe lowers already 'lowest' activation fee

To attract more consumers in a down economy, stored-value and prepaid card solution provider nFinanSe Inc. lowered the activation fee on its general purpose, reloadable (GPR) prepaid card. Effective July 1, 2009, the \$5.95 fee on its Discover Financial Services-branded card will be reduced to \$3, matching the fee that Wal-Mart Stores Inc. recently implemented on its prepaid card.

"We have the best pricing in the market," said Jerry R. Welch, Chairman and Chief Executive Officer at nFinanSe. "Wal-Mart reduced theirs a few months ago. It made sense to bring ours down to that level."

Hit the bullseye

The target market for nFinanSe's card is unbanked consumers – individuals without access to traditional checking and savings accounts. GPR cards are seen as alternative banking tools to fill that financial gap.

But Welch believes the industry as a whole has priced its cards too high. With an estimated 73 million adults in the United States that fit into the financially underserved category, but only 5 or 6 million reloadable cards circulating in the marketplace, Welch recognizes a huge disconnect. "You can see that there is an enormous opportunity there, and that's what we all want to be focused on," he said.

According to Welch, most GPR cards carry a \$9.95 activation fee, with a \$4.95 monthly maintenance fee and \$4.95 reload fee. In addition to the lower activation fee, nFinanSe offers \$2.95 on both its maintenance and reload fees. Welch said unbanked consumers complain about two things: fees and customer service. Welch claims that nFinanSe's lowest fees in the marketplace are matched by its free, around-the-clock customer service.

"This is one of the few industries that I've seen where people charge for customer service," he said. "You call up and you ask, 'What's my balance?' And the answer is \$150, less the \$2 we're going to charge for that call. That upsets a lot of folks. Not only is our customer service free, it's 24 hours a day. It's bilingual. Again, we think a lot of people have missed the water on this piece of it."

Selling Prepaid

Win the jackpot

In May 2009, nFinanSe launched a new program called Lucky 777. As a reward for signing up for direct deposit with their employers, nFinanSe will deposit \$7.77 into the GPR accounts (that now double as payroll card accounts) of its cardholders. "It's a little play on slot machines," Welch said. "What happens right now is you've got 35 percent of all employees in America still getting a paper paycheck. The reason why is they don't have a bank account or they have one they don't use.

"If you match the 73 million [unbanked] and overlay the 35 percent of all employees, you understand why these folks aren't getting direct deposit. This [program] is a way that allows them to deposit their pay directly on their reloadable card, and they don't have to go to a check casher."


Welch said check cashers generally charge between 2 and 5 percent of the face value of checks. For example, to cash a \$1,000 check might cost an individual anywhere from \$25 to \$50, which is sizable in comparison to the fees on nFinanSe's GPR card. Despite the steep price, people continue to pay for the service, however.

"When we go around and make presentations, in just about any city I go to, I'll go to the Yellow Pages and I'll tear out the section on check cashers," he said. "Then I'll tear out the fast food pages. ... They'll be more check cashing locations than the major fast food locations. It's stunning.

"What it says is that check cashing is a very profitable business. Look, they provide a real service. But the point is the consumer is paying a lot of money just to get their pay." Welch claims only 10 percent of the Fortune 2000 companies in the United States have payroll card programs. He said the reason is lack of awareness. Employers are generally unaware of workers without bank accounts. And the social stigma attached to not having bank accounts forces workers to hide that information from their employers.

Roll the dice

The Tampa, Fla.-based prepaid card company is marketing the Lucky 777 service through its Web site. When customers buy the nFinanSe GPR cards in stores, such as Winn-Dixie Stores Inc. supermarkets and Dollar General Corp. stores, a window pops up with the Lucky 777 offer and a payroll card form. Customers are asked to take the form to their employers' payroll departments to set them up with direct deposit.

"What we want to do is get people to buy our cards," Welch said. "And then what we want people to do is have some really good features and benefits. ... If we can save a cardholder check cashing fees, they're going to feel very good about us and hopefully they'll be a cardholder forever." 

Franchise that closed-loop

At the Electronic Transactions Association's 2009 Annual Conference & Expo held in Las Vegas in April, the inaugural Prepaid Day included a discussion on how a successful gift card program operates. The presenter was Thom Aldredge, President of World Gift Card.

In 1998, Aldredge founded the wireless data firm. However, by 1999, the company had morphed into a gift, loyalty and specialty card program provider focused on small to medium-sized merchants.

To reach merchants, WGC employs ISOs. "We feel like they have a much better idea of what their customers want and need in their gift card programs," Aldredge said.

In 2002, a WGC ISO requested an expandable, closed-loop gift card program. The ISO had a franchise startup based in Seattle that wanted to expand operations in Washington state, with the dream of going national. But the merchant – makers of smoothies – hadn't yet opened a store.

"They needed a gift card program that they could offer to all their franchisees with card [acceptance] at every location the minute the store opened up," Aldredge said.

KISS

Aldredge applied the motto "Keep it simple, stupid" to the program rollout. It had to be simple, given the fact that different franchisees wanted to use different POS terminals, he said. WGC relied on its ISO resellers to troubleshoot the problems of individual locations.

According to Aldredge, a crucial concept that WGC kept in mind when it launched its program was that it had to scale seamlessly when the smoothie company began adding new locations.

Evidently, the franchisor offered a tasty product because, by late 2006, it had opened 33 locations. The gift card program was integral to the company's success, Aldredge said. "And, remember, we were going from scratch," he said. Aldredge reported that the company now has 60 locations in five states, with opportunities in three additional states pending. The company is also considering expansion into Canada.

Crossover appeal

"We knew that deployment wise, the platform would be profitable," Aldredge said. "Logistically, the needs of the locations were the same wherever they opened. So as far as getting them up and running, it was not a big problem." But Aldredge wondered if gift cards would be redeemed at multiple locations. "Most of us who have dealt in retail

know that 80 percent [of foot traffic] is going to come within two-and-a-half miles of their location," he said. "And in the franchise operation, where there is exclusivity for locations, there was a question about whether the cards would be able to cross over."

The results dispelled any worries. "We felt, like well-marketed gift card programs in major markets in the United States of America, they would get crossover and [merchants] would see the benefit of a card accepted anywhere," Aldredge concluded.

The franchisor was also concerned about reporting capabilities; its corporate office wanted to be able to keep tabs on each location – intrastate and interstate. "So we were able to provide reporting that allowed them to see what was going on in the various locations, regardless what state that location operates in," Aldredge said. In March 2009, the smoothie company added WGC's Elite Patron loyalty program. To date, it has a 70 percent commitment from its franchisees to offer the program, he said. 📍

Prepaid, quite an opportunity

Bankerstuff.com's May 2009 virtual conference showcased the payment vehicle known as the prepaid card. In a webinar entitled "Prepaid card emergence," John Barbella, Senior Vice President of The Bancorp Payment Solutions Group, put the market opportunity in convincing terms.

Of the 225 billion transactions performed in the United States each year, electronic payments only facilitates 22 percent, he said.

So 175.5 billion paper-based payments are up for grabs. With \$3 trillion spent in cash annually in the United States and prepaid cards being generally considered a cash substitute, "you can see that there is just tremendous opportunity in the marketplace," Barbella said.

As further indication of prepaid's potential, Barbella discussed how consumers are changing their spending habits. Citing statistics from Visa Inc. and MasterCard Worldwide, credit card usage is down 6.9 percent and 13.7 percent respectively. In contrast, debit card usage is up 5.6 percent at Visa and 5.3 percent at MasterCard.

The trend has been in evidence in the last three or four years, according to Barbella. "People are using less credit and really focusing on their debit usage, so that they are paying now for those purchases," he said.

As the role of debit – the "pay now" electronic alternative to cash – grows, prepaid as the "pay before" cash substitute will likely see growth as well, Barbella deduced.

Break it down

A BCG/PSE Prepaid Study commissioned by MasterCard in 2008 reports that the spending volume in the U.S. prepaid card market will reach \$380 billion by 2015. Broken down into categories:

- \$160 billion on public sector payments – benefits, disaster relief, payroll
- \$135 billion on corporate payments – business travel, meal vouchers, et cetera
- \$40 billion on "financial inclusion" – reloadable teen and campus cards
- \$30 billion on consumer retail – gift and travel cards
- \$15 billion on health care and insurance claim cards

Where to look

The main feature consumers expect in prepaid card products is choice, Barbella said. As evidence for this conclusion, he cited the 2007 Visa Prepaid Study that said the majority (88 percent) of rebate card recipients preferred open-loop, network-branded reloadable cards, which can be redeemed at numerous locations, to closed-loop, private-label cards that can only be used at the merchants that issued the cards.

Barbella believes the rebate card can be a centerpiece to the merchant-customer relationship. If a consumer is given a \$200 rebate, but has only used \$150 after several months, the service provider can reinforce the relationship by contacting the customer.

"It could be a way for the company or the issuer of that rebate to come back and visit with the consumer to make sure that purchase was a good one and they are reinforcing the benefit of that purchase," Barbella said.

Democratic solutions

Other hot vertical markets Barbella has identified are government-issued benefit payments, and health care and insurance payments.

But Barbella cautions that prepaid card programs are not appropriate for all markets. For example, insurance payments done by check for auto-body repairs "seems to work pretty well," he said.

"We don't want to try to fit a square peg into a round hole. Let's not go where those opportunities truly do not make the most sense."

While a few markets may not be a good fit for prepaid card solutions, many more are, Barbella noted.

"It's not one player that's going to be able to make it big in prepaid," he said. "There are many many opportunities for multiple players to be successful in prepaid. So the landscape is truly wide open." 📍

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The dot-net that booms

We've all heard the phrase, "location, location, location," when people speak of the prime components of business success. A brick-and-mortar store located in the right neighborhood and offering easy customer access has a distinct advantage over competitors that are not similarly situated.

However, in the Internet age, location is not just a physical storefront or office; it is also a URL accessible instantaneously to anyone on the planet who has Internet access. And electronic-commerce merchants face the same dilemma as their brick-and-mortar counterparts: They need to drive traffic to their stores and get customers to buy once they are there.

Once a virtual store is laid out and user friendly, ensuring customers can make purchases efficiently and safely tops the priority list. Authorize.Net, Cybersource Corp.'s payment gateway provider, started helping small businesses move their products online just as e-commerce was gaining steam in the 1990s.

Since then, the company has expanded to a variety of payment scenarios, all of which go through the Authorize.Net gateway.

Filling a need

Jeff Knowles, founder of Authorize.Net and several other payment solution companies, started out as an ISO for Card Services International. According to John Bodine, Vice President, Small Business at Authorize.Net, many of the merchants Knowles called on in his Utah region in the mid 1990s wanted to know how they could either move their businesses online or supplement their brick-and-mortar locations with online stores.

Bodine said Knowles "designed and built a virtual terminal to take transactions electronically over that Web in a non-face-to-face environment." Knowles started Authorize.Net in his garage, writing the code himself. "He had some background in engineering and he literally worked night and day as a side job putting that together," Bodine added. Authorize.Net's goal was to capitalize on the power of the Internet as a sales engine and provide merchants the full gamut of payment solutions so consumers, in turn, "could feel comfortable and secure in using those in a non-face-to-face environment," Bodine said.

Authorize.Net has been acquired four times. When it was bought by Go2net Inc. in 2000, Knowles moved on to other endeavors. In 2007, Authorize.Net was acquired by Cybersource Corp.

Expanding the offerings

"One-hundred percent of the payments that we process are Web-based, meaning that they are somehow connected to us through an IP, or an Internet Protocol, structure," Bodine said. "We have retail merchants; we have tens of thousands of them. We have strictly online merchants. We have MO/TO merchants. We have mobile merchants."

Company Profile

Most of the transactions Authorize.Net processes are e-commerce. One of the company's biggest customers is New York City, which is converting most of its parking meters to solar-based, wireless payment terminals.

"There's hundreds of different ways that merchants are connecting to us," Bodine said. In addition to handling credit, debit, automated clearing house (ACH) and other traditional transactions, Authorize.Net always has an eye out for "additional payments and service solutions," he added. Authorize.Net is now considering adding alternative payment option BillMeLater.

"We have an open integration environment," Bodine said. "So the ability to connect to us is open to any type of solution provider that's out there who wants to integrate payment solutions with their own internal solution. We know payments. We do it securely. We do it compliantly. We're going to be doing it in a reliable way. [The ISOs] just connect that platform to us and we can then offer that to merchants.

"That will continue to be our model: to support the cutting edge of technology that other people are putting together. They just don't want to do the payment portion ... and that's where we are successful."

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Bodine said merchants can comfortably use cutting-edge applications, such as Inner Fence LLC's i-Phone payment gateway, knowing the back-end support is provided by Authorize.Net.

Building on bedrock

Authorize.Net has over 230,000 active merchants on its platform. According to Bodine, it processed hundreds of millions of transactions worth tens of billions of dollars in 2008.

"Thankfully we've been able to invest in the infrastructure and the architecture to build a scalable and reliable and secure processing platform," Bodine said. "It's all about staying in front of the trends and giving both our distribution partners – our resellers, those ISOs – and the merchants the tools that make them successful."

Bodine said the economy and high-profile data breaches have caused many smaller merchant service providers (MSPs) to rethink doing their own gateways. He also pointed out that Authorize.Net hit the market right when e-commerce was gaining traction.

"We provided a very simplified way for our merchants to get online and start taking payments," he said. "I think it would be nearly impossible to enter this market as a payment gateway today, just due to those complexities and the expenses associated with building such a solid transaction platform."

Welcoming ISOs

"Focusing our core efforts on the ISO community has paid off in spades for us and has benefited the Authorize.Net business," Bodine said. "But moreso, it's given us a chance to be involved in the success not only of the individual ISOs but on a merchant by merchant level as well."

ISOs are attracted to the Authorize.Net and Cybersource names, Bodine said. "We are considered the top and preferred brand out there," he said. "I think it came from supporting the ISO community from day one. ... We have a channel team that's dedicated to not only signing new resellers, but taking them through the process of getting trained and educated on Authorize.Net." The company also has a reseller toolkit for new resellers. "Everything that we do is really geared to support that ISO and MSP [merchant service provider] community, so any marketing effort that you see from us is centered and focused in that area," Bodine said.

David Schwartz, Director of Marketing at Authorize.Net, said the company doesn't do any outbound lead generation marketing for new merchants so as not to compete with its ISOs. The only marketing directed at the merchant is to introduce value-added services to its existing merchant base. "But the thing is that when the merchant signs up for a value-added service we have a revenue

share with the ISO whether the ISO had any involvement in that merchant signing up for that value-added service or not," Schwartz said.

Value-added services offered by Authorize.Net include a fraud detection suite, recurring billing, a customer information manager and simplified payment methods. The company also partners with ancillary service providers to compliment its own offerings.

Authorize.Net has a Web site for its resellers (<http://reseller.authorize.net/>) where it provides training information, notice of tradeshow at which the company will have a presence, archived newsletters and other items, Schwartz said.

Growing through experience

Bodine was on the board of Authorize.Net in the late 1990s before it was incorporated. He said the education he received by being involved in a small, bootstrapping startup as it grew into a publicly held company was uniquely rewarding.

Schwartz, who came on board six-and-a-half years ago when the company had only 72,000 merchants, said, "I feel very fortunate to have been able to come along for the ride and participate in the ride. It's not often that you get the opportunity to work for a company that experiences the type of growth that we've had."

Bruce Frymire, Director of Corporate Communications for Cybersource, said during his first year with the company there would be a "big internal announcement when we had a million transaction day and now ... during the peak period in Q4 [2008], we had 8-million transaction days, 7-million transaction days. Common were five and six. And it's just been stunning to see that kind of development."

Bodine added that Cybersource processed one in every four dollars that went through e-commerce in the United States, based on its 2008 processing volume.

When Authorize.Net began selling its payment gateway, "we had to educate resellers as to what it was all about," Bodine recalled

"We had to help resellers educate their merchants. ... From the early days, I felt like we did as much training and education to get people to understand the process involved and how it worked as we did anything else.

"Over the years, not only have merchants become more savvy, but it's pushed the ISO and the MSP community to also become more educated because they're coming in the door with so many good questions, or they already know how they want to build their business model online or to take advantage of an IP infrastructure, and they want to know how the reseller can provide those solutions and services to them."

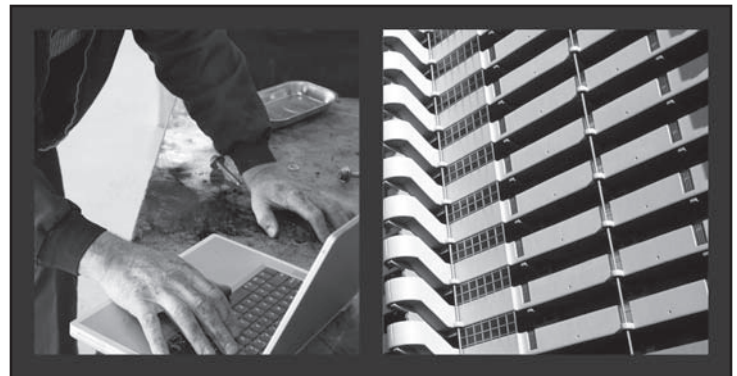
Thriving no matter what

Bodine said Authorize.Net takes "compliance very seriously because one breach or one security mishap would bring the potential of the whole platform coming down."

The company has internal security and audit teams, a back-up data center and a redundant geographic data center. Merchants "can go to sleep at night knowing that they're being watched over and protected by Cybersource and Authorize.Net," he said.

Bodine added that he could see the "regulatory nature of the business get more and more confined and more and more strict." But neither new legislation and regulation nor the state of the economy are scaring Authorize.Net, which continues to "be bullish on the growth and opportunity of e-commerce," he said.

"We see e-commerce as a bright spot of economic news, and in my PR efforts, I've been attempting to move that out, but right now the media is still very focused on the negative issues," Frymire said. "They don't want to really hear about any bright spots. But there's no question, in our minds at least, that e-commerce represents a very, very solid business opportunity going forward, no matter what the economic news right now." 



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Jeff Fortney
Vice President, ISO Channel Sales
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E-mail: jeff@clearent.com

Company address:

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314-732-0515
Fax: 972-784-4185
Web site: www.clearent.com

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Filling the payment void

When Dan Geraty, Chief Executive Officer of payment processor Clearent LLC, founded the company in 2005, he wanted to provide products and services he felt were missing in the payments industry. It was clear to him that ISOs, financial institutions and merchants could benefit from a partner that had the capability to provide solutions tailored to their processing requirements.

"As everyone knows, data is getting more valuable every day, and legacy systems just don't do a good job of providing the information ISOs need to run their businesses," Geraty said. "In addition, some of the legacy processing systems are notoriously difficult to work with. We wanted to focus on more user-friendly interfaces that reduced training time and presented data in easy-to-interpret dashboard settings."

Geraty felt there was no payment processing system designed specifically for the ISO market. To remedy what he believed to be a void in the industry, Clearent built a back-end payment processing platform from scratch that focused on the needs of Clearent's ISO and merchant level salesperson (MLS) partners. And in 2008, the company's back-end system was certified by Visa Inc. and MasterCard Worldwide.

Better control

Clearent's proprietary platform is designed to facilitate more efficient merchant settlement and easy-to-understand reporting. The company's ISOs and merchants have better control over settlement funding and Payment Card Industry (PCI) Data Security Standard (DSS) compliance

issues because Clearent built its platform around the PCI DSS.

Many companies that develop platforms ultimately need to be retrofitted to "get up to speed with PCI," he said.

"This wasn't an easy process, but it truly validated the importance and capabilities of Clearent's technology," Geraty noted. "And we're proud because the number of companies that have received this type of certification in the past 20 years can be counted in the single digits. Our payment engine does the qualification, the billing and the settlement directly now with Visa and MasterCard.

"What is most important about this to the ISO and MLS community is that it enables greatly improved – specifically faster and more accurate – residual reporting and payments, as well as business management tools to make sure merchants are priced correctly and are providing a profitable situation to the ISO and MLS. Additionally, it increases the transparency and clarity of all data that our ISOs and MLSs receive."

Compass direction

Geraty considers Clearent a "generalist" in that it offers value-added services to its ISOs. The company provides in-depth, useful information through an online merchant management tool called Compass.

Compass is presented in a "dashboard" format that helps ISOs and MLSs quickly identify both at-risk and low-profit merchants, giving service providers the ability to find which merchants are gaining transaction volume or have potentially

Company Profile

"We provide as much information to our ISOs as possible, which allows them to deal with issues independent of us but also enables them to answer those questions for their merchants. Our processes are simply designed to be easy to use and fast, with no hassle. Everything we have built in-house has been with our ISO community in mind."

- Dan Geraty, Chief Executive Officer, Clearent LLC

stopped processing altogether. For Clearent, developing and implementing the Compass management tool is all about access to data and being able to easily interpret that information. Compass is unique in that it provides what the company calls "snapshots" of merchants that are immediately useable, Geraty said. For Clearent, it is the difference between reading the box score of a baseball game and being actively involved in managing the game, he said.

"One way we keep merchants sticky is through our Compass online merchant reporting and the merchant statements we generate that are much clearer than the average statement," said Jeff Fortney, Clearent's Vice

President, ISO Sales Channel. "What we've done is design and create a residual report that doesn't come via an Excel spreadsheet in an e-mail, but it's online and easily accessible.

"They can view the dashboard reports in real-time on their merchant revenues and from any time frame. With Compass there is complete transparency. And our ISOs love it because they're not taking time away from sales to analyze residual reporting; they can simply access their merchant account wherever they can log onto the Internet. It makes it easy to see where they are making money and where they might have to re-price a merchant."

Unique partnerships

The company also offers a comprehensive suite of payment solutions including credit and debit cards, gift and prepaid cards, check processing, e-commerce, electronic benefits transfer, and POS equipment sales and leasing.

Clearent considers itself unique in that it is not a vendor to its ISOs but a true partner that works with each ISO's specialty, Geraty said. The company's channel partners have diverse customer bases and portfolio accounts that include government agencies, brick-and-mortar and e-commerce retailers, restaurants, educational entities, petroleum companies, convenience stores, hospitality and lodging businesses, and MO/TO merchants.

"We primarily respond to requests for specialization in a vertical that would come to us through one of our partners," Geraty said. "So when a partner brings us an opportunity to go into a vertical together, then we'll take a look at what it might take to help them succeed from a systems, training and education standpoint. Sometimes we'll even hire additional people that have a real knowledge base about that vertical in order to support our partners' efforts.

"We feel that we present back the kind of information that our partners can use to run their businesses more efficiently and really analyze their profitability on a merchant-by-merchant or transaction-by-transaction basis. So the merchant management tool and the statements we provide are branded by us, which provides a great value-added sales opportunity for our ISOs."

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Company Profile

Priority - education

Geraty said Clearent has also rolled out a new PCI DSS compliance program for its merchants, and the key to its success is education. The company doesn't believe in charging merchants fees to offset compliance risks, as many other processors are wont to do, according to Geraty. "Adding fees that promise to eliminate PCI risk isn't addressing the real issue of educating merchants and safeguarding consumer confidence in the card payment system," he said.

To that end, Clearent is introducing a compliance program that merchants can participate in at no cost to them, Geraty added. "Regardless of the merchant's size, it's most important to us that we do whatever it takes to protect their business without picking their pockets," he said. "Our Web-based program is all about teaching merchants on the different elements of compliance, the risks they face and what they need to do to get compliant if they currently are not."

In addition to Clearent's reporting management service, the company offers a Merchant's Home Page that answers merchants' questions. Geraty said that when Clearent implemented the Home Page, queries from merchants about billing dropped 33 percent.

Going home

"We provide as much information to our ISOs as possible, which allows them to deal with issues independent of us but also enables them to answer those questions for their merchants," Geraty said. "Our processes are simply designed to be easy to use and fast, with no hassle. Everything we have built in-house has been with our ISO community in mind."


"More than half of our organization is staffed with IT [information technology] experts to deal specifically with any potential problems or issues. We work very hard to identify our clients specific and often unique needs. And by doing this, we can better understand what they need to reach the level of success they are striving for."

As a result, Clearent has developed long-term relationships that are based on unconditional support, Geraty said. "What we strive for is to avoid having our clients getting involved with another vendor relationship; we provide them with everything they need," he said.

Common aspirations

Building relationships with its ISOs partners is the foundation of Clearent's sales and marketing philosophies, and the company looks for people who are fully committed to their businesses as well as to the payments industry, Geraty said. "We'll support people working in any vertical, but they really have to have a good business plan and a solid knowledge base of what it takes to be successful," he said. "They have to have aspirations for growth that match our own."

Geraty feels that what makes Clearent stand out among other processors is its staff, procedures and technology. The company coaches its staff to become trusted advisors who focus on service to help ISOs stay successful and maintain steady revenue growth.

"We've assembled a board of directors that is really focused on success, that knows the industry cold," Geraty said. "And I think the key here is that we have to listen to what needs are not being met by whoever the ISO or MLS is currently working with and then find out if we can solve their problems. It really comes down to efficiency and quick turnaround times, so from a processing standpoint we strive to make it as easy as possible for our partners to work with us." 

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Interchange in federal sights - again

Retailers may have lost the battle over interchange when they failed to convince the U.S. Congress to add strong language about interchange to the Credit Card Accountability, Responsibility and Disclosure Act of 2009 (Credit CARD act), which was signed into law in May. But they haven't given up the fight.

The Credit Card Fair Trade Act, HR 2695, was introduced June 4, 2009, by Rep. John Conyers, D-Mich., who is Chairman of the House Judiciary Committee.

The proposed bill would create a special exemption from federal anti-trust law so retailers could negotiate "access" to electronic payment systems en masse.

The bargaining table

HR 2695, which closely mirrors legislation approved by the House Judiciary Committee in 2008 but didn't progress further, would allow for a limited number of parties around the negotiating table, as follows:

1. A representative of one of the 10 largest issuers, in terms of number of cards issued
2. Someone representing one of the 10 largest acquirers, in terms of number of merchants served
3. An executive from one of the 10 largest merchants, based on the total value of card payments accepted the previous year
4. Someone from the U.S. Department of Justice

Acquirers, issuers and merchants would each have to provide itemized lists of costs incurred in providing or using card acceptance services the previous year.

A lose-lose proposition

Mallory Duncan, Senior Vice President and General Counsel at the National Retail Federation, said that in the wake of the Credit CARD act, the Conyers bill creates "the perfect storm" for congressional action on interchange. And he raised the specter of the economy, arguing "consumers can't continue to pay artificially inflated prices just so the credit card industry can skim profits off the top."

Edward Yingling, President and Chief Executive Officer of the American Bankers Association disagreed. Interchange serves an important purpose, and retailers just want to get out of paying their fair share, he said. "The bill introduced today represents an effort by the merchant community to have the government interfere with the payment system so that they can reduce their cost of doing business," Yingling said in a June 4 statement. "It's clear that giant

retailers want to pocket interchange revenue *and* continue to receive the added convenience and protection payment cards provide."

HR 2695 has not yet been scheduled for public hearings. Some Washington insiders suggest it is mostly symbolic because both retailers and banks are key constituencies that lawmakers aren't eager to alienate, especially in the current economy. And any way you cut it, one of those constituencies loses with interchange legislation. **CS**

Will Merrick's lawsuit affect PCI auditors?

Merrick Bank Corp. filed suit on May 12, 2008, against Savvis Inc. (formerly Savvis Communications Corp.), alleging negligence and negligent misrepresentation in 2004 when Savvis certified that Merrick's processor, CardSystems Solutions Inc., was compliant with the Card Information Security Program (CISP), then the prevailing payments industry data security standard. CardSystems was subsequently breached.

CISP was instituted by Visa U.S.A. (now Visa Inc.) and



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News

"There may be a question of whether the auditor owed a duty of care to Merrick here or just a duty of care to CardSystems. And I don't know if that will be an issue here or not."

- Attorney Theodore Monroe

was a precursor to today's Payment Card Industry (PCI) Data Security Standard (DSS).

In the complaint – filed in the United States District Court, Eastern District of Missouri, Eastern Division – Merrick declares it incurred \$16 million in damages in the form of payments and assessments to Visa and MasterCard International (now MasterCard Worldwide) and related legal fees.

Following is a timeline of alleged events in the case:

- **December 2003:** Cable & Wireless Inc. submitted a report on compliance (ROC) for CardSystems Solutions Inc., which was not accepted by Visa.
- **January 2004:** Merrick entered into a processing agreement with CardSystems pending CardSystems' compliance with the CISP.
- **January 2004:** Merrick entered into negotiations

with another acquiring bank (not named in the complaint) to acquire 10 to 15 ISO relationships, most of which processed through CardSystems.

- **January 2004:** Savvis Inc., which had purchased Cable & Wireless in January 2004, agreed to provide Merrick Bank with an ROC.
- **April 2004:** Merrick agreed to the terms of the ISO acquisition but deferred execution until after CardSystems' CISP certification.
- **June 2004:** Savvis issued an ROC to CardSystems and Visa, recommending Visa certify Card Systems, which Visa subsequently did.
- **July 2004:** Merrick signed a final agreement with CardSystems, with whom it had been negotiating.
- **May 2005:** CardSystems notified Merrick of a breach in CardSystems' security.

According to Attorney Theodore Monroe, who specializes

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in the payments industry, the case centers on whether Savvis, through its contract with CardSystems, is liable for damages incurred by a third party (Merrick).

"There may be a question of whether the auditor owed a duty of care to Merrick here or just a duty of care to CardSystems," Monroe said. "And I don't know if that will be an issue here or not."

"The issue that Savvis will likely bring up is that the duty of care does not extend beyond CardSystems."

The allegations

According to the complaint, Visa certified Savvis as a CISP auditor. The complaint further alleges the following:

- Savvis gave CardSystems a passing grade which Visa accepted.
- Visa, in turn, certified CardSystems' CISP compliant.
- Merrick, relying on the integrity of the regulatory system and the accuracy of the report, entered into an agreement with a processor it thought to be secure.

The complaint also claims that after the breach, a forensic investigation found the processor to have been noncompliant during the time it was certified CISP-compliant by Savvis. Specifically, the complaint asserts the following:

- Firewalls were not compliant.
- Card transaction data was retained improperly.
- Card transaction data was unencrypted.

The suit also alleges the forensic investigation discovered CardSystems had been "improperly and continuously storing unencrypted card transaction data on its servers for over five years."

The first count of alleged negligence reads, "Savvis provided the ROC to Visa knowing and intending that Visa would provide the ROC and its recommendation of 'full compliance' with CISP to banks, like Merrick, then considering a direct contractual relationship with CardSystems and that Visa and such banks would rely thereon."

The second count, negligent misrepresentation, asserts that the ROC was false and misleading. "Savvis failed to use reasonable care and competence in representing that CardSystems was CISP compliant when in fact it was not," the complaint stated.

Aftershocks

Monroe said that if Merrick wins the suit, the card companies will probably make the process of conducting an audit more rigorous, and that may thin out the number of certified auditors.

"Any time you have an auditor, whether it's a financial auditor or an auditor in this context, you've got to be concerned about the auditors just going out there rubber-stamping the client and taking their check," Monroe said. "And I think that's the long-term concern here. You don't want the auditors attesting for things that they haven't done."

Monroe believes if the ruling goes against Merrick, acquiring banks entering into relationships with processors will ask for third-party beneficiary rights. That will give the banks the same right to sue in the event of a breach. ☒

Respect sought for MLSs

Steven Vanderford, founder of American Merchant Services and a 15-year payments industry veteran, is concerned about the survival of the merchant level salesperson (MLS). According to Vanderford, MLSs, specifically 1099 agents, are never mentioned, described or articulated as a viable entity in the contracts that Visa Inc. and MasterCard Worldwide sign with ISOs.



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"The fact is that our residual streams could be cut off at any time by any ISO, and there is absolutely zero language or contractual obligations to protect the MLS," Vanderford said. "Lately there has been a rash of ISO failures, and the first thing that happens when these ISOs go belly up is nonpayment of residuals to their MLSs. It's happening all the time and there are no safeguards against it. The brands don't recognize us as a separate body from ISOs."

Confident of impact

In an effort to gain greater recognition by the card brands, Vanderford and a handful of payment professionals started the Association of Bankcard Professionals in May 2009. The organization is dedicated to establishing stronger legal rights and greater unity for the feet on the street. Vanderford believes MLSs have voiced little concern over these issues, not so much from fear of retribution by their ISOs, but because they are ill-informed.

"Once these ISOs develop the accounts of the merchants the MLSs have signed, there is no portability, which means that, technically and legally, that agent cannot take that account and go to another processor because it now belongs to that ISO," Vanderford said. "Additionally, an ISO can leverage that revenue stream against a loan, and they're doing it all over the place right now."


However, the problem is that after merchants are boarded, it's the performance of the ISO and not the merchant or the MLS that dictates whether that revenue stream stays intact. "If the ISO does not pay back the loan borrowed against that revenue stream, the lender then takes that account and now owns those residuals. What I would like to see are regulations that make it more difficult for an ISO to resurface should they not pay."

The ABP's intention is to provide a resource where comprehensive educational and training materials are available to MLSs. Vanderford feels that without a central, supportive organization for MLSs to safeguard their interests, the payments industry could lose a significant number of talented sales professionals to other industries.

Invitation to the party

"Historically you had to learn by hard knocks, and then you're at the mercy of whether or not your ISO is ethical," Vanderford said. "Some ISOs are in the realm of being disingenuous, and there are more out there than should be. And to exacerbate the situation, all rules and contract language are enforced solely through Visa and MasterCard. They're the judge and jury, and they are currently not aligned with the distinct needs of the unrepresented MLS."

To get the ABP going while the organization completes its Web site, Vanderford created a forum on the social networking site Facebook for "like-minded" professionals from all sectors of the industry, not just MLSs. "We ultimately hope to be invited to sit down with Visa and MasterCard, as the ISOs and processors are now," Vanderford said. "But in the meantime it's important to work together to achieve our goals ethically.

"I am certainly not against regulation in any form so long as the MLS benefits from those regulations. All the ABP wants is to enjoy a harmonious and respectful relationship with all players in the payments sphere." For additional information, contact Vanderford at newagent@mlsrecognition.com. 

Pulse touts positive debit trends

The fourth and latest installment of the Debit Issuer Study shows an increase in overall debit transactions in 2008, as well as an increase in PIN debit transactions and a decrease in fraud loss rates. The 2009 study was commissioned by Discover Financial Services' Pulse network and conducted by Oliver Wyman Group.

The research revealed overall debit transaction growth of 8 percent in the second half of 2008. The greatest increase was seen in PIN debit: 15 percent, as opposed to 4 percent for signature debit. Issuers participating in the survey projected 7 percent growth in both PIN and signature debit in 2009.

"Americans are turning toward PIN-based debit, and they've been forced to do so by the retailers," said Steve Eazell, Director, National Sales and Marketing at Secure Payment Systems Inc. He added that consumers don't care which type of debit they use "because they think the money's coming out of the accounts instantaneously anyway."

More debit data

The study, which surveyed 73 financial institutions of varying sizes, also showed that 27 percent of all 2008 debit transactions were under \$10. Cindy Ballard, Pulse Executive Vice President, stated, "In most cases these transactions are replacing cash, highlighting a clear consumer preference for electronic payments." The study also revealed the following data for 2008 (compared with the previous year):


- Debit card penetration remained at 73 percent.
- Debit card issuers offering debit rewards programs rose to 53 percent.
- Issuers offering mobile banking increased to 37 percent, up from 15 percent.

- Debit fraud loss at the POS decreased from \$.19 to \$.15 per card for PIN transactions, and \$1.92 to \$1.81 per card with signature debit.

Rewarding signatures

Regarding the increase in debit rewards, Mark Landis, President of Metro Merchant Services, said his bank was encouraging its customers to use signature debit because the bank "makes more interchange on a signed off-line debit than a PIN online debit.

"The interchange is much greater and that's how [the banks] can pay the rewards for the check card," Landis said. "They can't pull rewards out of a PIN transaction. There's not much money there. We just went through an increase [on PIN debit] but there's still less money for the issuers on PIN debit transactions."

Eazell said, "I think that [issuers are] going to figure out ways that they can utilize that. It's a less expensive transaction, so everybody benefits really. Issuers want to incent them. ... I think you're going to see more incentives in that particular area. I think that rewards cards are effective. It's a different type of rewards program, though. There's not enough revenue in it for the issuers to be able to offer the same level of rewards that they could with the credit cards." 



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Mobile payments from page 1

NFC pilot programs, which have taken place in locations around the world, have reportedly proven the viability of proximity payments.

One such pilot occurred in the San Francisco Bay Area, where First Data Corp. partnered with the San Francisco Bay Area Rapid Transit District (BART), Sprint Nextel Corp. and Jack in the Box Inc. to gauge consumer behavior with mobile payments.

First Data reported that over the four-month trial, 230 users employed the NFC-enabled phones 50 times on average per individual to pay for BART fares and Jack in the Box meals. And participants averaged five reloads on their accounts using their phones' over-the-air reload feature. The trial suggested to First Data that the technology worked and the participants were satisfied with the experience.

Chris Cox, Vice President, Mobile Commerce Solutions at First Data, said that to roll out proximity payments en masse, mobile network operators must make NFC-enabled handsets widely available and merchants must upgrade their card readers to accept contactless payments.

"The connection between contactless payments and mobile payments is the point-of-sale infrastructure," he said. "Those same readers are going to be what enables mobile payments."

On the up-and-up

But getting merchants to upgrade has been a tough sell to date. Visa Inc., with its payWave system, and MasterCard Worldwide, with PayPass, have not caught on significantly with merchants.

"Visa and MasterCard put a ton of money into [contactless payments]," said Douglas Hardman, founder and Chief Executive Officer at stored-value network provider SparkBase. "At the end of the day, not a lot of places adopted it. "If you're not a big-box [retailer], and you don't have three, five hundred locations, you're realistically not going to have a lot of money to put into a terminal that has a five, six hundred dollar add-on that might save you a tenth of a point on your transaction. It's really just not worth it."

While the price of upgrading was evidently too high, consumers are not clamoring to use radio frequency identification- (RFID) enabled smart cards either. What finally may spur merchants to upgrade their terminals is the desire by consumers to pay with their mobile phones.

"That's exactly what we think will happen eventually," Cox said. "The appeal of mobile commerce is the convenience. ... The convenience of mobile commerce is going to drive consumer requests, which will hopefully start to accelerate merchant adoption."

On the go

The other main branch of mobile payments is merchant-initiated. Mobile merchants are always on the go: plumbers, door-to-door salesmen, landscapers, taxi drivers and pool cleaners, for example. They employ standalone handheld POS terminals or mobile phones hybridized to accept plastic.

But phones that double as POS terminals have drawbacks. "If you're making me spend six hundred bucks on a cell phone that also has a card swiper on the side, you're cramming a payment application in a cell phone," Hardman said.

A new, more elegant solution may be a payment application downloadable from a Web site, such as the increasingly popular App Store for Apple Inc's iPhone. Yamamura said Apple's store contains over 25,000 separate applications, from an application that stores medical histories on mobile devices to a program that turns handhelds into levels to hang pictures straightly.

One payment application now offered at the App Store is Merchant Warehouse's Capital Bankcard Mobile, which turns iPhones into virtual POS terminals that process credit card transactions in real time. Merchants down-



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load the free app, establish merchant accounts with Capital Bankcard (a registered brand name of Merchant Warehouse) and connect to wireless phone networks to accept plastic while conducting business on the road.

"A merchant doesn't need a second piece of hardware now that is only capable of credit card payments," said Henry Helgeson, President and co-CEO of Merchant Warehouse. "You can take something that you already have in your pocket and use that to process payments and no longer need the stand-alone device."

According to Helgeson, payment app downloads make ISOs' lives easier. "Now we only have to deal with software, not hardware," he said. "[In] the old terminals, there was a software component in the hardware itself, and now we're just dealing with the software."

ISOs can leverage payment apps to board mobile merchants. "There are a lot of merchants out there that were too small to be able to justify the mobile terminals, or maybe the process of keying it into a virtual terminal at home was a little bit cumbersome," Helgeson said. "And now we're opening it up to these merchants who traditionally only would take cash, or maybe some of them would take checks."

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However, mobile payment through the iPhone has a few downsides. Since the devices are not equipped with PIN pads, merchants cannot take advantage of the lower interchange rates for PIN debit transactions. Therefore, debit cards are processed as credit card transactions on iPhones, resulting in higher interchange costs for merchants.

Additionally, merchants are subject to the higher keyed-in interchange rate as opposed to the lower swiped rate.

On the fly

According to Theodore Svoronos, E-Commerce Consultant and Certified Fraud Examiner with Group ISO Inc., the first functional mobile wallets for consumer-initiated payments became available in the Asia-Pacific region around the year 2000. Thus, Svoronos believes the United States is three to five years behind countries like Japan and South Korea in mobile-payment technology and availability.

In Asia-Pacific countries, consumers use mobile wallets primarily for micropayments – small-value purchases for such things as ringtones and vending machine items like candy and soda, Svoronos said. But making larger purchases using mobile payments may be problematic. "Can you see yourself making a purchase in the vicinity of \$500 off your mobile wallet?" Svoronos said. "I would have a difficult time saying that I'd like to purchase this watch and like to buy it off of my mobile wallet. I don't know. I'm not very comfortable with it."

"If I can use my phone to purchase a candy bar, I can control it. I'm comfortable with a small purchase on a new methodology." Svoronos thus believes consumers would reach for cell phones to purchase "hotdogs at a ballgame, lunch at a corner café, taxi rides," and other "small ticket, day-to-day" items.

On top of

Many ancillary services can piggyback on a mobile payment application, including money transfers, bill payment and text messaging. This marriage of additional features to the basic payment function is what seems particularly to pique the interest of payments industry professionals. The total package of features and functions transforms the mobile phone into its own payment ecosystem, creating a compelling form of mobile commerce.

"Mobile payments is exactly what it is – a payment," said George Peabody, Director, Emerging Technologies Advisory Service at payment consultancy Mercator Advisory Group. "But mobile commerce can include things like REI [Recreational Equipment Inc.] with the iPhone application that provides the downloader with instant ski condition reports from 2,500 ski resorts around the world," he added. "It comes with an invitation to visit the REI store. ... *That's* mobile commerce."

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Peabody pointed out. Texting has become ubiquitous. Yamamura said 85 percent of all mobile users text message on a daily basis.

"When have you ever got a text message you didn't look at?" Hardman said.

"That's what I tell people. Here's an example. My wife was literally in labor. I got a text message and I looked at it. No, I didn't get a discount. I wish. There was my Mom in the lobby, 'Is he born yet? How are you guys doing?' But I looked at the darn text message in the labor room." Accomplished with simple message service technology, text messaging has become an effective, if not invaluable, way for businesses to communicate with their patrons.

"Now Ed's Ice Cream store is having a slow day," Hardman said. "He hits a button; he can let a thousand know that he's got chocolate ice cream on sale today. How cool is it for a small mom-and-pop shop to be able to reach out to 100 cardholders instantly. And reach them and get a return on investment. It cost them two bucks to send 100 text messages."

Up and over

While mobile commerce holds great value for merchants and consumers in the United States, many both inside and outside the payments industry see the global potential for mobile commerce to improve peoples' lives. Yamamura is intrigued at how mobile payment ecosystems are evolving in third world countries.

A remote village in Africa may have no landline infrastructure, and yet a farmer can go to the village kiosk, buy a prepaid phone card and give the card to the kiosk operator in exchange for the operator sending funds via mobile money transfer to the farmer's sister living in another village, Yamamura said. "They are naturally creating payment ecosystems to create an infrastructure that allows them to barter and trade and sell goods and to use the current prepaid minutes as a traditional, common form of currency," he noted.

A report from international management consulting firm Arthur D. Little predicts mobile payment adoption in the developing world will drive the global mobile payments market, with worldwide transaction volumes hitting \$250 billion by 2012.

The Bill & Melinda Gates Foundation recognizes an opportunity to raise the living standards of the poor in Africa and Asia through mobile payments. The foundation, backed by Microsoft Corp. founder and billionaire philanthropist Bill Gates, made a \$12.5 million grant to the Mobile Money for the Unbanked program in February 2009 as part of the foundation's Financial Services for the Poor initiative.

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Hold on

Despite the positive economic and social potential of mobile payments, Svoronos cautions the payments industry against a full-throttle, gung-ho approach.

"E-commerce for the most part is still in its infancy," he said. "So, 15, 20 years? I'm still saying it's a toddler. We haven't explored nor secured it to the point where people are actually doing their banking and purchasing online as they should be. Only a fraction of folks are actually using it." Svoronos pointed out that online banking is utilized by a paltry 5 percent of computer users, and only 45 percent purchase online.

"Here comes, for all intents and purposes, e-commerce's brother – m-commerce," he said. "Well, wait, we haven't got the kinks out of e-commerce yet, and all of a sudden we're going to adapt a new payment technology?" Before rolling out mobile payments on a grand scale, Svoronos wants to see the usage of online purchasing – as well as online banking and bill pay – substantially increase. That would signal that consumers were confident about the security of those payments.

However, a February 2009 Javelin Research report stated the instances of identity fraud in the United States jumped 22 percent in 2008, with 9.9 million adults affected.

"I'd love global e-commerce to pick up, identity theft and fraud security issues to slow down, love to see a nice twist in that market, or at least a plateau," Svoronos said. "Once that happens, we can look at what we've done in e-commerce ... and extrapolate that out and push that down onto the phone, which would give us the same level of confidence, security and usability for the phone as well."

Svoronos also listed other important issues that must also be addressed:

- What entities will fill the role of facilitating and managing the relationships between mobile network operators on one end and service providers on the other?
- Who will set the risk tolerance levels for dollar amounts on mobile transactions?
- And where do you cap mobile payments? At \$100? At \$1,000?

Estimates vary as to how long it will take before mobile payments arrive as a mainstream form of commerce in the United States and elsewhere. Some say it may take two years; others say it may take as many as 10. But if a methodical and carefully planned approach trumps a headfirst plunge, a few extra years seems a small price to pay to change the world for the better. ☞

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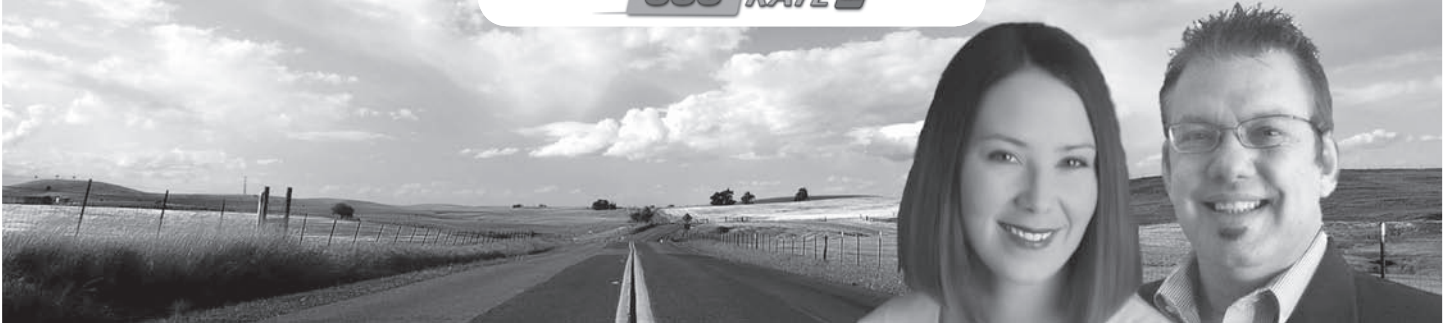
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Education

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Raising the networking bar

By Jon Perry and Vanessa Lang

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A few weeks ago, we went to a hard rock concert to see one of Vanessa's favorite groups. I would have rather stuck my hand in a blender. However, there are those occasions where, for the benefit of those we care about and love, we suck it up, put on a smile and go.

This was a general admission concert, so everyone had to stand. The concert started at 7 p.m.; doors opened at 6 p.m. Vanessa said we would leave for the event between 4 and 4:30 p.m. so we could stand in line to get a great view.

The preparation

Vanessa was excited. Over a period of 40 minutes, she tried on four outfits. Her hair was fixed perfectly. Makeup wasn't just makeup; it was now artwork. Like many guys, I was ready in seven minutes, and that included the shower. Nascar pit crews would have been proud.

Then I had a horrible flashback of my youth. Remember as a small child when you were going somewhere special, maybe to visit relatives you hadn't seen in a long time? Your mother told you to get dressed.

You put on your favorite jeans and shirt. You were waiting to leave; then your mom focused on you like a missile and said, "You're not wearing that, are you?" You knew it wasn't a question; it was really a statement.

My proud seven minutes of preparation came to a crashing halt by that same question, "You're not wearing that, are you?" Vanessa had me try on three shirts. Even my jeans weren't the ones she wanted me to wear. I thought, "Jeans are jeans." Nope.

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Not when you're going to your wife's favorite group's concert. It was so reminiscent of my youth; the only thing missing was Vanessa licking her fingertips to put a cowlick down on top of my head.

The wait

We pulled up to the venue at 5:30 p.m. The line was 30 to 50 yards long. Vanessa yelled, "Stop the car!" My heart was in my throat. Did I just hit a pedestrian?

No. She threw me my ticket and instructed me to park the car. She was going to get in line in hopes of getting that great view.

Like so many men today, I didn't have a dime in my pocket. Parking was \$10. So, I was off on a mission to find an ATM. Twenty minutes later, I parked the car and walked back to the venue. The line was now three city blocks long.

People around me were casually talking. I heard them say there were two warm-up bands. Vanessa's favorite group wouldn't be on until 10 p.m. It was barely 6 p.m.; there was no hope of getting out of there before midnight.

Nevertheless, I knew this was important to Vanessa, so I kept a smile on my face and a positive attitude.

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StreetSmarts

Finally, the doors opened, and we found a great spot where Vanessa could sit comfortably on the intersecting corner of a very stout railing. A pub table was nearby, and one of the five bars was 15 feet away.

The payoff

It grew crowded. I began talking to a couple next to us. They had been in business a year and were interested in credit card processing. They wanted me to follow up with them. Twenty minutes later, the concert started. In less than three seconds, the sound level went from murmurs to the roar of an F-18 fighter jet with afterburners on.

Five to seven young women sat on the shoulders of men and frantically waved their arms, aiming to get the attention of the band members on stage.

And when they succeeded, they removed their tops. I began to think perhaps I had been too harsh about attending this concert.

Later I made some observations. Over 65 percent of the attendees were male; I'm male. Over 98 percent were wearing black; I was wearing black.

Almost everyone was Caucasian; I'm white. Ninety five percent were between the ages of 21 and 27; uh, oh, it had been quite a while since I'd outgrown the twenty-something demographic.

However, age, skin color and gender played no role in my being accepted. When you are at an event where the focus is external – on the speaker or entertainment – your most important attributes are what you wear and your attitude.

Whether the event is a play, opera, religious service, movie or concert; you fit in when you mirror what the other participants wear. A positive attitude allows you to communicate more effectively, but only after you have been initially accepted.

The lesson

The majority of us attend events such as annual dinners, banquets, after-hours socials and silent auctions. These gatherings typically set aside time for people to interact in an environment where their focus is on the event itself as well as on other attendees.

Let's say you are at the annual dinner gala for your favorite charity. You meet someone for the first time. Here's how the dialog might go:

Jon: "Hi! My name is Jon. I wanted to introduce myself to you."

Steve: "Pleasure, Jon. My name is Steve."

Jon: "Steve, is this your first time at this event?"

Steve: "Yes it is."

Jon: "What part of town do you live in?"

Steve: "I live in Anywhere, just outside of Nowhere."

Jon: "Interesting. How was the traffic coming in? I understand the road construction is horrible."

Steve: "It wasn't too bad. We left the house early so we wouldn't be late."

It is nothing more than mediocre conversation about the weather, traffic and pet stories seasoned with banality. What if you could raise the bar?

Let's try this one more time.

You are going to the annual dinner gala for your favorite charity. This time you call the event coordinator. You ask, "What is the table number where I'll be seated?" You are told number three. Your next question is, "Who is also seated at that table?"

Using me as the example, you are told Jon Perry. You inquire about Jon's company name and maybe ask for a telephone number. Then, opening your favorite search engine, you type in "Jon Perry" and "Merchant Services."

In three milliseconds it retrieves enough information for you to look like a networking wizard at the gala. Here's how the conversation might go. You are Bill.

Bill: "Jon, pleasure to meet you. My name is Bill. I read your article in *The Green Sheet* about how you started your business." (My name, associated with *The Green Sheet* article was number seven on the search engine result.)

Jon: "Really!"

Bill: "Yes. I understand you speak about business processes and social media. Those are so vitally important to businesses today, especially with the economy."

Jon: "Absolutely."

Bill: "I don't think it is a coincidence that we are seated together this evening. You see, I'm a small-business consultant. You have customers who are in my sweet spot. I wanted to see if there was something we could do together; something mutually rewarding."

The rewards

By taking a few minutes to find out who will be at an event and doing a simple Internet search, you can raise the networking bar 10 notches.

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If between 50 and 100 people are attending an event, it is not feasible to research all or even many of the participants. This doesn't mean you should leave networking to chance.

attendee and guide the conversation to something that may be mutually advantageous. What could have taken three, four or more networking meetings, you now have in one. Instead of passing the time with useless banter, you have begun building deeper relationships.


If between 50 and 100 people are attending an event, it is not feasible to research all or even many of the participants. This doesn't mean you should leave networking to chance.

Rather, as you meet new people, ask them, By any chance are you on LinkedIn or Plaxo? For those who answer affirmatively, write "L" on their business cards for LinkedIn and "P" for Plaxo.

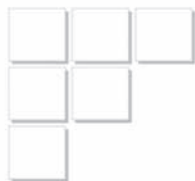
The next day, send bulk invitations to those you met through your LinkedIn and Plaxo accounts. Your message might read as follows: What a terrific annual gala last night. I think everyone was delighted with the money raised by XYZ nonprofit. It was a pleasure meeting you.

I am sending you this e-mail so that our networks may mutually connect. I hope you will join my network.

Now, no matter where these new contacts move, and no matter what new jobs they may aspire to, you will always have their contact information.

We'd like for you to try these techniques. After you do, please post to us at Street Smarts on GS Online's MLS Forum. 

Jon Perry and Vanessa Lang are the owners of 888QuikRate.com, an ISO based in Ft. Worth, Texas, that was named Small Business of the Year by the local newspaper, The Star Telegram. For more information, tweet them at <http://twitter.com/dfwcard>, comment on their blog at <http://merchantservices.cc> or visit their profile at <http://linkedin.com/in/jonperry> or <http://linkedin.com/in/vanessalang> Alternatively, you can contact Jon and Vanessa by phone at 817-857-3557 or by e-mail at jon.perry@888quikrate.com or vanessa.lang@888quikrate.com.



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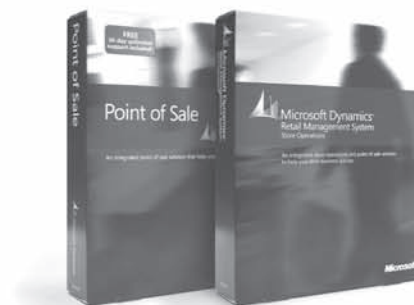
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Education (continued)

Negotiate to get your way

By Vicki M. Daughdrill

Small Business Resources LLC

Did you and a companion decide where to go for dinner last weekend? Did you and your teenager discuss driving rules or curfews? Did you interview for a position recently and discuss salary requirements? Or did you make a presentation to a prospect and close a sale? If you answered yes to any of these questions, you engaged in negotiations.

Are you surprised? According to Merriam-Webster Inc.'s online dictionary, "negotiate" means "to deal with (some matter or affair that requires ability for its successful handling)" or "to arrange for or bring about through conference, discussion, and compromise ..."

Negotiation occurs in all aspects of life, including the commercial, nonprofit, government, education, personal, legal and international relations spheres.

Most of us negotiate daily without recognizing that we are doing so. It may be an uncomplicated negotiation such as where to go for lunch or a complex contract negotiation to close a sale.

Many of us do not anticipate the situations that will require negotiations, and most of us simply don't know how to negotiate well. We did not learn negotiation skills in school. Many people believe negotiation is an intuitive art, and if we didn't get the gist of it in kindergarten, we are destined to be mediocre negotiators, at best, throughout our lives.

However, if you can come to view negotiation as merely something you practice on a daily basis, you can improve your skills and become highly proficient at it, no matter what your background.

Traits of talented negotiators

Good negotiators all exhibit certain characteristics. Following are traits that skilled practitioners of the art share:

- **Great attitude:** Consummate negotiators come to the table with a positive outlook and an expectation of winning.

They understand there are three basics to the negotiation process: preparation, negotiation and closing. They recognize a cooperative attitude can create a cooperative opponent and a smooth resolution to business negotiations.

If you can come to view negotiation as merely something you practice on a daily basis, you can improve your skills and become highly proficient at it, no matter what your background.

- **Open-minded, fair approach:** Skilled negotiators understand that successful negotiations result in a win-win situation for both parties; they realize everything is negotiable, and they must be flexible and willing to compromise to achieve their objectives.
- **Excellent communication ability:** Effective negotiators have exceptional communication skills. They listen actively, have the ability to persuade others, can overcome objections, exhibit an outstanding memory, and can think and respond quickly to issues that arise. They ask questions, restate what they hear and demonstrate an understanding of the situation.
- **Superior organization and attention to detail:** Top-notch negotiators know how to organize their materials and presentations. They determine how much detail to provide in the first offer and how to adapt to desires of the opposite party to make subsequent offers. They evaluate all of their materials to assure they are first rate and accurately reflect the intended offer.

They plan every phase of an offer, detailing an introduction, an offer and a close. They understand exactly where they are willing to end the negotiation and focus on that result throughout the entire process.

- **Focus and ability to be engaged:** The best negotiators focus on the desired outcome, look below the surface to understand objections and remain involved throughout the process.

They do not allow their minds to wander or focus on unimportant things because they know this creates an environment in which they could lose control of the discussion. They explore options and find the proper solution to achieve a win-win resolution.

- **Ability to manage stress:** Premier negotiators recognize stress can be both a positive and negative

Education

factor, and they learn to tap into good stress to remain sharp and alert. They avoid negative stress, knowing it could make them nervous and ineffective by hampering their ability to think logically and cohesively, lessening their capacity to think quickly and overcome objections.

How to improve negotiating skills

An accomplished negotiator understands the three basics to the negotiation process: preparation, negotiation and closing. Following are several actions you can take to prepare for a negotiation. These steps can be used equally well in many contexts: formal and informal, simple and complex, and business and personal.

- Educate yourself about the problem or activity at hand. Learn as much as you can, and be sure to acquire as much information as possible about both sides of the issue.
- Assess any potential leverage you may have, as well as the leverage held by the opposing party. Identify ways to improve your position or minimize the leverage of the other party. Take whatever actions you can to improve your leverage.
- Identify the issues. Are they unique, or have you faced these issues previously? What was the past resolution?


- Determine how, where, when and who will do the actual negotiating.
- Establish a relationship with your opponent. Determine if the negotiation will be cooperative or adversarial, and consider engaging a mediator if necessary.
- If legal counsel, a mediator or some other professional is needed to assist with the negotiation, make sure to procure the necessary services well in advance of the actual negotiation.
- Determine the type of negotiation and the strategies you will use. Will the negotiation be done face to face, via fax, through a mediator or in some other manner?
- Establish acceptable expectations, acknowledging that goals and expectations are sometimes different things.
- Consider your opening offer and what ensuing offers you are willing to make.
- Recognize what compromises you are prepared to accept.
- Identify any possible costs. Every negotiation has expenses, and the type of negotiation you face will determine both their nature and extent.

Negotiating applied to sales

If your upcoming negotiation is a sales closing, educate yourself about the prospect. Determine who the decision maker is and how you will conduct the negotiation. Does he or she currently use a service or product similar to the one you are selling? If so, obtain all available, useful information on the merchant's current vendor.

Next, identify your distinctive competencies. Will you sell on price, service, a combination of both or some other feature? Identify where you will meet with the decision maker, the type of sales pitch you will use, what your initial offer will be and what final offer you are willing to make to close the deal. Obviously, the goal is to close the sale, but identify other expectations you have as well.

Finally, during the closing phase, identify what documents will need to be prepared, and determine who will prepare them. Then implement the final resolution. If it is a simple negotiation, remember, the process is not complete until the paperwork is finalized and the agreement is executed. Execution means equipment installation, staff training and acknowledgment of the sale.

The next time you are faced with a situation that requires discussion and decision making, consider using your negotiating skills to achieve your desired outcome. Whether it is bargaining with your spouse, your child, a prospective employer, a potential employee or a client, a skilled negotiator can always achieve win-win results. 

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



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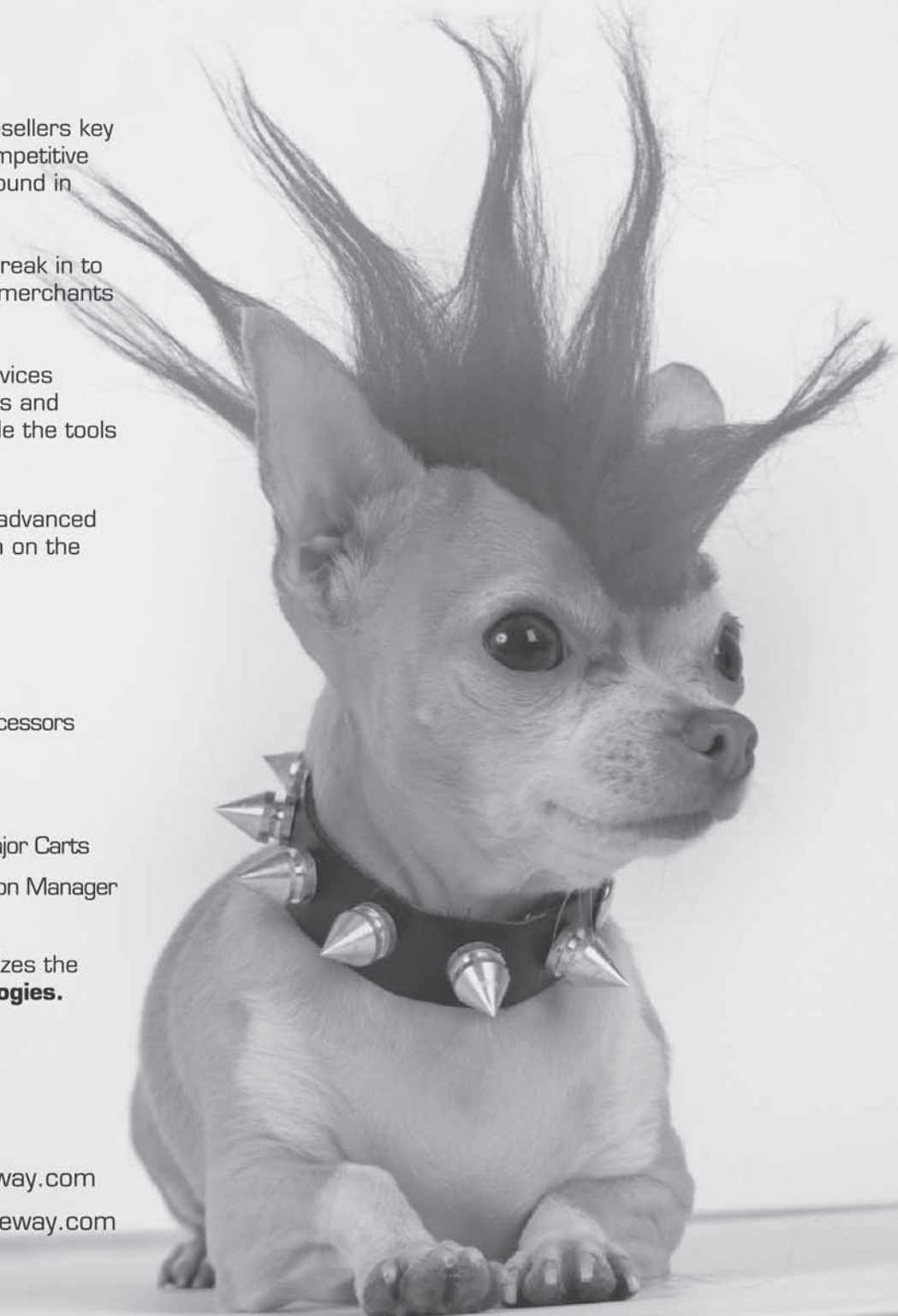
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Education (continued)

Legal ease

Fallout from the Great Recession

By Adam Atlas

Attorney at Law

For better or worse, when what has been aptly dubbed the Great Recession causes relationships in the payments industry to go sour, my phone starts to ring. To help you, as ISOs and merchant level salespeople (MLSs) prepare for some of the uglier situations I've seen arise in today's stressful financial climate, I collected six examples of negative experiences you can avoid, or at least mitigate, by taking protective action now.

1. The unsigned deal

When times are good, a deal on a handshake is a wonderful thing (putting aside the fact that all ISOs and MLSs in our industry are required to sign agreements according to card company rules).

However, when times are difficult, even people with good intentions tend to renege on oral agreements and adjust them in their own favor.

I've recently encountered a number of people who have been paid for months, or years, at a certain rate. But they have no written agreements setting forth their compensation terms, and they are now being told they will be paid less.

Reasons given for these lower payments have to do with the downturn in the economy, increased costs of financing and increased costs associated with acquiring new merchant accounts.

Without signed agreements, those who are being shorted have no recourse. The solution is to get signed agreements with all payment terms clearly set forth.

However, those most needing signatures are in a weakened bargaining position in this economy because their reliance on residuals may exceed their confidence in their ability to bring in new business.

So, base your working relationships on written contracts. Not only do the rules require it, but you may also need that signed document to protect your income one day.

2. Sudden change in pricing

It is customary in our industry for acquiring organizations to change pricing schedules when costs, such as dues and assessments, change. However, it should not be acceptable for acquirers to suddenly change either the percentage payable to ISOs and MLSs or buy rates for

ISOs and MLSs if the acquirer has not incurred any documented increase in costs.

Ultimately, your agreement will determine the rights that an acquiring organization has to change your pricing. And that right will vary according to the wording of your contract.

3. Minimums

Acquirers often start tinkering with minimums when they are looking for extra money. It's important from the start to understand exactly how your minimums are calculated and to do test calculations so your minimums cannot be changed arbitrarily.

Minimums should be made clear to all parties to an agreement before anyone signs it. In these new economic circumstances, I recommend that new deals include a sample calculation of minimums so no one is surprised as to how they will be calculated at some point in the future.

4. New fees

Lately, many ISOs feel like they're renting cars: When you rent a car these days, you are likely charged a bevy of extra fees that bear no connection to the contract you thought you entered into.

These can include road taxes, fuel charges and delivery charges. Similarly, ISOs are seeing new fees tacked on to their pricing grids that materially alter the nature of their income.

Parties should make their agreements as clear as possible in terms of the right of acquirers to add extra fees for which ISOs are liable. Agreements should also spell out whether ISOs are able to pass such fees on to merchants.

For example, one acquirer has asked ISOs to finance the monthly billing of merchants. So, if you have a large merchant account in your portfolio that is in the habit of paying its merchant acquiring fees monthly, as opposed to daily, you are asked to pay upfront the entire sum of fees that are expected to accrue during the coming month for the merchant.

For a decent-sized ISO, this could add up to hundreds of thousands of dollars, which is hard for anyone to come up with these days.

5. Delays in payment

Acquirers that once routinely paid on time and in full are sometimes neither paying in full nor on time. Many



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Education

A significant number of acquirers, ISOs and MLSs have long-standing friendships.

agreements require ISOs to notify their acquirers of such a shortfall within a limited time of the erroneous payment or nonpayment of residuals.

Diligently inspect your residual payments, and send your acquirer default notices as soon as you notice you are not being paid in full or on time. It is important that you not miss the window of opportunity within which to file such a notice of default. It is often as short as 30 days.

6. Strained friendships

If you cannot pay your best friend what you owe him or her, the friendship is going to suffer. A significant number of acquirers, ISOs and MLSs have long-standing friendships. And because of how leveraged some acquirers are at present, they are prioritizing some obligations and neglecting others. This is causing a number of relationships to fray and even break apart.

The personal finances of those who own acquiring organizations are also under strain, and that is being felt in the marketplace. The delicate cooperation required between

acquirers, ISOs and MLSs must survive these difficult times; otherwise, the "golden goose," (the merchant portfolio) is going to suffer.

And like all stressful periods, these hard times will be remembered by ISOs and MLSs alike as defining who the team players are and who is willing to cooperate for the greater good.

Get it in writing

I would like to stress the importance of solidifying in writing all agreements pertaining to merchant acquiring. Said contracts should be very clear as to how residuals, minimums and other trigger amounts are calculated. Doing this will avoid disappointment and confusion for the duration of the agreements. ☑

In publishing The Green Sheet, neither the author nor the publisher is engaged in rendering legal, accounting or other professional services. If you require legal advice or other expert assistance, seek the services of a competent professional. For further information on this article, e-mail Adam Atlas, Attorney at Law, at atlas@adamatlas.com or call him at 514-842-0886.

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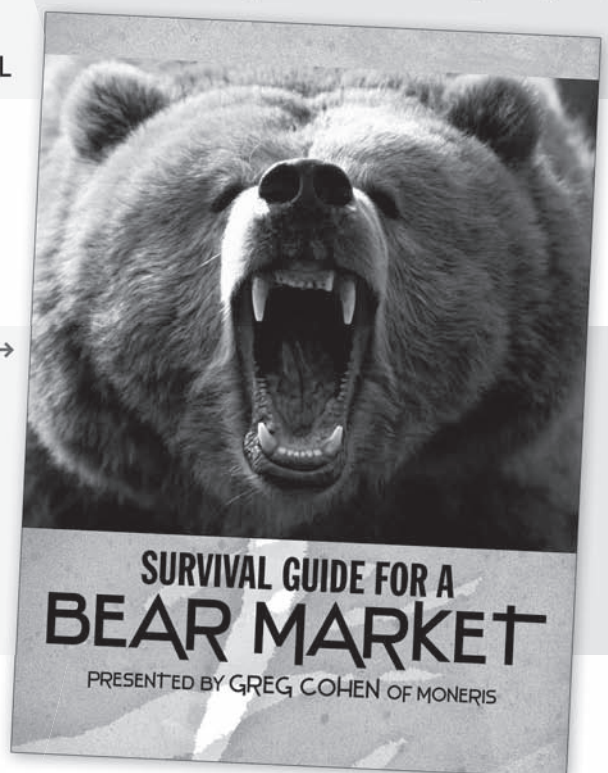
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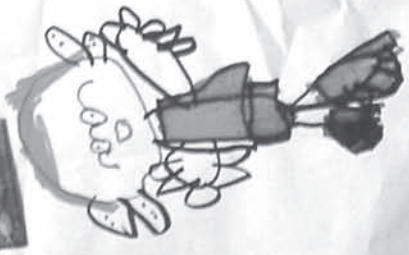
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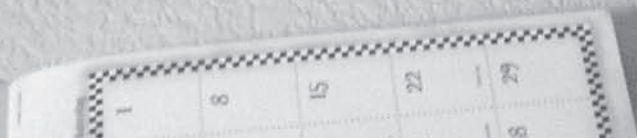
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Education (continued)

Stand alone or marry up

By Dale S. Laszig

DSL Direct LLC

As anyone who has combined disparate technologies can tell you, the result can be a bitter disappointment or a match made in heaven. The right combination can produce robust, end-to-end systems that are more than the sum of their parts; the wrong combination can produce discord among products that are not able to communicate.

This article offers ways merchant level salespeople (MLSs) can help merchants bridge gaps between stand-alone devices to create transformative, integrated processing solutions.

Credit meets debit

The resurgence of PIN-based debit use is largely due to price-conscious consumers. They have learned that selecting the cash-back feature on a retailer's POS device can be more convenient and less expensive than making an additional trip to an ATM machine.

If they use ATMs unaffiliated with their own banks, customers often have to pay out-of-network fees imposed by their banks in addition to ATM transaction fees.

The simple addition of an external PIN pad to a countertop terminal will both increase a merchant's average ticket and decrease the weight and frequency of daily cash deposits to the bank. Countertop terminals that do not have Payment Card Industry PIN Entry Device-compliant PIN pads would benefit from this inexpensive upgrade.

Be sure to check with your help desk or processor for a list of compatible hardware types, and follow the recommended procedure for encryption and testing prior to deployment and installation of PIN pads.

Front office meets back office

Most processors and gateway service providers offer online account access to merchants, enabling them to view real-time transactions from a variety of payment platforms. This ability can save merchants time and money, as well as add value to your processing services.

While many MLSs routinely demonstrate features and benefits of online account access to multilocation merchants, a smaller number show it to mom-and-pop stores. This feature should be front and center in all presentations, regardless of a merchant's size.

Even merchants who use a single device to process credit

card transactions would benefit from logging in to a secure site and managing their credit card activity. This tool can help them track transaction flow, prevent fraud by reacting quickly to questionable activity and reconcile daily settlements with online banking.

Offering this routinely will reduce the number of calls you and your help desk receive from merchants who want to confirm receipt of transaction batches and find out when funds are expected to arrive in their bank accounts.

MO/TO meets brick and mortar

Make it a habit to ask all merchants you sign if they have virtual stores or do any MO/TO business. If you fail to ask this question, you could be leaving money on the table. Virtual terminals can be incorporated into existing office infrastructures, eliminating the need for additional hardware or phone lines.

Virtual terminals will more than compensate for their small gateway and transaction fees by providing an efficient, cost-effective way for merchants to process MO/TO transactions, as well as seamless navigation between processing platforms and online back offices where they can manage transaction data.

Accounting software meets card processing

The proliferation of payment processing software that can be integrated into Intuit Inc.'s QuickBooks applications and POS management systems attests to our need for integrated, enterprise-scale applications that provide a single point of access to an array of business logic (algorithms handling the exchange of information between a user interface and a database).

Credit card processing incorporated into inventory management, e-mail and accounting systems decreases errors caused by double entry. It also optimizes operating efficiencies for business owners, regardless of their size or industry.

E-commerce meets mobile commerce

It used to be that only the largest retailers had virtual stores and Web sites with shopping carts. Today's growing trend toward entrepreneurship has accelerated the adoption of Internet technology and e-commerce sites that include shopping carts, payment forms and links to virtual terminals.

Many retailers, consultants and private citizens are supplementing their income by promoting goods and services online to a global audience. More of us are learning about search engine optimization to make our Web sites visible to wider audiences.

Most virtual terminals can be accessed from anywhere, from laptop computers to smart phones, making it easier



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than ever to process credit card transactions from wherever merchants happen to be.

A large corporation can load an array of applications into mobile workers' smart phones to enable payment processing; track mileage, time and attendance, and general satellite positioning; and stay connected through text messaging, e-mail and paging.

Mobile workers can also use netbooks, laptop computers and proprietary devices with integrated payment processing so they can scan barcodes and qualify for lower card-swiped rates at the point of delivery.

Getting engaged


As payments industry professionals, we understand end-to-end solutions. Now it's time for us to educate our merchants on this concept and show them how it can help them grow their businesses.

In today's fast-paced, multitasking workplace, a single-use device that stands alone and has no relationship to any other part of a business is no longer sustainable. Let's help merchants add depth and dimension to older legacy devices by incorporating them into larger enterprise frameworks.

When merchants are not ready for wholesale upgrades to new processing systems, show them how to leverage old credit card terminals, smart phones or laptops. Show them how easy it is to view real-time transactions on a secure Web site. Show them how much money they can save by adding PIN pads to existing devices.

And the two shall be as one

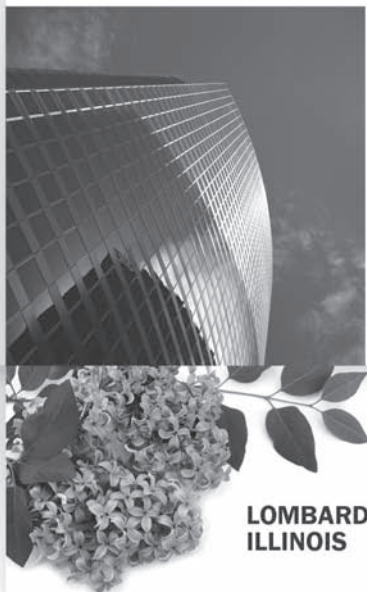
To revamp an old expression, an ounce of preparation is worth a pound of card swipes. Make sure your hardware and software platforms are compatible and have the full support of your family – in this case your processor and customer support team – before attempting to tie the knot.

A true end-to-end solution that offers real-time access to transactions, mobility and interoperability is more than just a credit card system: It is an integral part of a merchant's business, an extension of his or her brand and, for you, the beginning of a beautiful relationship. 

Dale S. Laszig is a writer and payments industry executive with a diversified background in sales and marketing. Her company, DSL Direct LLC, helps industry professionals and business owners leverage electronic transaction technology. She can be reached at 973-930-0331 or dale@dsldirectllc.com.

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Education (continued)

Marketing 101

Want a long-lasting relationship? Snail away

By Nancy Drexler

SignaPay Ltd.

New relationships are great; sustained ones are better; long-term, committed relationships are the most satisfying of all – if you're looking for profits, that is. Such is the premise of relationship marketing: The best customers are those with whom you have relationships; the best way to build said relationships is to customize marketing, based on how far your relationship with each customer or prospect has progressed.

In short, stop viewing your customers as leads or prospects, but rather as relationships in formation.

Relationships can be initiated easily via e-mail, "click here" links on Web sites or tweets on Twitter. But while these vehicles are fast and relatively inexpensive, they don't always generate high-quality relationships that make for a long and profitable future. I believe the best way to do that is to cultivate leads the old-fashioned way: through the mail.

Regardless of the opportunities the Web offers, snail mail is still one of the most effective ways to get noticed and to engage your prospects.

Consider these truths:

- According to *Deliver* magazine, the U.S. Postal Service reported 77 percent of customers sort through and organize their mail as soon as they pick it up.
- Because snail mail has none of the privacy concerns associated with e-mail, recipients are more likely to feel they are being addressed individually – and more likely to trust and respect the sender.
- Direct mail programs can be outsourced, saving human resources.
- A well-executed direct mail program can produce 15 percent response rates.

The trick, of course, is to create a well-executed program.

Don't start cold

Direct mail should generate warm prospects for long-term relationships. To accomplish that, your first mailing should not be "cold." If you are working off standard, purchased lists, your results will be diluted unless you have had some kind of prior contact with those receiving your mailing. Call prospects first to introduce yourself

and tell them to expect a package. You will see the results improve dramatically.

Direct mail will also work better if you target people who've attended the same events as you or members of groups you are in. Chances are you've already interacted with many individuals on such lists. Even if you haven't, you have common ground.

There is another way to turn cold prospects hot with direct mail: Have the material come from a third party. Consider your sales introduction letter. If you send it to names on a purchased list, it is probably not going to yield a tremendous response. But if your letter is sent from a recognized, satisfied merchant, you'll certainly see some interest.

Choose a format

A simple letter in a No. 10 envelope is considered direct mail. Postcards and FedEx packages are also considered to be direct mail. Even an expensive gift in a large box hand-delivered by someone in a bathing suit is deemed direct mail. So how do you know which way to go?

Interestingly, format alone does not determine success. Advantages and disadvantages exist for each method, not the least of which is cost.

- Letters are fast, easy to prepare and relatively inexpensive to mail, but they don't get the immediate attention that a package or postcard might. You can improve the "notice me" factor simply by hand-addressing your envelopes. Almost all hand-addressed letters are opened, so investing the time in a bit of calligraphy will boost your results.

Letters work best with more upscale products or audiences. And they have an advantage over postcards because they provide space to market more complicated products or services. The most important thing to remember is that, once opened, your letter has only two to four seconds to capture a reader's attention.

If you don't simply and immediately communicate the benefit of reading further, your letter will be discarded. Increase effectiveness by limiting your copy to short, simple paragraphs with a type size of 12 points or larger.

- Postcards can be the least expensive way to capture attention, but their size is governed by the U.S.



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Education

Direct mail is successful when it achieves your goals. It is most effective when these goals are simple and direct: drive recipients to your Web site, get an appointment set up or generate webinar attendance, for example.

Postal Service, and space is at a premium. Colorful, captivating postcards can garner attention, build your brand, reinforce an offer or drive prospects to your Web site. But it's highly unlikely they can do more than that. Still, a 4.25" by 6" postcard will mail at standard postcard rates, and larger sizes won't necessarily cost more to mail than No. 10 letters.

So if you've got a large list of unqualified prospects, postcards are an effective way to "throw it at the wall" and see what sticks. To improve your odds, plan postcard campaigns in flights of three. Printers can save you money by printing three at once, and you'll reinforce your brand at a much faster rate. A pithy postcard can capture attention; three of them in a row are hard to miss.

- Packages seem important and are rarely ignored. But even a plain letter in a Priority Mail envelope

costs a good \$5, so high-impact direct mail should be saved for qualified, top-tier prospects.

Once you've decided to invest in sending packages, back up your commitment with the most compelling enclosure you can create. This can be as simple as a hand-written note attached to a brochure.

At SignaPay, we send prospects a Zip drive enclosed in a small, locked box attached to a note that promises, "Inside this box is everything you need to grow your business. Let us bring you the key." The goal of this mailing is to get in the door and, as a meeting-setter, it's been quite successful.


Direct mail is successful when it achieves your goals. It is most effective when these goals are simple and direct: drive recipients to your Web site, get an appointment set up or generate webinar attendance, for example. The goal of direct mail is to move prospects one step further along in their relationships with you. It is not to close sales.

Repeat again and again

With direct mail, one mailing is not enough. No single postcard, letter or package will be successful on its own. You need to make a minimum of three impressions. With postcards, that is relatively simple: You create a campaign with a common look or copy approach, and mail them every five to 15 days.

That may be harder to do with an expensive package, but repetition doesn't require the same medium. Take the example of my company's box. The mailing is followed by a telephone call. If that doesn't lead to an appointment and the prospect is still considered viable, our next step is to send a letter with the key to the box enclosed.

Alternatively, we could send two or three postcards before mailing the package to generate interest and instill anticipation. Regardless of which vehicles you use, strive to "touch" the prospect at least three times.

And remember, failing to close is not a failure. Keep prospects with potential in a separate database, and include them in future direct mail campaigns. These prospects are no longer cold; your effectiveness with them will only increase each time you remind them of your interest. 

Nancy Drexler is Vice President, Marketing for SignaPay Ltd., an ISO headquartered in Dallas. Reach her at nancyd@signapay.net.



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NewProducts

Processing in a matrix

Product: Multiple Merchant Account Matrix

Company: Ezic Inc.

Businesses whose operations are wide-ranging or multiform can generate balance sheets that befuddle their reader. Often, such merchants are best-served by multiple bank accounts – both to compartmentalize their figures as well as limit fees and surcharges.

Yet, in the online universe each gateway (the personal portals with logins and passwords from which the Internet's channels are operated) traditionally supports only a single bank account – meaning merchants with multiple accounts must establish a new gateway for each one, making it very difficult to do anything like wholesale accounting.

A new software program from Internet payment processing company Ezic Inc. – called Multiple Merchant Account Matrix – supports an unlimited number of bank accounts within one gateway, routing transactions to different accounts based on a particular merchant's established criteria.

"Anyone can use it," said Kara Blindauer, Marketing Manager for Ezic. "It could be one business owner with multiple storefronts, locations or just different departments. A lot of people like to use the Multiple Merchant [Account] Matrix just for accounting purposes – they like to separate their money so they know which money goes to which account, rather than having to separate them later on."

Many routing options

Blindauer said the program is generally used to either simplify a business's accounting or limit bank fees. She said the program enables merchants to limit their transaction fees by shopping around for banks that offer the best rates on a variety of different transactions.

Multiple Merchant Account Matrix

Merchant Accounts	Priority	Account Use				Accepted Issuers					
		Normal	Refunds Only	For Sites	Load Ratio ¹	V i s a	M C	A m e x	D i s c	D C	J C B
VITAL2:(merchant#=000000123567)(v# <Configure> D: []	3	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Only for: DEMOACCT	[]	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
PTECH:(bin=""(mid=000000012345)(tid <Configure> D: Demo.com	2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Only for: DEMOACCT2 DEMOACCT3	[]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
FDR-ETC7:000000007654321 <Configure> D: []	1	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Any	[]	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
NOV-HYB:(term#=0000000123456789) <Configure> D: []	0	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Not for: DEMOACCT2	[]	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Add merchant account

For example, she said, a merchant could have separate accounts for Visa Inc., MasterCard Worldwide and Discover Financial Services transactions in which each account offers the best interchange rate for the card it handles – whereas a single account might provide the best rates on Visa transactions but less-than-desirable rates on MasterCard.

For the same reason, a merchant might choose to establish separate accounts for card-present and card-not-present transactions.

"You can choose different criteria," she said. "If you want to do it by card issuer, if you want to do it by account type, sales, refunds – you can manage any of this in the Matrix."

Merchants could do the same thing by opening up multiple gateways, but that option is more expensive and less efficient, according to Blindauer.

"You'd have to pay all the gateway fees associated with it, and you would have to have a whole separate login [for each account], so it would take more time," she said. "And your finances and reporting wouldn't be together. It would all be in separate accounts where if you wanted to do the cumulative report of every account, you couldn't do that under one gateway."

Carry it over, avoid declines

Among the other features of Multiple Merchant Account Matrix is a "cascading" tool: If a transaction is declined on one account, it automatically defaults to a secondary account; a "fallback" feature activates with which accounts processed during a bank's downtime are likewise transferred to another processor.

"If a bank has downtime and there's no way to process a transaction, it will fall back to the next eligible account, so that transaction won't be lost, and it will do this seamlessly and within seconds," Blindauer said.

The program also includes a "load balancing" feature that

NewProducts

redirects a transaction when it would encroach on a bank's processing limit – which can also result in a decline.

Blindauer said users of the Matrix are generally "medium to large" merchants who typically use anywhere from two to 20 different bank accounts. 

Ezic Inc.

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Don't kick the machine - call a number

Product: ePort EDGE

Company: USA Technologies Inc.

The days of cursing and punching vending machines might be coming to an end. A product from USA Technologies Inc. called ePort EDGE is designed to make it easy to retrofit old machines with a credit card terminal, allowing

consumers to use plastic for purchasing a soda pop, among other things.

"It works with vending machines and other self-serve opportunities to allow for credit cards," said George Jensen, Chief Executive Officer, USA Technologies. "It's a total turn-key program. It's wireless, and it even comes with over-the-air updates for any software upgrades it enables."

Jensen said USA Technologies has a contract to install its product in a number of Coca-Cola vending machines, as well as with Starbucks, which is preparing to unveil a new line of vending machines for machine-brewed coffee on the go. More generally, the product is applicable anywhere within the self-serve market, including kiosks and laundry machines, Jensen added.

The terminal is a wireless, "all-in-one" device; the card reader and payment application are both built into the same piece.

For a monthly fee, the product also includes the "USA live network," a service that provides wireless online updates to vending operators, including notification of software upgrades and a data monitoring program to track the flow of money, which would "stop employee theft," Jensen said.



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Ending the frustration

For a consumer, using a payment card also guards against what is historically the snack machine's most notorious pitfall: having your money eaten, as when the coins don't go through or a product stays lodged on its perch.

"That's the advantage here – when you use coins and bills and the product doesn't drop, you're out of luck," Jensen said. "With us, you just call our 800 number, and we give you your money back." Not to mention, unlike a crumpled dollar bill, cards aren't likely to be rejected for their tactility.

Easy installation

The ePort EDGE is modeled after the company's flagship product, the ePort G8, which is configured to take contactless payments – both via contactless cards and near field communication cell phones. The ePort EDGE, however, is the less expensive of the two and easier to install, Jensen said.

"The significance of the ePort EDGE is it's a one piece design, and it installs in 10 minutes," Jensen said. "It's simplistic for our customers. You just take it out of the box, open up the machine door, you knock out the little three-by-five plate, put the terminal in, plug it into the ... power supply, and you're done."

Features of ePort EDGE include:

- Retrofits to old vending machines and other self-serve payment stations
- Has easy, 10-minute installation
- Includes a wireless monitoring service with software updates and money tracking
- Provides an 800 number for consumer refunds should a machine malfunction
- Incorporates a payment terminal and card reader into an all-in-one device

Jensen said there has long been interest in fusing electronic payments with self-serve machines of all kinds, adding that he expected the ePort EDGE to quickly proliferate.

"We just now unveiled the product – we started installing it last week – but there's really a pent-up demand," he said. ☒

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- Mark Twain



Welcome your inner dingbat

How do you feel about mistakes, flaws and downright stupid maneuvers? Do you have a kindly attitude toward your own? What about those of your colleagues?

The truth is all ISOs and merchant level salespeople (MLSs) with any longevity in the payments industry have made plenty of errors along the way. But owning up to those wrong turns and learning from them is a skill many find elusive.

People usually don't want to broadcast their errors; they don't want others to do it for them either. Is it just human nature to want to hide bloopers?

Or perhaps it's early experiences with disapproving teachers who looked for victims to call on while students averted their eyes, hoping not to be caught voicing the wrong answer for all in the classroom to hear.

But whatever the cause, it's time to stop shrinking from missteps and accept them instead. Embracing shortcomings rather than evading them is the sign of a successful and self-confident person.

Change upon change

The economy is always shifting gears, requiring new strategies on the part of ISOs and MLSs as consumers and merchants alter their habits and practices to adapt to changing circumstances.

The industry is ever in flux, too, with new technologies being developed at a rapid clip and ever stiffer data security requirements coming to bear.

Given the constantly evolving environment, few players have the time to master all the rules before the landscape transforms. That means you can't avoid making occasional mistakes. But if you can admit to them, laugh at them and learn from them, you'll be able to let them go and advance to the next challenge.

Negative to positive

Following are a few pointers to help you and your sales team turn mistakes from negative experiences into positive ones:

- Perfect retort principle: If you catch an error in your marketing materials while you're in the middle of a presentation, offer a response that lets people know you've taken it in stride.

Maybe you switch slides in a carefully prepared presentation, and a typo rears its ugly head on a 20-foot screen. Or perhaps your prospect finds a misspelled word in the hottest, slickest brochure you've ever put together.

Remember, the effect of such errors is determined by your delivery. Just say, "My assistant knows I am a perfectionist. He always adds one or two errors so I'll experience the joy of finding one." If that doesn't elicit a chuckle or two, you're in the wrong room.

- Standing ovation strategy: If a co-worker is having a bad day and, despite Herculean efforts, is struggling to master a sales presentation, have him or her stand up and receive a robust round of

Inspiration

applause and appreciative remarks from your colleagues. It will stimulate smiles and ease tension. It will also show your team that effort deserves to be rewarded.

- **Blunder bonus:** At the end of your next staff meeting, put a \$10 or \$20 bill (or whatever you consider an appropriate amount) on your conference table and then recount your latest blooper. End with, "Anyone who can top that deserves this bill."

As embarrassing stories are shared around the room, trust is reinforced, since all are demonstrating their willingness to show imperfection. The personal anecdotes will surely evoke laughter. And when lessons are learned from mistakes revealed with a dash of humor, those lessons are remembered.

Realism over perfectionism

Striving to do your best always makes sense; expecting perfection never does. Expecting perfect work from yourself and your team has serious negative repercussions:

- It fosters a judgmental, rather than a supportive work environment.
- It hampers the free flow of information.

- It inhibits the learning process.
- It creates tension among colleagues.
- It saps joy and exacerbates stress.
- It contributes to dissatisfaction and attrition.

On the other hand, acknowledging and embracing your imperfections and those of your colleagues opens innumerable avenues in which energy can flow and deals can flourish.

When sharing foibles, it's all about laughing at what you do, not who you are. You'll find it is far easier to admit you made a mistake than to admit you are one.

You'll also notice that bringing blunders to the refreshing balm of supportive, lighthearted scrutiny leads to greater productivity and promotes self-confidence. And self-confidence translates to sales.

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NACHA – The Electronic Payments Association

The Payments Institute East 2009 Five Day Course

Highlights: This event promises to be five information-packed days that involve learning and sharing with experienced payment practitioners. Instructors are drawn from corporations; financial institutions; consulting firms; payment networks; federal, state, and local governments; and more. A variety of training methods, including case studies, lectures, and interactive group activities, will be used to deliver a comprehensive curriculum.

Slated topics include updates on proposed and pending federal legislation, compliance with state regulations, fraud deterrence strategies, best practices for payroll card programs, and bankruptcy risk mitigation in the prepaid chain. Also planned, are an opening-night dinner and a graduation lunch.

When: July 19 – 23, 2009

Where: Emory Conference Center Hotel, Atlanta

Registration: www.nacha.org/conferences/TPI_2009/reg_east.htm



Midwest Acquirers Association

7th Annual Midwest Acquirers Association Conference

Highlights: The MWAA's annual conference will include, for the first time, interactive demonstrations of new industry products within a larger and expanded Innovation Hall. Innovators will not be limited to table-top displays, and each exhibiting company will receive 10 minutes during the conference to present a review of its new product or service offerings.

Also new this year will be an awards ceremony designed to recognize sponsors who have been essential to the association's success. Organizations wishing to be conference sponsors may review the Sponsorship Opportunities document on the MWAA's Web site.

When: July 22 – 24, 2009

Where: Westin Lombard Yorktown Center Hotel, Lombard, Ill.

Registration: www.midwestacquirers.com/register.php



Direct Response Forum

2009 Annual Direct Response Forum

Highlights: This three-day conference brings together payment operations and risk management professionals specializing in card-not-present (MO/TO and Internet) transactions. Forum participants are merchant payment operations staff and managers from a variety of industries who are responsible for payment processing, credit operations, exception management, customer service, payment systems, loss prevention and fraud.

The agenda includes a golf tournament on the conference's first day, a gala and buffet dinner celebrating the Direct Response

Forum's 20th anniversary, continental breakfasts, industry forums and more. Slated lecture topics include payment processing, Payment Card Industry Data Security Standard compliance, global expansion, Internet strategies, payment diversification and fraud prevention.

When: August 10 – 12, 2009

Where: Tampa Marriott Waterside Hotel, Tampa, Fla.

Registration: www.directresponse.org



The Prepaid Press

The Prepaid Press Expo

Highlights: The prepaid industry has grown in three distinct branches – calling cards, wireless, and alternative payments, including gift cards. These three sectors converge at the retail level but are still approached as different industries. The Prepaid Press Expo focuses on this convergence.

The conference will address the latest technology developments in all three sectors, the effect of today's economy, prepaid virtual operators, industry regulation and the emerging market of near field communication payments.

The event will also include an exhibit hall for companies marketing prepaid services and a networking "toga" party at the Garden of the Gods pool at Caesar's Palace.

When: August 18 – 20, 2009

Where: Caesar's Palace, Las Vegas

Registration: www.prepaidpressexpo.com/index.php



Western Payments Alliance

Operations Conference

Highlights: This event is designed specifically for individuals with automated clearing house (ACH) responsibilities who are looking to take their ACH payments expertise to the next level.

Through a combination of keynote addresses, general session panels and numerous concurrent sessions led by payments industry leaders, attendees will learn about the latest operational issues facing the ACH in light of changing ACH Operating Rules, compliance requirements and evolving risk issues.

The conference will include lectures, product showcases, a ceremonial luncheon and workshops – including an ACH basics workshop and an Accredited ACH Professional (AAP) preparation workshop for individuals interested in taking the AAP exam in 2010.

When: September 9 – 10, 2009

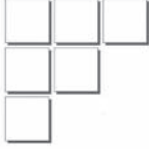
Where: Harrah's Hotel and Casino, Las Vegas

Registration: www.wespay.org/Content/docs/pdf/education/ops_con_reg_form.pdf

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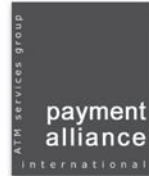
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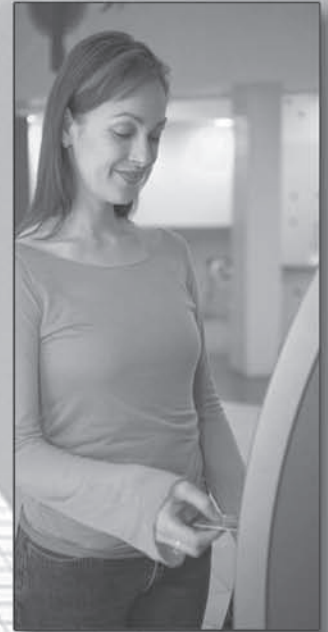
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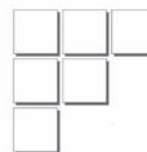
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