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May 14, 2012 • Issue 12:05:01

# Financing options proliferate in payments sphere

**T**he past four years have been challenging for small-business owners, including ISOs and their clients. As banks tightened credit standards, even the strongest companies were forced to seek new funding alternatives or risk going out of business. The result has been an onslaught of new companies and financing tools geared specifically to the merchant acquiring space. This article's primary focus is financing options ISOs and merchant level salespeople (MLSS) can offer their clients. A subsequent article will explore resources for ISOs seeking to expand their businesses.

### Lending continues to stagnate

Data collected in March 2012 by Thomson Reuters Corp. and the financial research firm PayNet Inc. indicate that although the pace of small-business lending has picked up this year over 2011, it continues to lag.

The Thomson Reuters/PayNet Small Business Lending Index tracks new loans and leases provided each month to small businesses. The index uses as its baseline January 2005, which is indexed at 100 points. It fluctuates based on a monthly survey of lenders. In March 2012, the index came in at 98.2 points, a slight drop from 98.3 points in February and a significant decline from December 2011, when the index stood at 110.5 points. PayNet, which claims the largest data base of loan and lease payment information in the United States, said small-business credit applications as of March 2011 were about equal to the number reported for June 2009.

"Access to operating capital is an ongoing challenge for smaller businesses, as it has become extremely difficult to secure a reasonable loan," American Express Co. said when launching its new merchant loan program, Express Merchant Financing, in September 2011. The program offers loan amounts of up to \$750,000 in a matter of days. To qualify, merchants must generate at least \$100,000 in annual AmEx charges, have at least two years tenure with AmEx and have no account delinquencies.

Express Merchant Funding features two lending and repayment options: a one-year term with 12 monthly disbursements based on projected AmEx volume, or lump sum distributions equal to 25 percent of annual AmEx charge volume. Both carry fixed financing fees; repayments are deducted from AmEx settlement amounts. The idea of deducting loan repayments from merchant settlement streams isn't new. However, AmEx is the first card brand to offer cash advances to its merchants.

### MCA market expands

Merchant cash advance (MCA) is a popular service ISOs and MLSSs offer to merchants. MCAs tied to monthly credit and debit card receipts offer advantages over traditional bank loans. Because MCAs are deemed to be advances against future sales, not loans, MCA agreements aren't reported to credit rating

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## NotableQuote

**In a more colorful moment of processor misbehavior, a major processor recently terminated a substantial monthly residual to an ISO without any advance notice or explanation.**

**See story on page 66**



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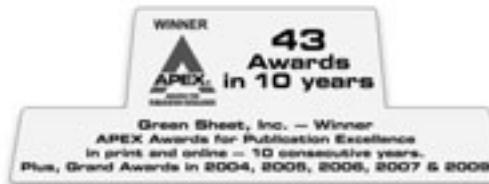
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# Forum

## **Lists of approved ISOs and MSPs**

Do you know where I can find lists of ISOs and MSPs approved by Visa and MasterCard? I'm thinking of doing business with an ISO and would like to see what their status is with the card companies as part of my research. Any help you can provide will be appreciated.

Terry Ottanro  
Merchant Level Salesperson

Terry,

We have two links that will help you.

Visa Inc.'s list of approved ISOs and Encryption Support Organizations is at <http://usa.visa.com/download/merchants/list-of-registered-independent-sales-organizations.pdf>.

MasterCard Worldwide's list of Merchant Service Providers who are compliant under its Site Data Protection program is at [www.mastercard.com/us/company/en/docs/SP\\_Post\\_List\\_2012.pdf](http://www.mastercard.com/us/company/en/docs/SP_Post_List_2012.pdf).

Check with the Better Business Bureau, too ([www.bbb.org](http://www.bbb.org)). Also, many members of GS Online's MLS Forum ([www.greensheet.com/forums](http://www.greensheet.com/forums)) provide the names of the companies they represent when they comment on discussion threads. See if any of them work with the company in question. If so, send them private messages asking for feedback. And be sure to enlist the aid of a payment attorney in reviewing any contract the company offers you before you sign it.

Editor

## **Interchange plus versus tiered pricing**

We're evaluating our pricing structure and would like some input. Some say Interchange plus is the most transparent and easiest route to take; others say not so fast – bundled pricing makes the most sense. What does *The Green Sheet* think?

David T. Bruce  
DB Merchant Solutions

David,

No pricing scheme trumps all others. It appears some ISOs and merchant level salespeople (MLSs) are racing to the bottom in terms of account pricing. But that is not the case for all. The Interchange-plus pricing model has become increasingly popular, but it hasn't taken over the market.

There is a need for both Interchange plus and tiered/bundled pricing. No one-size-fits-all solution exists, just as there is no such solution for payment processing equipment and software.

A given merchant's inclinations and business model should inform the type of pricing offered. A well trained MLS who can explain how a pricing model works and why it is appropriate in a particular merchant's situation will have a great advantage. Even more important is ongoing support services. If you demonstrate to merchants that you are truly there to help boost their bottom lines, they will be far less inclined to jump to another service provider who promises lower rates.

Editor

## **Did you know?**

Some readers have asked if the company profiles we publish are a form of paid advertising – sometimes called advertorial. The answer is no. Company profile features are part of our regular editorial coverage. Businesses do not pay to have profiles published, nor are they given articles to approve before publication.

We publish company profiles in the print and online versions of *The Green Sheet*; we also list them in a dedicated area of our website ([www.greensheet.com/company\\_profiles.php](http://www.greensheet.com/company_profiles.php)) for three years after publication.

If you'd like us to spotlight your company in a profile, get in touch with us. We'll put you on the list of pending profiles right away. The queue is long, but we will contact you when your company's name gets to the top.

We'd also like to hear what you think about our other editorial content. Are we covering the topics that matter most to you? Which people are making a positive difference in the industry? What payment trends do you see emerging? Drop us a line at [greensheet@greensheet.com](mailto:greensheet@greensheet.com) or call us at 800-747-4441.

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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

## **Financing options proliferate in payments sphere**

In recent years, merchants seeking capital have been frustrated by banks with timid or nonexistent lending policies. But in the payments industry, a sizable list of merchant cash advance and other alternative funding providers are ready to fill the void. It is good to know there is more than one way to provide merchants the funding they need.

News

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## **PCI SSC releases encryption update**

The PCI Security Standards Council augmented its point-to-point encryption requirements to include guidance for merchants seeking validated encryption solutions that can reduce compliance burdens. But did the council go far enough in its recommendations?

News

24

## **It's a Square world after all**

Square Inc. founder and Chief Executive Officer Jack Dorsey is an ambitious fellow. On a PBS talk show, Dorsey said the goal of Square is to "carry every single transaction in the world." But one industry insider believes Square faces two main challenges to that goal: lack of feet on the street and a consumer base beyond the sphere of social media.

Feature

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## **What prepaid can learn from the EPA**

The formalization of industrywide best practices has begun with a focus on how to effectively and transparently disclose fees and other program details to consumers. The nonprofit consumer advocacy Reinvestment Partners believes fee disclosure formats developed by the Environmental Protection Agency are a better fit for prepaid than a variation of the Schumer Box.

News

24

## **Patent infringement ruling favors card brands**

A federal appeals court sided with a lower court in its ruling that top card brands did not infringe on a SmartMetric Inc. patent for near field communication technology. SmartMetric contends its patent extends to contactless payments at the POS, but the court said the patent only concerns the insertion of a payment card into a card reader.

Feature

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## **Plastic Jungle unlocks new meaning of money**

Companies like Plastic Jungle Inc. are helping to rewrite the very definition of money. A partnership between the gift card exchange operator and U.S. Bank translates the dollars on closed-loop gift cards into reward points. In a world of Facebook credits and Zynga points, the value of currency depends on more than just numbers next to a dollar sign.

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# This is How a Second-String Player Becomes an All-Star.



It was game 1 of the 1988 World Series. Bottom of the ninth, two outs, the underdog LA Dodgers were trailing 4-3. Surprising everyone, LA's coach taps berched and injured Kirk Gibson to pinch hit. Gibson, in his only appearance of the series, slams in a two run homer to give the underdogs a 5-4 victory.

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View

## Mobile technology and the acquiring chain

Mobile payments might be a disruptive influence on the traditional relationships between buyers and sellers. But the merchant acquiring value chain will not be broken. Actually, mobile payments will reinforce the importance of ISOs and merchant level salespeople (MLSs) to merchants. Payment channels may change, but knowledge and service will always be prized.

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News

## ETA 2012 abuzz about the future

The Electronic Transactions Association's 2012 Annual Meeting & Expo held in Las Vegas in April showcased the future of payments. From tradeshow floor displays of the latest in payment technology, to cutting-edge opinions by industry leaders and tech evangelists, the industry's largest annual event can be summed up in one hyphenated word: "capacity-filled."

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Education

Street Smarts<sup>SM</sup>

## How to avoid that 'What just happened?' moment

Every ISO and MLS has faced that moment of dread. The merchant signed on the dotted line, but the agent gave away the store in the process. Out of fear or indecision, the merchant sold the MLS, not the other way around. To avoid this trap, agents should be aware of the four main ways they sabotage themselves in selling situations.

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Education

## Experts reveal their social media strategies

At the ETA annual expo, a panel convened on the hot topic of how payment businesses can leverage social media. Industry experts said venues like Twitter, Facebook and YouTube can help businesses segment consumers and promote brand awareness. The trick is to marry your company to the right platform to deliver your message.

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**Education****Ace your sales interview**

Spring is job hunting season in the payments industry. Sellers looking to make a change in employment would best be advised to follow a few basic rules when undertaking a job search. Truth and accuracy in your resume is important; so is being able to back up your resume claims when in the make-or-break job interview.

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**Education****Don't let your processor do this to you**

Not to say all ISOs and MLSSs are angels, but they should know how processors can take advantage of them. Processors can shortchange merchant revenue and leave ISOs to make up the difference, make business decisions based on personal grudges, and play "musical chairs" with pricing, which can put ISOs in a decidedly unpleasant and illegal bind.

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**Education****Are you leaving your mark on merchants?**

Too often, merchants can't remember the names of their MLSSs. If you don't leave a lasting impression on merchants, you are more likely to lose them to your competitors. The easiest way to stand out from the crowd is through humor. Telling a good joke with a catchy punch line can go a long way toward making sure merchants remember you when it's time to follow-up.

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**Inspiration****Go with the tech flow**

For some, technology will always be that confusing new gadget or program that reinforces a sense of inadequacy. But in this day and age, it is professionally detrimental to resist technology. Luckily, a multitude of resources can help you learn to use the new devices and social media that are becoming integral to business. Your task is to find the venue that works best for you.



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# Industry Update

## NEWS

### ETA welcomes Oxman as CEO

Jason Oxman, former Senior Vice President of Industry Affairs for the Consumer Electronics Association, was named Chief Executive Officer of the Electronic Transactions Association on April 18, 2012.

Eddie Myers, ETA Board President as well as President and Chief Operating Officer of Payment Processing Inc., said. "We are thrilled that Jason Oxman will bring two decades of technology, policy and association experience and strategic thinking to steer this great organization into the future."

Oxman replaced Carla Balakgie, who left the organization in 2011 to become CEO of the National Automatic Merchandising Association. Interim CEO Pamela Furneaux will resume her previous duties as ETA Deputy Director and Chief Operating Officer.

Oxman told *The Green Sheet* the most important aspect of his job is helping ETA members "take advantage of technology to provide new products and services." He intends to spend his first 100 days in office meeting with a diversity of ETA members to learn how the organization can be aligned with their needs. Oxman, who has spent more than 15 years in Washington working on government regulation and lobbying, is in favor of the ETA's lobbying efforts.

"The ETA role is to be a helpful resource to decision makers and let them know of the benefits our industry provides," he said. "It's not an exaggeration to say ETA members make commerce possible."

### Facebook sued over payments by minors

Glynnis Bohannon, the mother of a teenage boy, filed a class action lawsuit in March 2012 against Facebook Inc. that challenges the social network's payment policy regarding minors. The suit was filed in Santa Clara County Superior Court in California.

Bohannon claims her son, a minor, asked for permission to spend \$20 on Facebook credits. He gave his mother \$20 cash, and she provided her credit card number. She claims Facebook marketing then pushed her child into using her card number to purchase several hundred dollars worth of Facebook Credits for the online game he was playing. Bohannon alleges her son purchased the Facebook Credits without even realizing he was making the charges.

Bohannon said she attempted to contact Facebook to cancel the charges and obtain a refund, but she was unable to find anyone at the company to process her complaint. Facebook policy declares all credit sales to be final and nonrefundable.

The suit alleges Facebook violates California law by inducing minors to make unauthorized purchases. The suit also claims Facebook's marketing violates California's Unfair Competition Law prohibiting unfair, unlawful and deceptive business practices.

### ECB endorses security recommendations

On April 11, 2012, the European Central Bank endorsed *Recommendations for the Security of Internet Payments*, a report created by the European Forum on the Security of Retail Payments.

The report contains recommendations for payment services providers. These include advice on best practices for card payments on the Internet, registration of payment data in electronic wallets, Internet credit transfers and direct debit mandates. Other recommendations target acquiring and issuing services and card payment governance authorities.

In its press release promoting the recommendations, the ECB said, "Implementation of the recommendations will be based on the existing legal framework. The authorities represented in the Forum are committed to supporting implementation in their respective jurisdictions and will strive to ensure consistency across countries."

## BOTTOM LINES

### HEADLINES FROM THE RETAIL WORLD

- The U.S. Department of Commerce indicated retail sales were solid in March 2012. Notably, clothing and clothing accessories sales increased 12.5 percent, and building material and garden supplies sales increased 12.4 percent, unadjusted year-over-year.
- According to a recent IBM forecast, in-store home furnishings sales in the United States are expected to rise nearly 8 percent to \$23.2 billion during the second quarter of 2012.
- A Research and Markets report, *Used Merchandise Stores*, estimates total combined annual revenue for the used merchandise stores industry, representing approximately 25,000 U.S. stores, currently stands at \$16 billion.

# HERE'S THE BIG QUESTION...

HAVE YOU EVER JUST WANTED TO WORK FOR....

- A  A GREAT COMPANY?
- B  GREAT REWARDS?
- C  A GREAT CAUSE?
- D  ALL OF THE ABOVE?

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- ... there were no application fees and no monthly quotas?
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- ... you never had to ask these kinds of questions?

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## Industry Update

The EFSRP was established in early 2011 by the ECB's Payment and Settlement Systems Committee. The forum is a voluntary initiative among European authorities – particularly those supervising payment services providers. It was created to promote knowledge and understanding of electronic retail payment security.

The ECB is accepting comments on the recommendations until June 20. The recommendations can be downloaded at [www.ecb.int/pub/pdf/other/recommendationsforthesecurityofinternetpaymentsen.pdf?3a462b10248b950c3bb179a78c121283](http://www.ecb.int/pub/pdf/other/recommendationsforthesecurityofinternetpaymentsen.pdf?3a462b10248b950c3bb179a78c121283).

### ACH growth stoked by 50 endpoints

The automated clearing house (ACH) system was used to deliver 20.2 billion transactions in 2011, an increase of 4.35 percent over 2010, according to statistics just released by **NACHA – The Electronic Payments Association**. Altogether, financial institutions moved \$33.91 trillion through the ACH last year, NACHA reported.

NACHA said greater adoption of three specific types of transactions drove "the steady growth" of the ACH network in 2011:

1. "Native" electronic payments
2. Consumer online payments
3. Vendor payments and other types of business-to-business transactions

Native electronic payments are end-to-end electronic transactions; no checks are involved. The total number of these ACH payments rose 5.31 percent in 2011 over 2010 volumes, NACHA stated.

The use of new ACH formats that allow consumers to access the network for online banking and bill payment services rose 13.35 percent. WEB transactions – ACH debit payments authorized by consumers online or via mobile devices – grew 9.45 percent and made up 16.67 percent of total ACH traffic last year. NACHA estimates 80 percent of these payments were online bill payments.

"These statistics show that more and more consumers and businesses are making a conscious decision to use electronic payment options over paper checks or cash," said Janet O. Estep, NACHA's President and CEO. "The breadth of safe and convenient payment options available through the ACH network makes electronic payments a flexible choice for consumers."

## ANNOUNCEMENTS

### Heartland enjoys income boost, honors CRA

**Heartland Payment Systems Inc.** released its 2012 first quarter report on May 1, 2012. The company said its

small and midsize enterprise processing was up 8.3 percent to \$16.7 billion. Net revenues climbed to \$128.7 million, an increase of 14.2 percent. Robert O. Carr, Heartland Chairman and CEO, said operating income in the quarter set a new company record with steady growth in most key areas.

In other company news, Heartland recently named the California Restaurant Association its Partner of the Year. This is the second year Heartland has presented the Partner of the Year award. Carr said the CRA is "a critical component in helping our organization build outstanding relationships in the California restaurant industry."

### New Meritus gateway

**ISO Meritus Payment Solutions** released a new proprietary gateway called Payment XP. The gateway includes certification with First Data Corp. platforms, which allow transaction authorization and settlement through host capture for in-store POS, e-commerce and offline transactions. The gateway will enable merchants to process transactions by phone directly to their accounts.

### Tabbedout signs T.G.I. Fridays

**Tabbedout**, the restaurant payment software manufacturer owned by ATX Innovation Inc., signed an agreement with the national restaurant chain T.G.I. Fridays. The casual dining restaurant's customers can now use Apple Inc. iPhone and Google Inc. Android devices to download the new T.G.I. Fridays' payment app, which enables them to start tabs and pay their restaurant checks from their phones. The application includes quick pay, restaurant locator and social networking.

This announcement came shortly after Tabbedout celebrated signing close to 100 restaurant and hospitality locations in the Dallas-Fort Worth and Houston areas combined.

In other company news, Tabbedout entered into a contract with POS hospitality software company **Digital Dining** under which Digital Dining will offer the Tabbedout payment option in its product portfolio.

### USA Technologies upgrades

Wireless and cashless payment provider **USA Technologies Inc.** upgraded its ePort Connect service platform to support customers with the next generation of payment services in mobile marketing and mobile payment. The customer-facing portion of the upgrade launched in April 2012. Upgrades include faster and more customizable reporting and new search functions, the company noted.

### Vantiv mobile check deposit

**Vantiv Inc.** launched Mobile Check Deposit, a product that allows consumers and small business owners to

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## Industry Update

deposit checks by snapping photos of the checks with their smart phones. More than 40 financial institutions have already ordered the service. Vantiv is offering the service to financial institutions in a pay-as-you-go model.

## PARTNERSHIPS

### Apriva, CardSmith team

**Apriva** and cloud-based campus card payment solutions company **CardSmith** are in a strategic partnership to integrate Apriva's mobile payment solutions with CardSmith's payment platform. Apriva said the result is a cost-effective campus wireless vending and mobile payment acceptance service. The service supports campus identification card and all major credit card transactions.

### DocuSign, PayPal partner

Electronic signature company **DocuSign Inc.** is teaming with payment company **PayPal Inc.** to provide instant payments. The service will reportedly allow DocuSign to not only accept signatures on legally binding contracts, but also simultaneously collect payment. The service is targeted at global enterprises, small to midsize businesses and professionals.

### ePN on Equinox terminals

Payment gateway and software development company **eProcessing Network LLC** is integrating with POS terminals manufactured by **Equinox Payments LLC**. The new terminals offer security and touch-screens in color in

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addition to PIN debit, signature capture and other capabilities. The resulting system is a user-friendly, interactive experience, according to the companies.

### First Data signs with SignaPay

**First Data** is now featured on ISO **SignaPay Ltd.**'s list of processing partners. SignaPay President Kevin Jones said First Data joins a roster that includes Total Systems Services Inc. and Chase Paymentech Solutions LLC. Jones said the First Data addition expands SignaPay's "boutique model of providing partners with every option in any combination."

### Street Savings, VeriFone collaborate

**Street Savings**, a San Diego-based short message service mobile coupon and rewards company, integrated its service with **VeriFone Inc.**'s PAYware Connect gateway service. Street Savings enables merchants to connect with customers at the POS and outside the retail environment.

### USA ePay integrates with First Data, WorldPay

Payment gateway **USA ePay** said it is now integrated with the **First Data North** processing platform. The integration complements USA ePay's integration with the First Data Nashville platform. The new integration allows customer access to PIN debit and Level III corporate card purchasing. USA ePay said the integrations demonstrate support for high volume and corporate clients.

USAePay also reported it is integrated with the **WorldPay** processing platform for merchants wishing to process in the e-commerce, retail, direct marketing and restaurant industries. This partnership provides support for such features as traditional sales, authorization-only transactions, refunds, recurring billing, debit processing, contactless credit cards, partial authorizations, partial reversals and real-time releasing of funds.



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## Industry Update

### Vantiv named NAFCU preferred partner

Vantiv reported that the National Association of Federal Credit Unions Services Corp. added Vantiv Merchant Services to its suite of solutions in the NAFCU Services Preferred Partner program. Vantiv is also the NAFCU Services Preferred Partner for ATM and debit card processing solutions, as well as credit card processing and servicing.

### Voltage Security, Ingenico team

Data encryption system provider Voltage Security Inc. said it is expanding its partnership with POS terminal provider Ingenico S.A. The expansion is expected to provide more security in mobile payments through a combined solution developed by the two companies. The companies are integrating Voltage SecureData Payments software onto Ingenico's iSMP smart mobile payment devices.

## ACQUISITIONS

### First Data acquires OmniPay

First Data said it acquired the remaining equity stake in global payment processor OmniPay Ltd. from Ireland's

financial transaction processing, foreign exchange and outsourcing services company Fexco. First Data took an equity position in OmniPay in 2002 and a majority interest in 2006. Terms of the purchase of the remaining 30 percent stake were not disclosed.

### Intuit purchases AisleBuyer

Financial software company Intuit Inc. purchased AisleBuyer LLC, an in-store mobile commerce provider that untethers shoppers and retailers from a static POS, according to the companies. The sale was reportedly for between \$80 million and \$100 million.

## APPOINTMENTS

### Lewis new Alpha Card exec

Craig J. Lewis is the new Vice President of Payroll Services at Alpha Card Services LLC. Lewis was previously a software consultant with payroll technology and business solutions company AdaptaSoft Inc. At Alpha Card he is responsible for hiring, training and mentoring for the ISO.

### ScanSource promotes Ramsey

Tim Ramsey was promoted to Vice President Worldwide Reseller Financial Services at ScanSource Inc. Ramsey will now oversee ScanSource's worldwide sales in addition to the U.S. operation he has led since 2005. He will be responsible for planning, implementing and executing strategies globally.

### Siewczynski joins USA Payment Systems

ATM industry veteran Carlos Siewczynski is the new Senior Vice President of Sales and Marketing for USA Payment Systems. Siewczynski served previously as Vice President of Retail Sales with Nautilus Hyosung, an ATM manufacturing company. At USA Payment Systems Siewczynski is responsible for direct sales support for independent ATM merchants and financial institutions.

### Skelton tapped by Fiserv

Cliff Skelton joined Fiserv Inc. as Executive Vice President and Chief Information Officer in April 2012. Skelton was previously Global Chief Technology and Operations Officer at Ally Financial Corp. At Fiserv Skelton will be responsible for the company's global information technology infrastructure and operations, as well as increasing the efficiency and effectiveness of the company's technology platforms.

Skelton takes over for Fiserv Executive Vice President and Chief Information officer Maryann Goebel, who is retiring in July. ■

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## It's a Square world after all

**S**quare Inc. founder and Chief Executive Officer Jack Dorsey told PBS television talk-show host Charlie Rose, "Our aspirations are to carry every single transaction in the world." This was in an interview that aired on April 25, 2012.

Dorsey outlined for Rose his vision of where Square is headed both as a company and as a technology. He reported Square is now processing an annualized \$5 billion through its payment system – up from \$4 billion just one month ago. In addition to other competitive advantages, Square's 2.75 percent per transaction processing fee is "significantly cheaper" than traditional industry processors' rates, Dorsey noted.

### Bringing Square everywhere

"We want to bring [Square] around the world," Dorsey said. "We want to be the point of sale for every merchant and we want to be the way people initiate a payment and start to pay [not only] their local shop but also the larger shops."

Dorsey said what his company really cares about is transforming people's relationship with money. "Money is a concept that has been around for over 5,000 years," he said. "It touches every single person on this planet and, at same time, every single person who runs into the concept of money feels bad about it. It feels like a burden. It feels like something they have to deal with and we can take all that away."

Dorsey stated the best technologies "fade into the background, and they are relevant when you want to use them and they get out of the way when you don't. So one of the things we are most excited about with Square is that we've built this system called Pay with Square where consumers can download an application and can link a credit card and can see all the merchants around that accept Square and can go to one of them and simply open a tab."

### The consumer experience

Pay with Square automatically displays the name and photo ID on the register of a merchant who accepts Pay with Square when a customer activates the service within 10 feet of the register. The customer doesn't need to handle a wallet, card, phone, PIN pad or money at the POS. The consumer can grab an item and take it to the POS, where an employee records the transaction. The customer can then walk out without having to complete the usual payment step. A receipt is automatically sent to the customer's phone.

Describing the customer experience, Dorsey said, "I don't have to bring my wallet out. I don't have to bring my phone out. The technology just disappears completely."

When Rose asked Dorsey about security and Square, Dorsey replied, "Security is always evolving. You build a block; someone breaks it. You build [another] block; someone breaks it.

"The cycle will never disperse. Security is not a question of the strongest barriers but of the policies and the expectations you set around the data and around the interaction and the realization it is always evolving. It always has to change, and we always have to make it better."

### Industry view of Square

Payments industry consultant Paul Martaus of Martaus and Associates said he sent the link to Rose's Dorsey interview to friends and clients. In response, "a CEO from a major processor told me we all have a lot to learn from this guy," Martaus said.

Regarding Square's 2.75 percent per transaction processing fee, Martaus said, "You can't beat their rate." However, he noted it is not clear how the company will handle new fees such as the Visa Inc. and MasterCard Worldwide usage fees known, respectively, as the Fixed Acquirer Network Fee and the Annual License and Registration Fee.

Martaus believes the drawback to Square is risk. "Underwriting remains a big issue," he said, adding that few merchants know that if they reach a transaction threshold determined by Square, the company can lock the account and hold the money until it determines no fraud is involved in the transactions.

Martaus also pointed out that Square faces other significant challenges. "Square and companies like PayPal freely admit they want to change the way the American consumer thinks about money," he said. "But there are two things those companies don't have: one, feet on the street to enlist merchants; two, a consumer base other than social media." ■

## Patent infringement ruling favors card brands

**T**he United States Court of Appeals for the Federal Circuit upheld a ruling from a lower court that the technical processes of Visa Inc., MasterCard Worldwide and American Express Co. that underscore Europay/MasterCard/Visa (EMV)-enabled contactless chip technology do not infringe on a SmartMetric Inc. patent. The April 11, 2012, ruling was met with approval by Visa and MasterCard.

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## News

In a statement, Visa said the card brand is "pleased the Federal Circuit unanimously affirmed the district court's ruling that Visa contactless chip products do not infringe upon SmartMetric's patent. This is an important patent win for payment card brands, including Visa." MasterCard added, "It was not necessary for the court to rule on the invalidity of the SmartMetric patent. This ruling signals an important win for contactless cards."

### SmartMetric's claims

In September 2011, SmartMetric filed the lawsuit in the United States District Court for the Central District of California, claiming that Visa and MasterCard infringed on SmartMetric's U.S. Patent 6,792,464 (also known as '464) by "selling, offering to sell and using contact and contactless credit card systems that use data cards that, when inserted into a data card reader, help to establish a connection to a network."

The SmartMetric complaint asked for an injunction, prohibiting the brands from infringing on the patent. SmartMetric also asked the court to award it royalties for every Visa and MasterCard transaction that violated the patent.

SmartMetric believes Visa and MasterCard violate its patented system for automatic connection to networks

each time a MasterCard or Visa card is swiped at the POS and routed through a back-end processing network. SmartMetric also alleges its patent is violated by the card companies when a contactless payment card is read by EMV technology at the POS, which facilitates connection to a network.

In January 2012, the federal appeals court ordered the case be heard by a three-judge panel on March 5. SmartMetric President and Chief Executive Officer Chaya Hendrick said the March 5 hearing was favorable to SmartMetric and that Visa- and MasterCard-branded EMV chip cards issued in the United States "are in direct violation of the SmartMetric Inc. patent."

The case was then sent to the federal appeals court in Washington, where AmEx became the new defendant.

### Ruling highlights

The April 11 ruling from the federal court asserted that the district court's ruling was correct and that SmartMetric's patent does not involve contactless payments. "The district court's construction correctly reflects the plain and ordinary meaning of inserting a data card into a data card reader," the opinion said. SmartMetric had argued that its patent includes contactless payments because cards are inserted into the electromagnetic field of the card reader, just as a contactless EMV card enters the reader's field when it is waved or tapped on the reader.

But the federal court found fault with the district court's ruling that the term "network service provider" was limited to operators of public networks, therefore supporting SmartMetric's insistence that "network service provider" also referred to operators of private networks, such as intranets. SmartMetric claims the card brands' EMV cards violate SmartMetric's patent not only if they are used on public networks, but also on corporate intranets and other private networks.

In a statement, SmartMetric said it "welcomes the federal appeals court ruling and declares that it will now continue with its stayed hearing lawsuit against Visa and MasterCard, and will seek all legal remedies at the company's disposal including, but not limited to, damages for patent violation, as well as any other legal options open to the company." ■

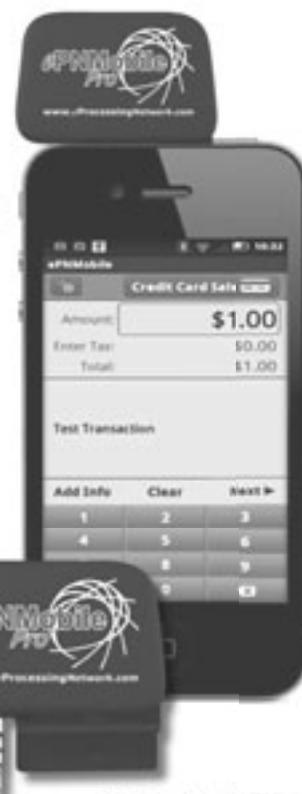
## PCI SSC releases encryption update

**T**he PCI Security Standards Council recently released new point-to-point encryption requirements for hardware-based solutions. The new requirements augment the PCI Point-to-Point Encryption Solution Requirements released by the council in September 2011.

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## News

PCI SSC General Manager Bob Russo said the updated point-to-point encryption requirements bring the council "one step closer to helping merchants take advantage of this technology to simplify PCI DSS [Payment Card Industry Data Security Standard] validation efforts and mitigate potential breaches."

### **Clarification, guidance and training**

The new requirements include guidance for merchants seeking a validated point-to-point encryption solution, the scope of assessment for point-to-point encryption solutions, and advice for systems that have multiple acquirers working with a single solution.

A summary of the requirements can be viewed at: [www.pcisecuritystandards.org/documents/P2PE\\_v1-1\\_summary\\_of\\_changes.pdf](http://www.pcisecuritystandards.org/documents/P2PE_v1-1_summary_of_changes.pdf)

The PCI SSC also outlined security testing procedures and offered training for technicians implementing the new requirements. As part of this, eligible security companies may qualify to have employees trained as Qualified Security Assessors and have Payment Application Qualified Security Assessors certified to assess compliance with the point-to-point encryption standard.

Upcoming training sessions are scheduled May 11 to

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13, 2012, in Denver and June 25 to 27 in Manchester, England. For more information on training, visit [www.pcisecuritystandards.org/training/p2pe\\_training.php](http://www.pcisecuritystandards.org/training/p2pe_training.php).

### **Moving forward**

The PCI SSC said once assessors are trained and solutions validated, it will provide merchants a list of validated secure solutions that will reduce merchants' PCI scope. The council intends to release a new self-assessment questionnaire and attestation of compliance later this spring. It will simultaneously release a point-to-point encryption program guide.

The PCI SSC will now turn its attention to requirements for hardware-based encryption and decryption solutions that use software to manage transaction-level decryption. It will also study requirements for software solutions that encrypt data at the POS and decrypt data at a host system.

### **Call to expand standards**

Doug Klotnia, Executive Vice President of Payment Services for Trustwave, a data security and compliance management firm, said the PCI SSC is right to issue guidelines. He noted it should create further security standards for today's rapidly evolving payment market, where mobile devices and other nonstandard, often software-based, POS devices that were not necessarily built for payments are carving out a significant place in the payments environment.

"Software-based encryption has been around for a long time," Klotnia said. He believes secure solutions are both possible and needed to "enable more merchant devices more convenient ways to deliver business more securely." He added that as long as there is "no standard there is no additional security in that environment."

### **Vigilance still required**

Matthew Mudd, President of Phoenix Managed Networks, a POS network security firm, said, "While point-to-point encryption technically reduces scope, the number of moving parts to properly outsource an encrypted system is daunting. Merchants also must continue to maintain physical network segmentation between point-to-point encryption environment and everything else they do over the Internet."

Mudd added that point-to-point encryption is not a silver bullet for merchant compliance. "Merchants will need to follow solution provider instructions carefully," he said.

"Merchants have to remember – connecting payment devices to the Internet puts them on the same network as hackers all over the world who make sport and business of cracking into systems. Protection of cardholder data in such an environment requires multiple layers of security and constant vigilance."



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## **NY attorney general files suit against POS leasing firm**

**N**ew York Attorney General Eric Schneiderman filed suit April 23, 2012, accusing POS leasing firm Northern Leasing Systems Inc. and its affiliates of stealing between \$3.6 million and \$10 million from former customers. "These companies engaged in a series of deceptions to squeeze unauthorized fees out of their former customers up to a decade after their contracts expired," Schneiderman said. "We will seek both restitution for defrauded customers and substantial penalties from the companies to ensure justice and accountability prevail."

### **Unexplained debits**

Schneiderman alleges Northern Leasing created a shell company, SKS Associates LLC, to make unauthorized debits from more than 100,000 of its former POS leasing customers. The attorney general additionally alleges SKS successfully pulled more than \$10 million out of former client bank accounts, keeping at least \$3.5 million. Some former customer accounts were debited as much as 11 years after their leases expired.

The attorney general said SKS claims the fees collected were to pay for uncollected property taxes and administrative fees. "The company could not explain why it failed to collect the amounts previously, nor could it show that the alleged amounts were actually owed," the attorney general's office said. "In fact, 77 percent of the amounts SKS sought to collect were not taxes at all but 'administrative fees.'"

Schneiderman believes SKS was formed to "deliberately mislead customers in an attempt to avoid any harm to Northern Leasing's business reputation." As a result, thousands of former Northern Leasing and affiliates' customers were surprised to find their bank accounts debited by a company they had never heard of or done business with.

### **Multiple allegations**

The list of allegations filed against Northern Leasing includes:

- Allowing SKS to begin debiting bank accounts before it was legally registered to do business
- Sending out notice letters on the same day as, or only one day before, accounts were debited
- Stopping customer notification of the charges and debiting accounts with no notice when complaints became overwhelming
- Debiting accounts of former customers who opted to purchase the POS system and had releases from any further claims
- Lying to former customers by telling them the unpaid taxes and fees were discovered when the account was audited when there was no audit conducted
- Threatening customers with referrals to collection agencies and credit bureaus if the debits were challenged when there was no intention to carry out the threat

Northern Leasing did not respond to phone or email requests for comment. ☐

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# SellingPrepaid



## Prepaid in brief

### NEWS

#### **Mass transit pilot enters phase two**

Cubic Transportation Systems Inc., developer of the PATCO Wave & Pay Anywhere Visa Prepaid Card, entered stage two of its mass transit pilot. Port Authority Transit Corp. mass transit riders can use near field communication-enabled contactless cards, or a virtual card via a mobile wallet, to pay for fares at gates and parking terminals. PATCO operates the high-speed rail line between Southern New Jersey and Philadelphia.

#### **Fraudsters turn to prepaid**

In a **Krebs on Security** blog post, Brian Krebs reported a new fraud trend involves cyber thieves turning to prepaid cards to launder the proceeds from identity fraud schemes. Krebs said the trend arises out of a need by criminals to reduce their dependency on unreliable money mules. The blog post is available at [www.krebsonsecurity.com/2012/04/thieves-replacing-money-mules-with-prepaid-cards/](http://www.krebsonsecurity.com/2012/04/thieves-replacing-money-mules-with-prepaid-cards/).

#### **Refunds on TurboTax cards delayed**

Intuit Inc. customers in the Jacksonville, Fla., area who use its TurboTax tax preparation software and elected to have refunds loaded onto prepaid cards experienced delays in receiving refunds. TurboTax attributed the delays to an increase in industrywide tax fraud.

### ANNOUNCEMENTS

#### **Edenred shakes up management**

Paris-based corporate prepaid card processor **Edenred** restructured its management team to pursue strategy and sustainable growth objectives. Details of the restructuring can be found at [www.edenred.com/en/press/documents/cp\\_nominationscomexedenred\\_en.pdf](http://www.edenred.com/en/press/documents/cp_nominationscomexedenred_en.pdf).

#### **CFSI's Gartner rings bell**

Kimberly Gartner, Vice President of Advisory Services at the Center for Financial Services Innovation, took part in ringing the closing bell at the New York Stock Exchange on April 13, 2012. CFSI representatives were

in New York to host a panel discussion on financial services innovation and technology as part of the NYSE's Financial Literacy Week.

#### **Javelin delves into popular segments**

Javelin Strategy & Research issued *Prepaid Cards and Products in 2012*, a report that said one out of every six Gen Yers and underbanked consumers use prepaid cards.

#### **Parago surpasses 500,000 cards ordered online**

Incentive and reward card processor **Parago Inc.** said 500,000 Visa Inc.-branded prepaid cards totaling \$20 million in issued or loaded funds were ordered from the Parago Reward Ordering Portal, which went live in September 2011.

#### **PIF reveals maturation of U.K. prepaid market**

According to the **Prepaid International Forum's PIF Data Aggregation Service**, the number of prepaid card programs in the United Kingdom grew from 50 in 2007 to 229 in 2011. Robert Courtneidge, Chairman of PIF, believes the U.K. prepaid card sector is entering a period of consolidation, "though average transaction spend continues to increase."

#### **SelectCore joins Global Prepaid Exchange Canada**

Toronto-based prepaid card processor **SelectCore Ltd.** joined Global Prepaid Exchange Canada. The move represents SelectCore's desire to align itself with industry leaders and contribute to shaping industry best practices.

#### **TSYS wins prize in the Middle East**

Columbus, Ga.-based processor **Total Systems Services Inc. (TSYS)** won the Industry Partner of the Year Award at The VRL Middle East Prepaid Awards held March 21, 2012, in Dubai, United Arab Emirates. Additionally, Abu Dhabi Islamic Bank, a TSYS client, won a VRL award for its teen card, the Darhoom Card.

### PARTNERSHIPS

#### **Underbanked initiative launched**

Prepaid card processor **Fidelity National Information Services Inc.** and Bank Freedom subsidiary **PrepaYd Inc.** will target the underbanked market with a mobile

application that combines PrepaYd Wireless' cellular phone service and Bank Freedom's prepaid debit card programs.

### **Summer campers to get teen card**

Socialwise Inc.'s teen card provider **BillMyParents Inc.** entered a partnership with summer camp technology firm **Bunk1.com** to provide a payment solution for summer campers and their parents. Bunk1.com services 2,000 summer camps in the United States.

### **i-Payout expands e-wallet**

Online wallet platform operator **International Payout Systems Inc.** added the Global eMoney Network of U.K.-based prepaid voucher provider **Ukash** to the payment options available on i-Payout. According to IPS, the collaboration is expected to add "millions" of Ukash users to i-Payout.

### **U.S. Bank, FreeMonee motivate cardholders**

U.S. Bancorp's primary financial institution, **U.S. Bank**, teamed with gift network operator FreeMonee to offer **FreeMonee Gifts** to U.S. Bank Check Card customers. Free Monee is cash from national merchants deposited into cardholder accounts to incentivize consumer purchase behavior.

### **Wright Express taps ReD for fraud protection**

Corporate and prepaid fleet card provider **Wright Express Corp.** chose **Retail Decisions Inc.** (ReD) for enterprise fraud prevention. Wright Express integrated ReD Prism as a supporting tool to its in-house fraud initiatives.

## **ACQUISITIONS**

### **Green Dot acquires Loopt**

Monrovia, Calif.-based **Green Dot Corp.** bought Mountain View, Calif.-based mobile technology firm **Loopt Inc.** for approximately \$43 million in cash and employee retention incentives. Green Dot said Loopt's Mountain View headquarters will serve as the hub for Green Dot's mobile technology and product development team.

## **APPOINTMENTS**

### **Fernandes becomes VP at PrepaYd Wireless**

**Dylan Fernandes** joined PrepaYd Wireless as Vice President of Wireless Business Development after serving as National Account Manager at Sprint Prepaid

Group, which manages the Boost Mobile and Virgin Mobile prepaid phone programs.

### **Hernandez joins BillMyParents' board**

Former First Data Corp. Executive Vice President **William Hernandez** joined the advisory board of BillMyParents to provide expertise on how to improve the program manager's teen payment brand.

### **Card Compliant taps Shulman**

Stored-value card consultancy Card Compliant LLC hired **Becky Shulman** as Chief Financial Officer and Chief Operating Officer. Shulman, formerly Managing Director and Deputy Chief Financial Officer for LPL Financial, will lead Card Compliant's finance, accounting, operations and investor relations initiatives. ■



## **Features**

### **What prepaid can learn from the EPA**

**A**mong its recommendations for the reformation of the prepaid card industry, a Durham, N.C.-based nonprofit advises the industry to replace the Schumer Box fee disclosure model for a combination of models developed by the Environmental Protection Agency.

Contrary to a static fee disclosure box, EPA models would offer an easy-to-understand product comparison graphic that links to a more consumer-focused breakdown of product details via a quick response (QR) code, according to Adam Rust, Director of Research at Reinvestment Partners.

In a research paper entitled *The 8 Principles for the Reform of the Prepaid Card*, Rust said one EPA disclosure box is used to help people estimate the cost savings associated with home heating and cooling products.

The EPA Energy Guide disclosure is a sticker that can be applied to a new household appliance, such as a refrigerator. The sticker offers a graph that compares the energy efficiency of the refrigerator to a range of similar refrigerators.

Rust pointed out that the sticker provides not just information about the particular appliance, but also other factors, such as family size and room size. Additional physical environments are also taken into account, like the regional location of the home where the appliance resides.

**Another EPA disclosure box is a mileage efficiency sticker that affixes to new automobiles. The sticker provides information such as the fuel efficiency and annual fuel costs of the car model under question. The sticker also comes with a QR code that, when scanned by a consumer's smart phone camera, takes the consumer to a web page where more detailed information about the car is available in a box format.**

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### Card Star model

Reinvestment Partners incorporated aspects of both EPA models into its own Card Star fee disclosure model. The initial box presented to consumers comes in four user

group models, two of which are for everyday users of prepaid cards and for infrequent users. The box provides a graph that estimates the total monthly cost in fees of a particular card and places that total in context with the totals of similar cards.

Below the graph are four boxes that detail the fee to buy the card, where to load value onto the card, the minimum load value for the card and the surcharge-free ATM network that accepts the card. The box also displays a QR code linked to a detailed disclosure box online that describes the card's costs, its functions and its safety features.



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The detailed disclosure box is broken down into such categories as "Add Money," "Get Money," and "Spend Money." Another category is "What This Card Will Do," which lists the features of the card, such as if it allows for online bill pay, a savings account and a credit building capability.

Rust envisions QR codes on the prepaid card packaging to provide smart-phone users with access to disclosure information at the POS.

### **Schumer Box not best model?**

Rust said a problem with prepaid cards is that consumers are not given an adequate way to comparison shop. "Since there is so much variation in how frequently the cards are used, comparing prices is very difficult," he said.

It is therefore Rust's conclusion that the Schumer Box, which was used as the model for the Center for Financial Services Innovation standardized fee disclosure box (for more information, see "Demands of a standardized fee disclosure box," *SellingPrepaid E-Magazine*, April 12, 2012, issue 12:04:A), is "the right inspiration but the wrong model."

By offering cost estimates on prepaid cards for four different consumer groups and visual graphics designed to help consumers evaluate prepaid cards, the EPA-inspired Card Star model is a better model for prepaid card disclosures, Rust said. ☀

## **Plastic Jungle unlocks new meaning of money**

**A** new partnership between gift card exchange operator Plastic Jungle Inc. and U.S. Bank allows the issuer's cardholders to convert the balances on closed-loop gift cards into credit card reward points. The initiative highlights how currency is being redefined.

The service enables FlexPerks Travel Rewards Visa Signature cardholders to exchange gift cards for FlexPoints – U.S. Bank's popular reward points program for such reward goals as airline tickets, car rentals and charitable donations. Plastic Jungle facilitates the exchange of gift card dollars into reward points via its payment processing engine.

Cardholders can utilize the service by visiting the FlexPerks Visa Promotion Center online, where they log in and enter gift card details. Plastic Jungle determines the value of gift cards and translates that value into FlexPoints, which are added to cardholders' accounts. The more popular gift cards, such as for major gas station

operators and big-box discount retailers, are worth more FlexPoints.

The new solution is an example of how Plastic Jungle is continuing to build on the core functionality of its platform – helping consumers exchange gift cards they wouldn't use for ones they would.

"It's always been about trying to create more liquidity options for the consumer," said Bruce Bower, Chief Executive Officer at Plastic Jungle. "In this case, what we've done is we've sort of jumped a barrier so that you can now earn a form of currency with a completely different form of currency."

### **From plastic to liquid**

In June 2011, Plastic Jungle collaborated with ChargeSmart Inc. to expand the exchange platform to include bill payments. The implementation allows cardholders to use retailer-specific gift cards to make utility, car, mortgage and student loan payments, with up to 92 percent of gift card value going toward paying those bills.

The U.S. Bank partnership represents expansion into another realm, but is taking advantage of how all electronic currencies are basically structured.

"Facebook credits or Zynga points or gift cards are really very similar," Bower said. "To us, those become all different flavors of the same thing." Plastic Jungle simply allows one electronic value to be converted into another, he noted. That functionality is helping to drive a change in how consumers view money.

"If you look at it from a consumer angle, there's a little bit of magic there, because they have these currencies and they don't really think of them in terms of their utility," Bower said. "Now they can begin to."

### **The changing face of currency**

Changing that mindset is accomplished by consumers using the service and amassing FlexPoints to attain goals. Bower gave travel as an example: if an airline ticket costs 20,000 FlexPoints, a cardholder who has reached 17,000 points can close that 3,000 point gap in "one fell swoop" by redeeming an unused gift card that was previously thought to be useless.

Plastic Jungle is working on further expansion of its service to increase consumers' choices for how they use gift cards and to create a kind of critical mass. "You give the consumer the ability to experience it in different kinds of contexts, and all of a sudden it catches on," Bower said.

"The more utility you add to currencies, the more valuable those currencies are, and more consumers will do the thing that you hoped they'd do to earn the currencies. And that's good for everybody." ☀

## Mobile technology and the acquiring chain

**By Mustafa Shehabi**

*PayCube Inc.*

**L**et me begin by stating I do not believe mobile payments and related technologies will structurally change the position of ISOs, merchant level salespeople (MLSS), processors and banks in the merchant acquiring value chain. I believe this new technology will reinforce payment professionals' value at each point, thereby making their services more relevant and less commoditized.

Let me elaborate by stepping back to examine the key trends in payments. Over the years, the perception of money has changed from being a value exchange mechanism for buying goods and services to becoming a resource to fulfill aspirations based on lifestyle needs as well as the attention, interest, desire and action (AIDA) influencing factors. Purchase decisions and payments are becoming increasingly intertwined.

### Shifting from desktops to hands

Since buying and related decisions are moving from the web to mobile environments, payments are surely following the same path. This, I believe, is going to enable mobile commerce adoption in a big way. To this extent, it is not hard to envision why the traditional networks of Visa Inc., MasterCard Worldwide,

else – will succeed is an open question. I don't think even the big players know yet. In any event, the whole concept of consumers moving through the stages of the AIDA model to finally paying will increasingly happen on devices that are in the hands of consumers.

### Influencing mass adoption

History repeats itself. In many ways, the payments industry illustrates this fundamental fact. If you look at its evolution from cash to check to electronic payments – specifically, credit, debit, automated clearing house, ATM, e-commerce and Europay/MasterCard/Visa (EMV) – the key enablers to mass adoption and success were:

- Adoption of standards by all participants in the ecosystem
- Management of participant challenges and pain points
- Profitability
- Ease of consumer adoption
- Security

In the early days of credit cards, the larger industry evolved around Bank of America-published specifications, which led to broader market penetration. The same can be said for ATM specs in the early stages and more recently EMV, which was a collaboration of sorts between the networks.

This was one of the factors that made adoption of EMV easier among varied stakeholders.

Similarly, we are in the early stages of implementation, but sooner or later industry standards will emerge for mobile payments and related technologies such as mobile wallets and NFC.

***In the early days of credit cards, the larger industry evolved around Bank of America-published specifications, which led to broader market penetration. The same can be said for ATM specs in the early stages and more recently EMV, which was a collaboration of sorts between the networks.***

American Express Co. and Discover Financial Services would see the telecommunications networks and technologies, which could potentially make use of them, as a strategic threat. The telecoms are the only other omnipresent global networks that connect people. Mobile payment and related technologies, such as near field communication (NFC) and mobile wallets, thus have an advantage.

Which form of mobile payment – NFC or quick response codes, integrated magnetic stripe readers or something

For most mobile payment initiatives to succeed they will have to provide more value than the friction they produce. Hence, the ability of any such initiative to integrate closely to consumers' lifestyles, and then reward, prompt and assist them, will determine its success. This can be seen at work in PayPal Inc.'s strategy to create a broad ecosystem of partners and vendors to integrate with their technology.

### Increasing acquirer responsibility

PayPal realized earlier on that to move from the commodity

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## View

world to the value-added world, they had to provide AIDA to consumers and offer merchants relevant data that can be monetized. This is primarily an acquirer play. To that extent it is interesting to note the increasing roles of the acquirers and merchants.

Payments today have moved from a state where the player that owned the consumer (that is, the issuer) ran the network to a place where the player that owns the merchant (that is, the acquirer) runs the network. This is a good position for acquirers to be in, but with this we are also seeing liabilities shifting from issuing to acquiring.

Much of this has been discussed in various articles and viewpoints shared in the media. However, I believe the point to note is that to achieve broad-based adoption of various emerging trends (mobile payments, wallets, etc.), a set of industry standards must be adopted. The initiative here will most likely be taken by industry leaders across the hardware, software, network and mobile spectrum.

### **Emerging standards**

Mobile payment and related technologies are currently at the peak of the inflated expectations stage of the technology life cycle. We will see a lot of hype dissipate as some expectations are dashed and others are realized, and larger players consolidate around collaborations and return

on investment based on implementations and actual use. Only then will we see common standards that will ease adoption for retailers and consumers, which will spur mass adoption.

I am refraining from predicting how this will happen because which players take the lead is not important. Distribution in payments follows the same principles as distribution of any other product or service. And for mobile and related payment technologies to achieve mass adoption, some level of standardization will be necessary in distribution as well. The main point is that ISOs and MLSs will be most able to distribute these value-added payment offerings to the merchant base.

Further, acquirers should take note of the proliferation of technology in the payments space and the devices consumers hold in their hands today. Keeping in mind the increasing influence of acquirers in the payments value chain, we should not underestimate the value the leading and forward thinking acquirers can yield in shaping consumer experiences at the point of sale and point of service.

### **Looking toward the future**

Next generation acquirers will have to be ready to provide new services to their retailers. Most likely, this will be a technology play, and acquirers will need to position themselves accordingly. Assuming this point of view, it is possible to envision the value of product management and information technology.

Any technology investment will need to be closely allied with business dynamics and procedures as the market matures. Therefore working with a nimble model that integrates processes and technology to serve the needs of people will be crucial.

ISOs and next-generation acquirers will need to develop these capabilities, or find them in partners, so they can provide strong product and platform offerings that have a compelling technology differentiation. This will reinforce their positions in the payments value chain.

The acquiring space is where the future of payments will be fought and won. ■

*Mustafa Shehabi is the co-founder of PayCube Inc., which is a Bay Area, Calif.-based payment consulting and IT services company providing custom software solutions and custom gateways for acquirers, ISOs, retailers and varied organizations in the world of payments and consumer transactions, including prepaid and gift card program, loyalty and promotion, payment start-up, POS solution, mobile payment and e-commerce players. PayCube uses a blend of on-site and offshore delivery capabilities, with a focused staff of retail and payment focused software engineers, architects, project managers, tech leads and systems analysts. More information, email ms@paycubeinc.com, call 925-285-6265 or visit www.paycubeinc.com.*

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# TradeAssociationNews



## ETA 2012 abuzz about the future

**T**he Electronic Transactions Association's 2012 Annual Meeting & Expo in Las Vegas in April saw near record attendance and a sold-out exhibitor floor that showcased preeminent players in payment innovation. For the more than 2,850 payment professionals and 168 exhibitors who participated, the event's diversity of resources was evident from day one, with capacity-filled ETA University, Compliance Day and the Investment Community Forum.

During the opening evening's President's Dinner and Awards Ceremony, James Baumgartner, President and Chief Executive Officer of Moneris Solutions Corp., received the ETA's Distinguished Payments Professional award. Total Merchant Services was recognized as ISO of the Year; NPC, a Vantiv LLC company, was heralded as Business Partner of Year. Henry Helgeson, Merchant Warehouse co-Chief Executive Officer, was named Member of the Year. First Data Corp. President, Mobile Commerce Solutions' Barry McCarthy earned Committee Volunteer of the Year recognition.

### Stimulating presentations

The next day, ETA President Eddie Myers expressed optimism about the future of the ETA, stating, "Hope is the assurance of good things to come." He then introduced newly appointed ETA Chief Executive Officer Jason Oxman and keynote speaker Guy Kawasaki, an author and former Apple Inc. evangelist. Later, political analyst Charles Cook predicted President Obama would face significant hurdles in his bid for reelection.

Drawing from his book, *Enchantment: The Art of Changing Hearts, Minds, and Actions*, Kawasaki described 10 key influencers in business, starting with likeability,

trustworthiness and product quality. He also emphasized the need to be relevant to audiences. This was echoed later in the Disruption Luncheon where panelists discussed the importance of revenue enhancement for merchants embracing new technology.

### Technology in action

In one of six Technology/Products and Sales sessions presented, panelist Ben Love, Vice President, Mobile Strategy at Vantiv, said it takes 19 quarters to adopt new technology; he estimated the United States is three to four quarters into adoption of the mobile wallet. The ETA 2012 Technology Showcase provided video demonstrations of 10 products selected from a field of 22 entries.

POS Portal was named winner of the 2012 ETA Technology Innovation Award for its P2 ISO Office CRM, a cloud-based platform for ISOs. "After leveraging decades of industry experience and a company culture of innovation, we knew we had built something really special," said Buzz Stryker, CEO of POS Portal. "P2 allows ISOs big and small the ability to completely manage their entire business in one single system."

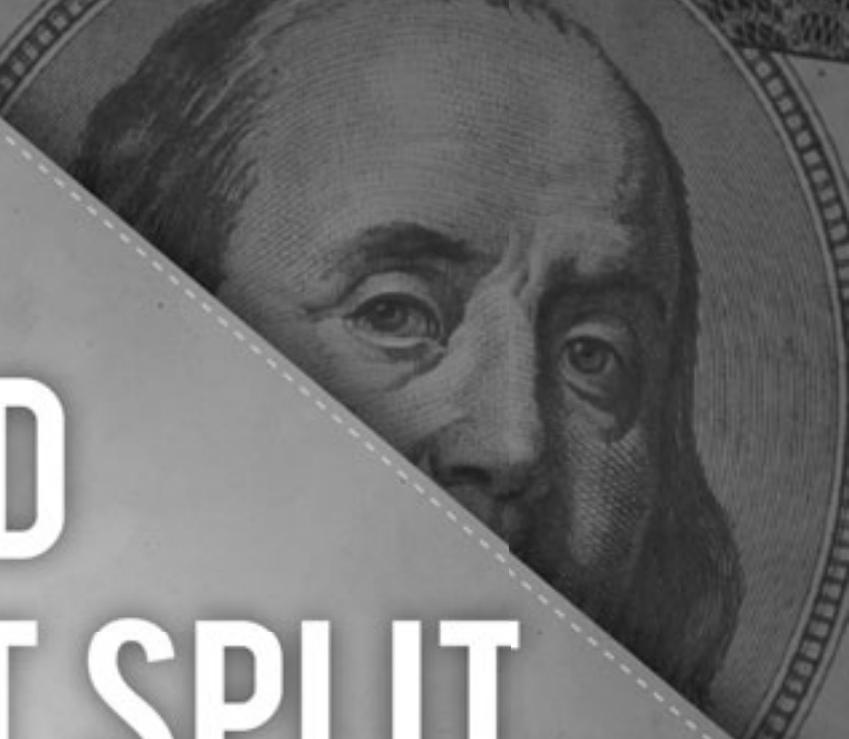
The evening's Rock Cirque-themed party, sponsored by Discover Financial Services, featured aerial drummers juxtaposed above an array of gastronomic treats, delighting the crowd that had gathered.

The final day's sessions addressed regulatory issues and social commerce. ETA Director of Government Relations Mary Bennett stated the ETA will continue its efforts on Capitol Hill, including supporting a national standard to supplant the 47 state-level data security laws now in effect.

The next ETA Annual Meeting & Expo will be held in New Orleans from April 30 to May 2, 2013. For exhibit space, contact [etaexhibits@conferencemanager.com](mailto:etaexhibits@conferencemanager.com). ■

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# CompanyProfile



## 2Checkout.com Inc.

### ISO/MLS contact:

Vic Cleary  
 Director, Business Partnerships  
 Phone: 614-921-2450, Ext. 147  
 Email: [vcleary@2co.com](mailto:vcleary@2co.com)

### Company address:

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 Columbus, Ohio 43228  
 Phone: 877-294-0273  
 Fax: 614-921-2451  
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## Global e-commerce at your service

**A** strong desire to improve upon existing products and services often seeds innovation. When former Oracle Corp. consultant Alan Homewood witnessed many small and midsize businesses (SMBs) failing to gain a piece of real estate on the Internet just as others were being catapulted to success by an e-commerce boom, Homewood decided to apply his knowledge of software and fraud prevention to make e-commerce more accessible to all who dreamed of thriving in that sphere.

Thus, Homewood founded 2Checkout.com Inc. in 2000, and like other technology visionaries before him, he launched the business from home. "I first started the company and originally ran the business out of two apartments and a high-speed Internet connection," Homewood said. "The solution was simple: download some simple HTML code that would connect to a page that was hosted by 2CO and leverage merchant accounts owned by 2CO. We were ahead of our time."

Being ahead of the curve proved advantageous for 2CO, which to date has guided over 100,000 merchants to sell online and process billions of dollars in e-commerce transactions. The Columbus, Ohio-based company now occupies a facility large enough to house more than 105 employees who perform all functions in-house – from transaction processing and fraud monitoring to 24/7 customer service.

The company believes its e-commerce platform has broad appeal among SMBs, regardless of location because 2CO pays attention to regional market needs. "What resonates in the U.S. isn't necessarily what resonates in other countries, and so we want to get a level of sophistication where we can speak to merchants about what they're looking for in their particular markets," said Tom Dailey, Chief Executive Officer at 2CO.

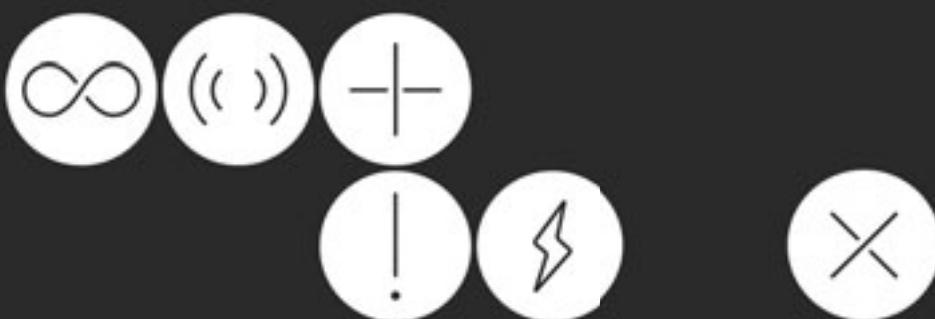
According to Dailey, another factor that has resonated well with e-commerce merchants is that 2CO's platform eliminates the need to contract with multiple vendors for hosted payments, merchant and account services, gateway services, fraud prevention services, Payment Card Industry (PCI) Data Security Standard (DSS) compliance, consumer care, affiliate programming, and a shopping portal to support multiple languages and currencies.

"The whole idea behind 2CO was to provide a single point solution for all those things," Dailey said. "We provide a hosted payment solution such that the merchant never has to worry about PCI compliance, because we host the whole process so the merchant never sees the account number, for example."

### Shopping convenience

The company also provides a free shopping cart to online merchants as part of its bundled package. "We're also served by the top 40 leading shopping carts, so if [merchants] want to use a third-party cart, we can connect that," he said, adding that 2CO supports more than 50 shopping carts in all. "With our service there is no need for a third-party gateway provider. That's all managed with our product offering," he said.

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## Company Profile

In addition, the checkout process is presented in the language appropriate for the consumer. "If it's a French consumer, they get the whole checkout experience in French," Dailey said.

"It's all seamless for the merchant. Not only do they get a one-stop solution, but they get an instant global solution, and it's all managed through the technology that we provide."

According to 2CO, its merchant clients can accept all major credit card brands as well as PayPal Inc. payments; they can also accept payments via electronic funds transfer, Payoneer Inc. payroll and prepaid debit card transfer, wire transfer, or paper check.

Dailey said 2CO aligned with Bank of America Corp. as its acquiring sponsor bank primarily because of the sophisticated cash management, treasury management and currency capabilities it offers, all of which are necessary for operating a global company.

Dailey said that with increased globalization, the company is seeing more buyers and sellers conducting e-commerce between nations. With that in mind, 2CO will continue to add appropriate local payment types and consider alternative payments, such as Facebook credits, to match consumer preferences.

### Managed growth

2CO noted that it currently processes payments for merchants in over 200 countries in 15 languages and provides currency conversion for 26 international currencies. But those numbers are expected to rise as the company expands into new regions.

Most recently, 2CO deployed web and digital marketing to reach out to new merchants in the international sector. "We're breaking records every month in terms of our sales numbers and new merchants," staid Sharon Wiles, 2CO Chief Marketing Officer.

Dailey added that the company has had "20-plus percent growth" for several years. "Our revenue is accelerating," he said. "We want to make sure we grow smart, not just grow fast." He indicated the focus in 2012 is on boarding merchants from England and Australia, but additional secondary markets are planned.

Sustaining such accelerated growth when most payment service providers are averaging between 6 and 8 percent in annual growth is no easy task, according to 2CO. However, Thomas Cannon, CEO of Whitehall Advisors and a member of 2CO's Board of Advisors, is convinced the company has the formula for success.

"These guys are just blowing it off the map," Cannon said. "You have to have all the parts in the engine aligned well to run a good payments company. The founder made the

wise decision of bringing in very professional talent to take the company from its solid, profitable beginning to new growth with the proper organization and corporate discipline that it takes.

"They really have a nice niche and they're very difficult to compete against, because of the ways that they do business and conduct it." As an example, Cannon pointed out that 2CO maintains a stringent, but rapid underwriting process, so new merchants can be underwritten and approved for transactions very quickly.

"I'm impressed with all the key yardstick measurements they use for a front-end gateway processor," Cannon said. "It's a fast, turnkey solution that enables people to personalize and customize their business using 2CO tools.

"Knowledgeable merchants are cautious about where they go with their business, because customer service is a relevant part. 2CO has very high internal standards for customer service."

While most of its clients are strictly online merchants, 2CO occasionally boards large merchants with a brick-and-mortar presence. "For the most part, we focus on small- to medium-sized merchants," Dailey said. "We think that our products and system will be best with that market."

Dailey noted that within that market, 2CO has a balanced mix of merchants selling both tangible goods and digital goods where recurring billing or subscription services generate revenue. Nonprofit organizations with ongoing donations are an example of the recurring revenue model.

"A very robust section of our transactions are recurring transactions," Dailey said. "We have technology we can deploy for more active nonprofits. One of the beauties is that some nonprofits are looking at the feasibility of getting donations from not just the United States, so we can help them with that as well."

### Fraud patrol

According to Dailey, e-commerce is a higher-risk merchant sector. Factor in the international piece, and a good vetting process is critical, as is ongoing transaction monitoring. "We feel like we're the best-in-class there, but we also realize that the cyber-criminals can catch up with you, so you're only one step ahead of them," Dailey said.

To mitigate fraud, 2CO holds cash reserves for most merchants. It also employs what the company refers to as a three-tiered defense strategy to identify fraudulent activity. The strategy includes assessment of over 300 variables in less than three seconds to identify markers of fraud.

"We look at attributes related to the transaction, attributes related to the buyer and attributes related to the merchant, and we aggregate that with information from some

outside sources," Dailey said, adding that with this aggregated information, 2CO can stop a transaction in progress, review it and quickly determine its legitimacy.

"Their fraud control is superb, probably unmatched in the industry," Cannon said. "They maintain a fraud rate that is well below half of the industry standard." The company noted it is also PCI Level 1 certified, which is the highest level of certification possible.

### **Partnership opportunities**

The company noted that it offers online merchants a simple, flat-rate pricing model where everything is bundled into a single offering.

The blended rate is all inclusive, so any new services or payment methods are automatically integrated. Once a merchant signs on and begins processing payments, 2CO sends both the customer and merchant an order confirmation upon completion of each order.

"Currently, our referral partners are third-party shopping carts, hosting companies and software developers whose businesses need a simple and easy-to-use online payment solution," said Vic Cleary, Director, Business Partnerships

for 2CO. "We are currently working to build out our ISO and MLS business." Wiles added that although many of their referral partners are also customers of 2CO, they needn't be.

"The beauty with us is we find that our program is very complementary to what an agent might already be doing," Dailey said. "A lot of the U.S. providers are just that, they're U.S. only. Or they're U.S. and maybe an EU. Some merchants need greater processing capabilities. We have merchants that use one processor in the U.S., and they're using us for international. And while we'd love to have all the business, we're OK with that, too."

2CO reported that under its referral program, it pays a residual share commission on each sale the referred business processes through 2CO. Referral partners also gain access to discounts on 2CO services and assistance with marketing, branding and other services, the company added.

With its technical prowess, innovative capabilities, in-house customer support and ability to reach global markets, 2CO believes it is a worthy partner for savvy payment professionals seeking to expand their e-commerce offerings. ■

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## The art of social media speak

**F**ollowing a company's Twitter feed can be like reading a grocery list. A headline and a link to a press release don't cut it in the Twitterverse, where clever self-promotion (or attempts at such) have a better chance of getting noticed. The same thing applies to a corporate Facebook page; links to press releases don't make for compelling content.

On the other hand, press releases fit within the framework of company websites, and blogs often link to them. It just points to the reality of social media: one voice does not fit all. The secret to developing separate voices for each social media vehicle is to understand how users of each media communicate. Twitter users have 140 characters per tweet to share information. So, instead of posting a press release title, corporate tweeters can devote those 140 characters to a nugget of choice knowledge contained in the press release that would intrigue tweeters to click on the link.

### Learn the lingo

Facebook's posting parameters are not as restrictive as Twitter's. However, Facebook involves micro communities

of friends and family members. For example, it seems much more effective if a mom in Indiana posts on her Facebook page how much she enjoyed a company's new payment app than if that same app is promoted on the company's own Facebook page. By virtual word of mouth, the mom in Indiana's post will circulate through her circle of friends and their circles of friends while the company's own Facebook post will likely generate no activity whatsoever.

Blogs are yet another animal. Some blogs have a newsy feel; others take a relaxed, casual approach. It all depends on a given blog's intended readership. And what about a site like Pinterest, where images trump words? Photos from a successful charity event where a company's POS terminals were used to process donations may have greater impact than a standard promotional image of the POS device under a corporate logo.

The truth is social media has deconstructed the top-down corporate communication model. Today, it's all about talking to consumers in their own unique languages. It's up to you to learn how to speak them. ☐



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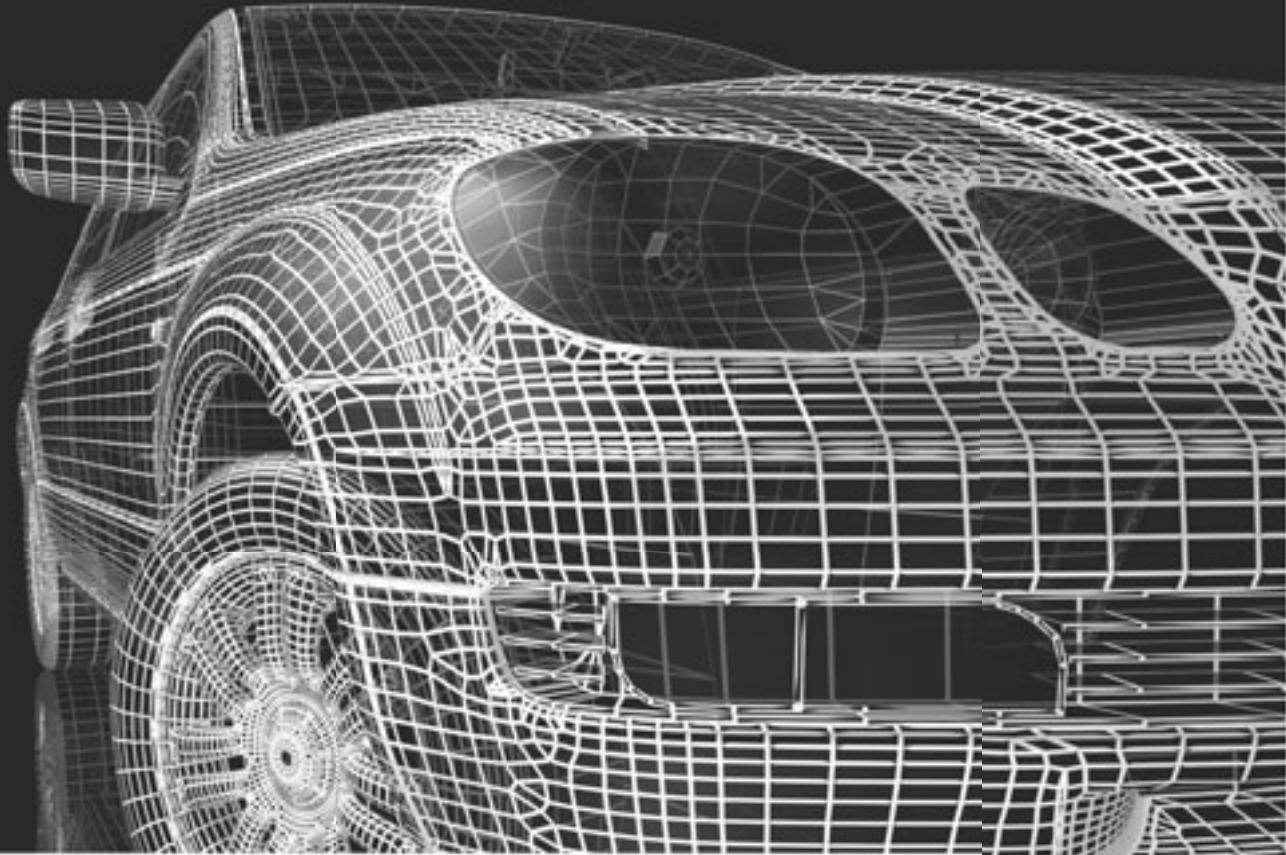
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**Financing options from page 1**

agencies. Additionally, small-business owners with bad credit can qualify for advances provided they have monthly credit card receipts that meet the MCA company's criteria. MCAs also feature easy application and collection procedures and high approval rates. Any business generating credit and debit card sales in the range of \$5,000 a month is a potential MCA candidate. The downside is that the interest rates can run high when calculated as annual percentage rates.

Merchant Processing Resource, an organization that tracks MCA companies and trends, estimated nearly 21,000 MCA transactions totaling over \$500 million took place in 2010. States with the most MCAs were California (with over 2,700 transactions), Texas (1,634) and New York (1,273), the MPR website reported.

Small to midsize businesses (SMBs) are "the engine of every economy and need capital to grow and expand," said Glenn Goldman, Chief Executive Officer of Capital Access Network Inc., which operates the merchant cash advance business AdvanceMe Inc. in addition to NewLogic Business Loans Inc. "Even in a difficult economy, at a time when banks and big financial firms are pulling back from the SMB market, we continue to grow – funding thousands of entrepreneurs every year from medical practices, shoe stores and auto repair shops on Main Street to clothing, accessory and home product retailers, collectables sellers and other e-commerce players," Goldman added.

Evidencing the strength of its business model, CAN revealed in February 2012 it had received a \$30 million investment from Accel Partners, a firm that has invested in over 300 successful companies, including Facebook Inc., Groupon Inc. and MetroPCS Wireless Inc. Goldman said the investment would be used to enhance the reach and capabilities of CAN's products.

**New iterations emerging**

In 2010, CAN introduced a new spin on MCAs, launching its NewLogic subsidiary which offers repayment plans that more closely resemble traditional bank loans. Repayment schedules incorpo-

**New markets, new twists on credit**

Here's a new take on an old idea: in-house financing for businesses that want to help clients with less than stellar credit scores. ExtendCredit.com Inc. created an online lending platform that enables businesses to create and manage in-house financing plans.

Bob Richardson, the company's President and CEO, said this browser-based software service is an appealing option for service-oriented businesses such as veterinarians, dentists and plastic surgeons. It also includes features for supporting wellness plans, which he likens to merchant loyalty programs.

The typical ExtendCredit borrower has a credit rating below 700 and is in a crunch situation (for example, a beloved pet needs emergency medical care). "This is an offering that can help ISOs move upstream," Richardson said. ExtendCredit charges fixed setup and monthly fees, which ISOs can mark up.

rate fixed daily remittance amounts deducted from a company's daily card receipts, rather than variable amounts based on card receipt totals, as is the case with traditional MCA products.

Today dozens of companies compete in the MCA space. Many of them private-label the technology originally developed by CAN. That technology uses sophisticated mathematical models to determine the financial health of an applicant as well as likely future card sales, instead of the traditional credit scores that banks use. American Microloan LLC offers a product with a



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slightly different approach: businesses can choose to pay fixed daily amounts or a fixed percentage of card sales. The company also takes a unique approach to fee accrual. Instead of assessing charges on the full cash advance amount, a typical MCA practice, interest accrues daily on each customer's outstanding balance, said Jack Miller, Director of Business Development at American Microloan. The typical customer pays about 12 percent interest over a period of six months. Miller said the company sees a lot of repeat customers. "Our oldest customer is on their sixteenth loan," he noted.

On Deck Capital Inc. developed what it calls the On Deck Score, a special type of business credit score the credit agency Equifax helped create. It looks at over 300 data points, including how many customers a business has, cash flow, sales and registered complaints. The company said it has delivered over \$200 million to SMBs that typically can't meet the strict lending standards of traditional lenders.

In April 2012, On Deck rolled out a new "split funding" option featuring payments deducted from business credit and debit card receipts. Otherwise, On Deck deducts daily payments directly from a business's primary bank account, using the automated clearing house (ACH) network. "Technology clearly is driving this business," said Brad Kime, President of On Deck.

The company partnered with ISO Integrity Payment Systems to launch its new split funding option at the 2012 ETA Annual Meeting and Expo held in April. On Deck's typical borrowers are Main Street businesses – restaurants, salons, florists – that have been open for more than a year and have annual revenues of between \$300,000 and \$3 million. Loan amounts range from \$5,000 to \$50,000; the typical term is six to nine months. Kime said ISOs are a major source of referrals for On Deck. Other partners include payroll firms, accountants and web-based business application providers. On Deck now has agreements with 1,000 such distribution providers that, combined, reach more than 1 million businesses across the United States, the company said.

Citi Wide Merchant Funding offers the Express Small Business Loan, which relies on a sophisticated algorithmic underwriting process that slashes the time it takes to approve an application. "What used to take several weeks now only takes hours," said Kris Sands, Senior Vice President for Business Development. The company also boasts a projected payback period of 18 months.

Merchant Cash and Capital LLC targets franchises, in particular restaurants, and has developed cash advance products that meet their unique needs. "Hospitality and restaurant concepts are the largest growth area," the company said in a recent press release. Since its opening in 2005, MCC has provided over \$400 million in the form of 20,000 advances to 11,000 customers, the company said.

## Bank lending falls by wayside

The need for offerings like these has never been more obvious as banks continue to tamp down on credit offerings. According to Biz2Credit, which acts as a small-business loan clearing house, loan approvals by big banks fell 6.8 percent between February and March 2012, while approvals by "alternative lenders" rose 0.5 percent during that same period.

In addition to MCA companies, alternative lenders include community development financial institutions, microfinance institutions and industry-specific factoring organizations. Biz2Credit also reported that alternative lenders were approving more than two-thirds of applications from potential borrowers as of January 2012, compared with about 47 percent for community banks. Meanwhile, large commercial banks approved just 11.7 percent of loan applications during the same month.

"It's no surprise that small businesses are suffering from an extreme lack of available financing from traditional lenders and their tight qualifications, but the depth to which the problem has gone should be of great concern," said Stephen Sheinbaum, President and CEO of MCC. MCC surveyed its clients in April 2012 and found 57 percent had applied for small business bank loans previously, but a whopping 80 percent either were declined or had withdrawn their loan applications. The MCC survey also revealed merchants seek cash advances for a variety of reasons. Thirty-two percent said they had used the money for expansion and growth products, while 15 percent purchased inventory. Far fewer used the funds to make payroll, pay taxes or other bills, or for marketing.

"In today's economy, our alternative working capital is needed more than ever by businesses," said David Goldin, President and CEO of AmeriMerchant Inc., a 10-year-old firm that offers MCAs and other working capital programs. ProMAC Financing specializes in financing professional practices (especially clinics and hospitals) and transportation companies, based on their electronic accounts receivables programs. Remittances are collected daily via the ACH network.

"Ninety percent of the time our clients are looking for opportunity capital," said ProMAC CEO Stephen McDermott. And the sums involved are larger than cash advances: the average ProMAC transaction is about \$100,000 and is repaid in a year or less. ProMAC partners with ISOs, professional associations and software companies to solicit business, and the company sees a great number of repeat customers. "We have a unique product that can provide for a lot of [merchant] stickiness," McDermott said. With innovative funding options ever more capable of filling the void left by traditional lenders, it seems an ideal time to become fully informed on these types of products. Timely funding could make the difference between a thriving merchant business and one that has to close its doors. ■

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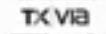
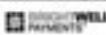
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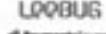
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## **How to avoid that 'What just happened?' moment**

**By Jeff Fortney**

*Clearent LLC*

**Y**ou're sitting in your car with a fully completed, signed application. You have all the supporting data you need, so you should be happy. But instead, you ask yourself, What just happened? The good news is the merchant signed. However, the bad news is you reduced your price well below your minimum.

You waived fees you never usually waive, and even offered to get the merchant new equipment at cost. You should have walked away from the deal, but instead you signed the merchant and even thanked the new client for signing.

Somehow, in some way, the merchant sold you, not the other way around. At the price agreed upon, you won't cover your costs of acquisition for up to a year. Instead of being pleased with the sale, you regret signing the merchant and you haven't even left the parking lot.

This story is one all ISOs and merchant level salespeople (MLSSs) have experienced. It doesn't matter if you sell face to face or over the phone. At some point in our careers, we have all asked, What just happened? And probably we ask that question of ourselves more than once.

We come up with some pretty creative answers, but when it comes right down to it, we're basically trying to justify our mistakes. We swear it won't happen again, but somehow it does. Until we examine this question closely, and truthfully answer it, we will continue to fall into the same trap, asking the same dreaded question while we stare at another unprofitable contract.

### **Education index**

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Many sales trainers offer advice on this subject, and their responses fall into four distinct categories:

1. Fear
2. Intimidation
3. Price resistance
4. Embarrassment

### **Fear**

One definition of fear is the feeling or condition of being afraid, or more accurately, a distressing emotion aroused by impending danger, evil, pain, etc., whether the threat is real or imagined.

My first experience with fear occurred when I was four years old. My parents and I were on vacation in Los Angeles. My mother wanted to eat lunch one day at the Brown Derby, in hopes of seeing Hollywood stars in the popular celebrity hangout.

Sure enough, sitting one table over from us was Jack Benny and his TV sidekick Dennis Day. (For those of you younger than 30, Benny was a popular comedian of his time, ranking along George Burns and Bob Hope.) My

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## Education (continued)

**Fear is personal, whereas intimidation is an external force. Its definition can be summed up in one word - bullying: the act of intimidating a weaker person to make the victim do something. Intimidation comes in many forms, but it always results in the victim losing control of some situation.**

mom wanted Benny's autograph. But knowing a youngster had a better chance at getting an autograph than an adult, she handed me a pen and pad and instructed me to walk over to their table.

When I got within two feet of the men I froze. I couldn't go back, and had no desire to go forward. I just stood there for what seemed like hours. Finally, Day said, "Hey Jack, I think that little boy wants your autograph." Benny turned around and asked if that was true. I nodded. He signed the pad, handed it back and returned to his lunch.

Still shaking, I walked back to our table and gave the autograph to my mother. I was both relieved it was over and a little excited, for that was my first autograph. Many years passed before I had the courage to ask for another, simply because of the fear I felt that day.

As adults, fear can creep into our professional lives. We fear failure, fear a prospect's reaction to us and sometimes just fear the initial introduction. Sometimes our fear is rational, sometimes it's not, but it's real to us all the same.

To prevent fear from taking a stranglehold, we must learn how to recognize it and effectively manage it. Here are three suggestions:

1. Knowledge: By having a working knowledge of your payment offerings, you will be confident when talking with merchants. You don't need to have all of the answers; you just need access to someone at your organization who does.
2. Confidence: Remember that the merchant needs you, even if he or she doesn't know it yet.
3. Thick skin: Be prepared to hear no, and don't take it personally.

### Intimidation

Fear is personal, whereas intimidation is an external force. Its definition can be summed up in one word – bullying: the act of intimidating a weaker person to make the victim do something. Intimidation comes in many forms, but it always results in the victim losing control of some situation.

Once while I was training a new MLS, we walked into a

retail store, and the MLS introduced herself. Before she could say another word, the merchant reached under the counter and slapped down his statement, saying, "This is what you want." He proceeded to cross his arms and stare at us with what I took to be a look of contempt.

We were faced with two choices. We could acknowledge that the statement was indeed what we wanted to see, and proceed with an analysis to save him money, or we could change his perception of us.

Unsure of what to do, the MLS looked at me. I chose the latter approach. I put my hand in the middle of the statement and said, "You don't want to show us this. First we don't even know if we are a fit for what you need, and besides we don't know if you fit us."

The merchant was dumbfounded, because all previous MLSs who had called on him wanted to see his statement and show him how much money they could save him. The merchant uncrossed his arms, and his look changed from disdain to surprise. For the next 10 minutes he tried to convince us that he was a fit for us.

This is an example of how a merchant's impression changed from one of us being inferior to him to one of all of us being equals. Treat merchants as equals, and you can expect to be treated the same. That is the first step to overcoming intimidation.

The second step is information. Know something about your prospective customers, at least what they sell. Remember, even though the goal is for them to sign with you, the sale is all about them.

Lastly, do not accept intimidation, or even consider signing a merchant if you feel intimidated. If nothing else, walk away.

### Price resistance

No matter how you sell, the conversation will inevitably turn to cost. When that happens, the response to your pricing will not always be positive. Keep in mind that how you respond to the merchant's resistance will define your success.

In *Crush Price Objections*, author Tom Reilly wrote that 72 percent of salespeople give up when the buyer resists the



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## Education (continued)

quoted price. It should be expected that the merchant will question price, even if it's fair. As such, you should be prepared for this discussion in advance. That preparation begins with your "floor."

Before starting any sales effort, identify the price you will not drop below. This isn't the lowest price you *can* quote, but rather the lowest price you *will* quote.

When calculating your floor, remember it's not just fixed costs, but also your costs of acquisition (that is, gas, time, etc.) that must be included to determine where you break even.

Next, add your minimum mark-up. Remember that, in almost every case, a merchant is a for-profit business, and you should be too. If a merchant presses you to drop below your minimum, say thank you and walk away.

Don't avoid the price conversation, but rather know how to control it. When a merchant objects to your price, don't react by offering to reduce or waive anything. If the retailer says, "That's just too high," ask, "In what way?" Make the merchant be specific about his or her concerns, and address those concerns.

Price needs to be part of the conversation, but don't let it dominate. Otherwise you'll be in for a debate, one you will likely lose.

### Embarrassment

Has something like this ever happened to you? A merchant asks a specific question about the terminal on the counter before you. The merchant might say, "Can you connect it to the Internet?" You are not knowledgeable about that particular terminal, but in your effort to please the merchant you say, "Sure!"

The merchant then looks at you skeptically and asks if you're sure, because everyone else has said no. At this point, you admit you aren't sure, try to back pedal or begin to argue the point. None of these choices are good ones.

When MLSs are trapped in a corner, they will often attempt to save face instead of admitting mistakes. A signed deal may follow, but chances are the profitability will be lacking, and MLSs will end up with merchants who have little respect for them – and will rarely provide referrals.

The keys to avoiding embarrassment are confidence and honesty. You have to have confidence and honesty to be able to say, "I don't know." Don't be afraid to say it.

Confidence grows as MLSs grow their industry knowledge. If you're selling processing, you need to understand the payment cycle as well as the structure behind the costs. If you're selling equipment, you need a working knowledge of the various types of terminals that your company sells.

You don't need to know the rules surrounding chargebacks, or the specifics of interchange, but you do need to know what a chargeback is and the principles behind interchange.

MERCHANTS may not come out and say it, but if they think you don't understand your product offerings, they will wonder why they should sign with you.

When we consider all of the moving parts associated with sales, it's easy to see how MLSs could find themselves asking, What just happened? That's why we must carefully follow the steps herein and focus on staying in control of the sale. If we do, we will soon find little else that is as professionally rewarding. ☐

*Jeff Fortney is Vice President, ISO Channel Management with Clearent LLC. He has more than 17 years' experience in the payments industry. Contact him at jeff@clearent.com or 972-618-7340. To learn about how Clearent can help you grow faster and go further, visit www.clearent.com.*

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**Education (continued)**

# **Experts reveal their social media strategies**

**By Peggy Bekavac Olson**

*Strategic Marketing*

**W**hen the Electronic Transactions Association's Program Planning Committee began setting the agenda for the spring 2012 ETA Annual Meeting & Expo recently held in Las Vegas, sessions on social media were considered a top priority. While the commercial use of social media continues to generate significant buzz, the committee, on which I serve, agreed conference attendees should learn what acquirers and ISOs are actually doing today with social media.

From the plethora of social media platforms available, we wanted to know what is being used by payments industry companies and for what purposes. We hoped to hear about real successes and even some failures. We wanted to see examples of how payment companies, big and small, are putting social media to work for their businesses.

## **Answering pressing questions**

And so, a lineup of distinguished social media experts from the world of merchant acquiring addressed the issues we'd identified in a one-hour session during the ETA's recent expo. As moderator, I was fortunate to have on the panel these social media professionals:

- Hal Gudmundsen, Director of Acquisition and Retention for Merchant Warehouse
- Alexia Marcus, Vice President and co-founder of Dharma Merchant Services
- Jason Putnam, Vice President of Sales, Strategic Partner Channel, First American Payment Systems LP
- Glen Turpin, Director of Communications, overseeing social media for First Data Corp.

In case you missed the session, I will provide a synopsis here of the highlights, key points and wisdom shared by our panelists, beginning with Turpin. First Data employs social media primarily to promote awareness of business activities and thought leadership. Turpin indicated the company uses Twitter as its main social channel because of its broad appeal. Corporate news is updated through frequent tweets, or Twitter postings.

Turpin favors YouTube for other marketing channels because the company can post video vignettes that provide corporate or product overviews, customer testimonials and case studies, as well as address merchant operations, training and customer service issues.

## **Getting the content right**

Regarding Facebook, Turpin said First Data is moving toward deploying less content but ensuring that it is richer and more focused on specific audiences, such as the small business sector. He cited the creation of First Data's Small Business Center. The processing giant also uses Facebook to empower business partners of all kinds with information and tools to help them reach their customers.

First Data uses LinkedIn primarily for recruiting, but Turpin admitted this social media platform is still somewhat of an enigma for the company. The processor is experimenting with websites SlideShare, Quora and Storify, as well as other social media tools. Turpin recommends being generous with useful information shared via social media, while at the same time conveying a human voice and tone that encourage conversation.

## **Selecting a platform for each audience**

When it comes to social media, Merchant Warehouse focuses on Facebook, Twitter, Google+, LinkedIn and blogging, Gudmundsen said. To a lesser degree, the company also uses Flickr, Tumblr and YouTube. Merchant Warehouse uses each social media platform to target a different audience, with the goal of better engaging with new and existing customers, partners, agents and industry players, such as the news media.

Gudmundsen indicated Merchant Warehouse employs a content strategy of thought leadership to provide valuable information that breaks through marketplace noise and clutter. The company leverages social media as much as possible to dominate brand search results and improve overall search engine optimization performance.

Social media serve two roles relating to merchant acquisition, according to Gudmundsen. From a demand capture standpoint, Merchant Warehouse showcases the company and its employees, resources, expertise and credentials to merchants ready to engage in the buying process.

Regarding demand generation, Merchant Warehouse believes focusing solely on credit card processing is thinking way too small. Gudmundsen recommends talking with merchants via social media about the things they care about most, with the goal of becoming a resource and eventually the go-to firm when merchants are ready to purchase payment processing services.

## **Leveraging a platform's strength**

At First American Payment Systems, all public-facing employees actively utilize LinkedIn, Putnam reported. He indicated the company uses the site primarily for recruiting purposes, while Twitter is used to post news about First American, industry information and recruiting messages.

Putnam indicated that First American's Facebook use is geared mainly toward its sales channel with postings of business updates, sales advice, product launch information, company news and details about philanthropic endeavors.

First American just began using Google+ because its postings are readily picked up by bots and spiders for use by Google's search engine. The company also takes advantage of YouTube and Vimeo for sharing corporate commercials and product information via video.

### Broadcasting your mission

Marcous shared with the audience Dharma Merchant Services' two main social media objectives:

1. To demonstrate to the company's niche target market for payment services that it walks the talk regarding commitment to sustainability and social responsibility
2. To convey industry-specific information and processing tips to clients, prospects and the public

When it comes to social media, Marcous recommends content sharing at least two times a week, with website links so that consumers can digest further information about your company.

Dharma uses LinkedIn for community building and to participate in conversations started by clients, partners and thought leaders in the sustainability space. Marcous said her company uses Twitter to promote client events and to tweet about the company's Sacred Commerce business model, which focuses on creating a better world while caring about customers, business partners and employees.

Dharma also utilizes Facebook to do the following:

- Post personnel updates pertaining to new hires, moves and anniversaries
- Post press releases and company events
- Promote client events

- Use the "Like" button to publicize clients and thought leaders
- Post comments and information on clients' walls.

### Walking diverse social media paths

From the panelists' remarks, you can conclude that merchant acquirers and ISOs are using a wide variety of social media platforms to support a number of important business initiatives, including brand building and awareness, merchant acquisition, agent and employee recruitment, customer service, search engine optimization, and more.

Panel participants delivered a common, clear message that social media can be approached in a variety of effective ways. First, take your company's culture and business goals into account; then focus your efforts at sites where your customers and prospects will most likely be found.

The key to successfully putting social media to work for your business is to develop a plan that aligns your people, prospects and customers with the appropriate channels and platforms. Then stay committed to and focused on continuous execution and ongoing adjustment. ■

*Peggy Bekavac Olson founded Strategic Marketing, a full-service marketing and communications firm specializing in financial services and electronic payment companies, after serving as Vice President of Marketing and Communications for TSYS. She can be reached at 480-706-0816 or peggyolson@smktg.com. Information about Strategic Marketing can be found at www.smktg.com.*

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## Ace your sales interview

By Alan Kleinman

*Meritus Payment Solutions*

**I**t's job hunting season. Many merchant level salespeople (MLSs) find springtime, before summer vacations swing into high gear, is an ideal time to explore new job opportunities. Surprisingly, some applicants think their past performance will carry them, but this is simply not true. In this article, I will share pointers on basic job search etiquette.

### Distinguish yourself

Whether you are an experienced MLS or someone new to the payments industry, adhering to the following job search tips may set you apart.

- **En garde!** Make sure you have thorough knowledge of what your resume contains. If it's on your resume, potential employers will ask you about it. Be prepared to substantiate all key performance indicators you include.
- **Be accurate and consistent.** Your resume should contain accurate contact information. Having to resort to contacting you by email because your resume contains an incorrect phone number is frustrating for recruiters and causes them to question your attention to detail.

Don't leave outdated resumes posted on job sites, and don't post diverse versions either. While it's important to moderately customize your resume for a specific position, too much variation in your work history can put your honesty and integrity in question.

Also, proofread, proofread, proofread. You're not a copywriter; however, misspellings and grammatical errors on a resume are deal breakers. It can be difficult to see these types of mistakes after you have spent hours perfecting a resume. Ask someone else to review your resume before you post it online or email it to a potential employer.

- **Don't lie, exaggerate or embellish.** Include accurate performance statistics on your resume. Don't attribute group performance to your own individual efforts. A potential employer may verify your claims with your previous employer, your colleagues and your references. If you've failed at something, explain why. It's your job as a salesperson to properly position any negatives. Clean up your resume and polish your story.

- **Be prepared.** Research the company you're applying to. Even if you are being pursued, take time to become informed about the company, the industry and the people you'll be meeting. Then, go beyond that. For example, determine what you think about a particular vertical or where the industry is heading. Identify how you've looked beyond your next deal to take advantage of payment trends.

The always-be-closing (A-B-C) of the play and movie *Glengarry Glen Ross* is old school. Merchants are looking for consultative partners. Instead of A-B-C, think always-be-creating; create business, create relationships and create opportunities.

Prepare answers and strategies that show you can see five years ahead and that you are thinking strategically about the future.

- **Act like a professional.** Be on time for your appointment, and err on the side of dressing up for in-person interviews, even if you know a given company has a casual dress code. First impressions count; you can never go wrong by looking professional. Also, do not appear disinterested, talk negatively about former employers or put an interviewer on hold during a telephone interview.
- **Play hard to get.** It may not be fair, but the reality is you are perceived as more valuable if you are currently employed. Even if you're itching to move on from your present company, stay there until you have secured a new opportunity. Gaps in employment history raise red flags for potential employers.
- **Sweat the small stuff.** Even if you decide you are not interested in a company, write a thank-you note (snail mail or email) after your interview, and absolutely follow up. If you exhibit bad manners, recruiters or hiring managers will be quick to share that with other potential employers.

### Good luck!

Remember, this industry is small; people's reputations do precede them – good and bad. Be the candidate whose astute professionalism confirms esteem or suspends doubts. Keep this job search etiquette in mind to capitalize on every opportunity. ■

*Alan Kleinman is the Principal of Meritus Payment Solutions, the trusted global payment partner. With a client-first mentality, Meritus provides a breadth of payment and transaction processing solutions that include mobile, credit and debit cards, gift and loyalty cards, electronic benefit transfer, automated clearing house, Check 21 and more. Contact him at akleinman@merituspayment.com or 888-851-7558, ext. 141.*

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**Education (continued)**

# **Don't let your processor do this to you**

**By Adam Atlas**

*Attorney at Law*

**I** believe there is value in recounting some of the harmful deeds done by processors in the past year and discussing the legal framework of these acts. My purpose is not to rubberneck at the ISO wrecks that sometimes occur because of processor wrong-doing. My objective is to help improve relationships between processors and ISOs.

Sales organizations whose relationships with processors deteriorate are sometimes themselves responsible for the deterioration. ISOs and merchant level salespeople (MLSSs) are not all angels, but for the purposes of this article, let's assume that most are.

I've omitted names, geographic locations, etc. in the following real-life examples to protect the identities of those involved.

## **Giving ISO the tab for underpayment**

Suppose a processor underpays a merchant by several thousand dollars a month, so by the end of the year, the merchant has been short-changed by \$40,000. When the merchant discovers the underpayment, the merchant is livid. To salvage the merchant relationship, the ISO advances \$40,000 to the merchant out of its own pocket.

Then the ISO turns to the processor to discuss reimbursement. The processor refuses to pay. The excuses include:

- Failure to bring the underpayment to the attention of the processor within the 30-day window for verifying statements
- The card brand rule prohibition on ISOs dealing in merchant processor funds
- Differences of opinion as to the underlying reporting supporting the underpayment

The lesson here is to instruct merchants to be vigilant about inspecting their monthly settlements. ISOs and MLSSs also have an interest in seeing that merchants are paid correctly every month, so they have a vested interest in helping merchants with this.

## **Personal grudge influencing business decisions**

We all come across, and even work with, people we do not like. This is the natural course of business. That said, some

processors have taken personal grudges to a higher level and made assumptions about ISOs that are simply false.

For example, management at a given processor dislikes one of its ISOs. This kind of dislike can arise, for example, when an ISO shows a sudden drop in new merchant referrals. Obsessing over the drop in referrals, management at the processor jumps to conclusions and imagines the ISO is also moving merchants away from the processor in breach of the ISO's nonsolicitation obligations. This kind of false assumption can lead to a stop in residual payments and a subsequent legal battle.

Incidentally, the opposite kind of assumption also occurs. Some well meaning ISOs, who are basically honest themselves, make the false assumption that their MLSSs are as honest as they are. In doing so, the ISOs place excessive trust in agents; this can result in damage to the ISO's portfolio that would not have occurred had the ISO been more watchful.

The take-away in these stories is to keep emotion at bay to a certain extent so as to not let it influence business decisions.

## **Residuals terminated without notice**

In a more colorful moment of processor misbehavior, a major processor recently terminated a substantial monthly residual to an ISO without any advance notice or explanation. The ISO sent three demand letters to the processor; there was no reply. One can only speculate as to how a processor could be advised to be this callous in respect of a given ISO.

The legal consideration here is that most ISO agreements require a party to send notice to the other party to an agreement if the other party is in breach of the contract. Depending on the wording of the ISO agreement, failure to send notice of the breach to the ISO may heighten the processor's liability for failing to give the ISO a chance to cure whatever breach may have instigated the nonpayment.

Note, however, that for certain ISO contract breaches, some agreements do not require the processor to provide advance notice or a period to cure the breach before ceasing residual payments.

## **'Tied selling' of compliance programs**

Compliance fees are the flavor of the month in our industry. With the Payment Card Industry (PCI) Data Security Standard (DSS) requirements, the Internal Revenue Service 6050W rule and implementation of regulations under the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, everyone in our industry is playing musical chairs with pricing, not knowing if they will be ahead or behind when the music stops.

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## Education

**Tied selling is the illegal practice of a company providing a product or service on condition that the customer purchase another service or product from the same company.**

number matching are either available from third-party providers or easy for certain ISOs to complete themselves, some processors have made it mandatory for ISOs to procure a suite of compliance services for a fixed set of fees. In anti-trust parlance, this might be called "tied selling."

Tied selling is the illegal practice of a company providing a product or service on condition that the customer purchase another service or product from the same company.

Where a processor makes its general services to ISOs conditional on the purchase of other services, such as compliance programs that can be acquired from third parties, the ISOs constrained by these conditions may be victims of illegal tied selling.

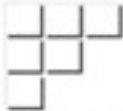
Naturally, each case must be evaluated on its individual merits. ISOs shouldn't conclude all processor compliance programs are illegal. Nonetheless, they should query

their processors regarding exactly how much choice they are being given in the suite of services offered to them. Building a case for tied selling is difficult and costly. It also requires the ISO to prove that the arrangement had the effect of lessening competition for a given service within a given market. The difficulty of bringing such cases can deter ISOs from pursuing them, but it does not lessen the sting of being subject to wrongful conduct.

Again, ISOs are not all above reproach. That said, given their extraordinary control over payments and reporting, processors should be held to a high standard of ethics in their dealings with ISOs and merchants alike. ■

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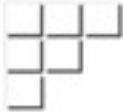
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**Education (continued)**

## **Are you leaving your mark on merchants?**

**By Steve Norell**

*US Merchant Services Inc.*

**E**very day, I meet merchants who tell me or my sales agents that a competitor called on them in an effort to make them switch their processing from our company to the competitor.

Because I like to know who my competition is and what they are saying, I always ask the client the name of the merchant level salesperson (MLS) and his or her company name, as well as what they offered. Nine times out of 10, the merchant cannot remember the names – only that the MLS promised to save the merchant money.

For those who know me, I am hard to forget, although I am sure some would like to forget me. Regardless, my No. 1 goal is to be remembered by my merchants. The questions we all need to ask are, how are we remembered and for what reasons? Did we make a positive impression that merchants will remember a week or a month from now? Or was it just one more pitch that they've heard time and again?

### **Don't blend in, be memorable**

I am sure most of us feel that we excel in our chosen profession and that merchants should fully appreciate the products and services we provide, as well as the expertise and knowledge we share when teaching them how the credit card world works. We all inform them of rates, fees, terminals, options and other factors.

But before you leave sales calls, do you leave your mark? What do you do differently that makes merchants unable to forget you, your name and your company name?

My method has always been to use humor, since everybody likes to laugh. If humor is not your strong point, pick something else and hone that skill. I remember a salesman who wanted to leave his mark. He did so by putting on roller skates and rolling in through every customer's door. I am sure he was not soon forgotten.

### **Find your Harry Truman moment**

My favorite moment of leaving my mark was when I was given the task of making a Saturday presentation to the sales force of a customer at the company's warehouse. I don't know about you, but not many people want to be in a warehouse on a Saturday listening to a vendor drone on about how great his product is.

***My method has always been to use humor, since everybody likes to laugh. If humor is not your strong point, pick something else and hone that skill. I remember a salesman who wanted to leave his mark. He did so by putting on roller skates and rolling in through every customer's door. I am sure he was not soon forgotten.***

As I was coming to the end of the presentation, I could sense boredom was kicking in. At this point, I knew I had to come up with something fast, or they would never remember me. So I dug deep into my joke bag and told what I thought was one of my top five jokes.

Without repeating the joke here, I can tell you the punch line: Harry Truman, 1945. The joke was so good that I brought down the house, and away I went.

For years after that Saturday, I ran into sales reps who were at that meeting. When they saw me, they would immediately say "Harry Truman, 1945." A lot of them were by then working for different companies, but they always remembered me and my punch line.

### **Keep them talking about you**

So, did I leave my mark? You bet I did, and that is what it is all about. There is an old saying in Hollywood: Good news or bad news, just spell my name right, and keep writing or talking about me. As long as you're on their minds, the phone will keep ringing.

Being the smartest or most complete MLS in today's market is not always enough. But if you leave merchants with just one thing they can't forget, you will succeed where others fail. Whenever you leave a merchant, ask yourself, Did I leave my mark? If the answer is no, get back in there and correct that shortcoming. ☐

*Steve Norell is Director of Sales at US Merchant Services Inc. Based in Port St. Lucie, Fla., he oversees the USMS sales force and maintains the company's bank and processor relationships. You can reach him by email at steven@usmsllc.com or by phone at 772-220-7515.*

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# 10 years ago in The Green Sheet

A glance backward in time revealed industry stalwart Visa Inc. embroiled in a lawsuit to protect its brand, automated clearing house (ACH) payment volume surging and, much like today, debate over smart card deployment stirring a diversity of opinions.



## Visa, First Data lawsuit

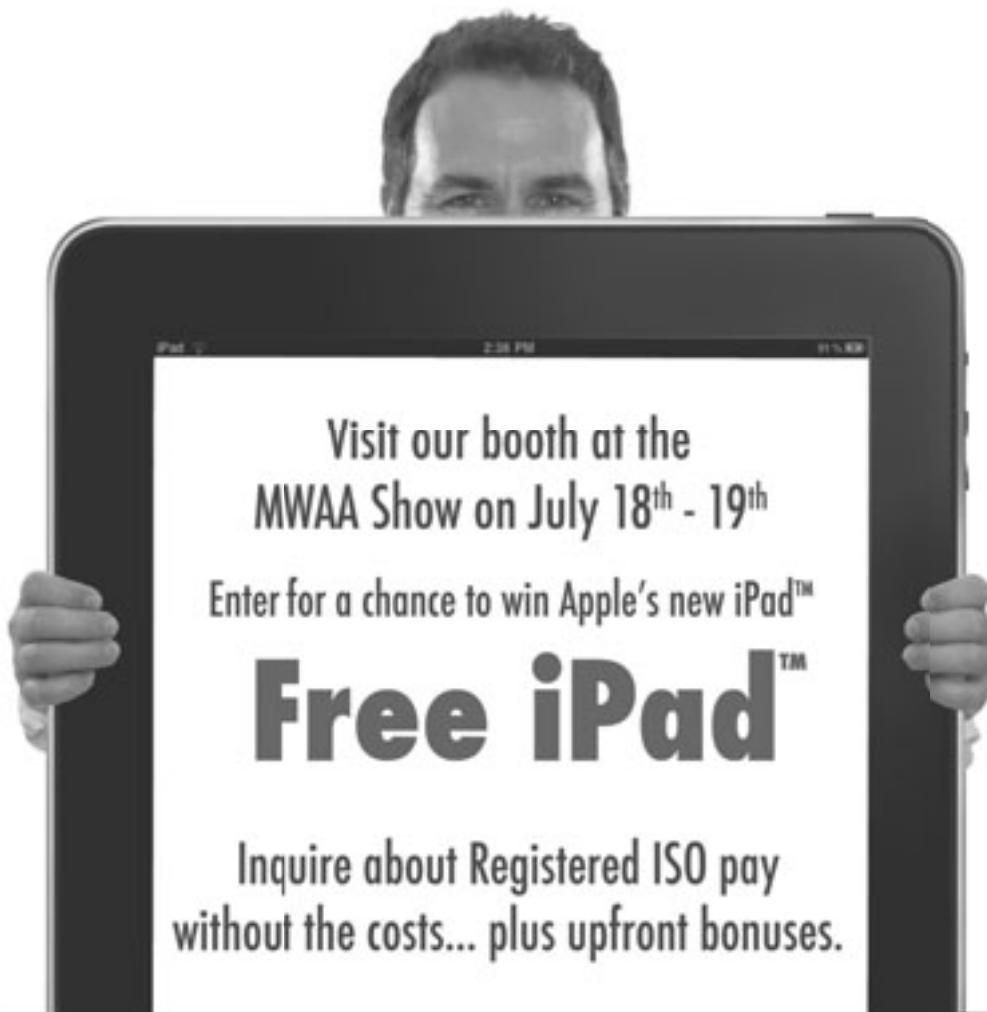
In April 2002, Visa filed suit in the U.S. District Court for Northern California against First Data Corp. to stop development of a transaction processing system that would have bypassed Visa's own VisaNet system. Visa alleged First Data's Intra-FDC processing and settlement service threatened to dilute both the Visa brand and integrity of the credit card industry.

## Record-setting ACH volume

NACHA – The Electronic Payments Association reported ACH payments surpassed 1 billion for the first time in 2001, up 16.2 percent from 2000, for a total of 7.99 billion payments valued at \$22.2 trillion. NACHA projected ACH payment volume would double by 2006.

## Smart card status report

The Smart Card Forum issued a white paper, *What's So SMART about Smart Cards?* It estimated the U.S. market accounted for fewer than 2 percent of the more than 2 billion smart cards in global circulation. One reason cited: corporate strategists' fears that competitors could find ways "to bundle a multiprocessing application that eliminates the need for their card."



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# New Products

## Award-winning network security system

### Product: Phoenix PaySecure

*Company: Phoenix Managed Networks*

**A**fter winning The Designers Institute of New Zealand bronze award for product design, Auckland-based Mako Networks knew it was on track with the Mako 6500 network security appliance.

The next step was to take the product global, so Mako partnered with U.S.-based payment communications and gateway provider Phoenix Managed Networks. Jointly they launched Phoenix PaySecure at the 2012 Electronic Transactions Association Annual Meeting & Expo.

"PaySecure is uniquely designed to simplify payment security and merchant compliance with the Payment Card Industry [PCI] Data Security Standard [DSS]," said John J. "Jack" McDonnell, Chairman and Chief Executive Officer of PMN. "The solution is based on a combination of Mako Networks' technology and Phoenix's expertise in providing resilient, cloud-based network services."

Under the terms of a multimillion dollar agreement, Mako will provide its award-winning hardware and software-based service to PMN, which will serve as distributor and operator of a central management system that delivers cloud-based security management and PCI DSS compliance support to card-present merchants and small to midsize businesses.

The fully managed firewall service, which includes the Mako plug-and-play router, was designed to simplify merchant PCI accreditation through rapid deployment, as well as manage a host of in-store data applications. If the system detects a breach attempt or unauthorized device, the merchant receives a real-time alert. PaySecure also allows merchants to monitor store locations, set up web content filtering and obtain detailed status reports via its dashboard.

According to PMN, PaySecure is the world's first Level 1 PCI-certified network managed system of its kind. And it provides an affordable, continuous PCI compliance solution for card-present merchants that offers managed firewall protection for broadband merchant locations as well. Other features included within the payment gateway are recurring credit and automated clearing house payments, shopping cart integration, tokenization and end-to-end encryption.

#### Features of Phoenix PaySecure include:

- Continuous PCI compliance for card-present merchants
- Managed firewall for broadband merchant locations
- Level 1 PCI certified network management system
- ICSA Lab-certified and externally PCI-certified router
- Private-label portal and branded payment page



"Our industry has an obligation to do more to assist merchants with achieving PCI standards," stated Matthew Mudd, President and Chief Operating Officer of PMN. "PaySecure is a flexible, simple and powerful solution that will allow a variety of market participants to do their part in enhancing merchant security and protecting the reputation of the electronic payments industry."

As a value-added service, PaySecure can be white-labeled by ISOs and merchant level salespeople and bundled with their existing merchant offerings, the company stated. ■

### Phoenix Managed Networks

703-230-7600

[www.phoenixmanagednetworks.com](http://www.phoenixmanagednetworks.com)

## Loyalty packs a punch

### Product: vPunch Rewards

*Company: vPromos Inc.*

**W**hen loyalty program provider vPromos Inc. demonstrated the newest version of its vPunch Rewards program at the 2012 Electronic Transactions Association Annual Meeting & Expo, the improvements were noticeable. Before the show, the company had tested the card-linked loyalty rewards program with merchants near its Dallas headquarters starting in early 2011.

Initially, customers were required to visit vPromo's website to join merchant rewards programs. Not any more. With the company's patent-pending Registration at POS enhancement, customers can now enroll at the merchant POS by simply providing a mobile text number. Once the number is entered into the payment terminal, a short-message-service text message is deployed, enabling customers to opt-in and complete the registration process.

Jeff Mankoff, founder and Chief Executive Officer of vPromos, stated, "vPunch Rewards is a merchant-centric program. Our clients are interested in building loyalty and rewarding their repeat customers, not the customers of a daily deal site or some other aggregator of online discounts. We've made loyalty marketing super simple for both merchants and consumers."

Since the online program is directly linked to customers' payment cards, no additional setup or punch cards are required on the part of merchants. All subsequent credit or debit card payments made with a registered card are tracked and automatically earn credit toward a vPunch Reward, which can reportedly be redeemed directly at the merchant's POS in real-time.

Customers must register at participating merchants to access individual rewards programs. The service allows merchants to set the rules, such as minimum purchase amount, number of punches needed to earn rewards and vPunch Reward amount.

"Some merchants using the Registration at POS feature are reporting membership growth of more than 700 percent," said Robert Greenberg, Chief Marketing Officer at vPromos. "We are confident that our card-linked loyalty rewards program is the simplest and most innovative

#### **Features of vPromos Inc. include:**

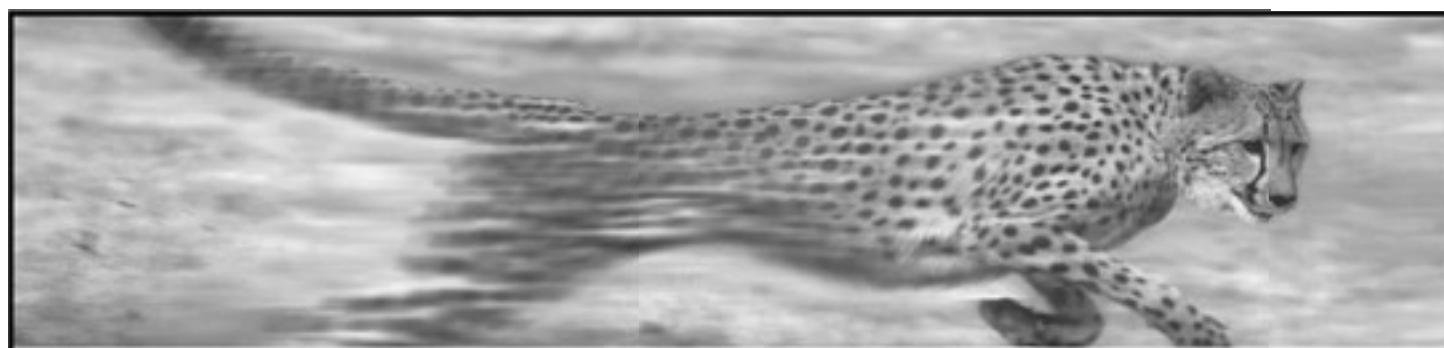
- Patent-pending Registration at POS program
- Real-time registration and rewards redemption
- Automatic tracking of customer rewards credits
- Direct link to existing payment cards
- Opportunity for strategic partnerships

solution out there, and the ability to register new members right at the point of sale is a real game changer."

According to vPromos, the program is intended for merchants who would like to offer a customized loyalty program without having to invest in additional equipment or loyalty rewards cards. Mankoff added that the company is committed to bringing cost-effective rewards programs to its clients and strategic partners. Other products and services in the vPromos suite include vGift, coupon, social media marketing and dashboard reporting. ■

#### **vPromos Inc.**

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and a year-at-a-glance event chart.



## Smart Card Alliance & NFC Forum

NFC Solutions Summit 2012

**Highlights:** This jointly hosted conference will bring together leaders from financial services, software and technology, payment processing, and retail services, as well as industry analysts for an interactive forum on issues and technologies shaping near field communication (NFC) globally. On May 21, three workshops will precede the conference: NFC Base Camp, NFC Technology and Application Developers Workshop, and CSCIP Payments Smart Card Training and Certification Exam Prep.

Opening day (May 22) keynote sessions will address global markets for NFC as well as security issues. Day two will feature panel discussions divided into two distinct paths: NFC Technology Conference Track and NFC Business Solutions Conference Track. For the final day's NFC open sessions, facilitators will work with topics selected by conference participants. The day will also offer peer-to-peer learning.

**When:** May 22 – 24, 2012

**Where:** Hyatt Regency San Francisco Airport, Burlingame, Calif.  
**Registration:**

[www.cvent.com/events/nfc-solutions-summit-2012/  
event-summary-428ceac64a914cfaa4b34ae53444cf08.aspx](http://www.cvent.com/events/nfc-solutions-summit-2012/event-summary-428ceac64a914cfaa4b34ae53444cf08.aspx)



## Northeast Acquirers Association

2012 Summer Seminar & Outing

**Highlights:** Ideal for ISOs and MLSs who want to interact with other payment pros and keep abreast of the latest developments in payments, this event will include presentations by industry experts, tabletop product exhibits from 65 vendors, and appealing prizes and giveaways from event sponsors. For those who wish to network while enjoying the outdoors, the NEAA is also arranging a golf scramble on Tues., June 5.

The show has three levels of participation: attendee, which includes financial institutions, ISOs or individuals that primarily sell acquiring related services directly to the merchant community; vendor, including companies or individuals that sell or promote products or their company's services to acquirers

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(attendees) for resale to merchants; and industry expert, comprising consulting or investment experts and senior management of ISOs who are not otherwise exhibiting vendors. The show is unable to accommodate roaming vendors.

**When:** June 5 – 6, 2012

**Where:** Crystal Springs Resort, Hamburg, N.J.

**Registration:** <http://northeastacquirers.com/event.htm>



## American Banker

6th Annual Mobile Banking & Commerce Summit

**Highlights:** This summit will gather industry trendsetters to explore the mobile commerce ecosystem's evolution, as well as components of best-in-class mobile banking. Keynote speaker Dickson Chu, Senior Vice President, Merchant Solutions at LivingSocial, will discuss mobile tools and solutions that can help merchants strengthen their businesses.

Other presentations and panels will cover who is fighting to be top of the digital wallet and what the repercussions could be; the merchant perspective on mobile payments and mobile incentives; the most influential people and companies in mobile financial services, including the early adopters and innovators; and innovations involving location-based offers and mobile banking and commerce on tablet devices.

**When:** June 10 – 12, 2012

**Where:** Westin St. Francis, San Francisco

**Registration:**

[http://register.sourcemediaconferences.com/iebms/reg/reg\\_p4\\_promo.aspx?&sessionid=ejpfgnf3fhofe5fh0fa3](http://register.sourcemediaconferences.com/iebms/reg/reg_p4_promo.aspx?&sessionid=ejpfgnf3fhofe5fh0fa3)



## Midwest Acquirers Association

10th Anniversary 2012 Annual Conference

**Highlights:** Celebrating the past and envisioning the future will be the theme of the Midwest Acquirers Association's 10th anniversary conference, which will take place in the heart of Chicago. To mark the start of a second decade of service, the MWAA has kept conference sponsorship and registration costs the same as in 2011. The event will open with a Women's Network in Electronic Transactions meeting, followed by the MWAA's sponsor appreciation dinner.

Conference sessions will cover the world of Europay/MasterCard/Visa, small business marketing programs, the changing mix of payment players, the impact of government and legislative initiatives on the industry, and the mergers and acquisitions outlook. Other highlights will include a buffet lunch sponsored by Field Guide Enterprises LLC, a Discover Financial Services future-themed party, and the MWAA's Shark Tank Innovation competition.

**When:** July 17 – 19, 2012

**Where:** Hilton Chicago

**Registration:** <http://midwestacquirers.com/register.php>

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**Aaron Slominski**  
Senior Vice President National Sales

# BookReview

## Harnessing the power of questions

**W**hen was the last time you evaluated the questions you ask people in the course of a day? Have you ever considered how that factor alone – the questions you choose to ask – can have astounding effects on your relationships?

In *Power Questions: Build Relationships, Win New Business, and Influence Others*, authors Andrew Sobel and Jerold Panas illustrate what a difference asking the right question in the right context can make in your career and life.

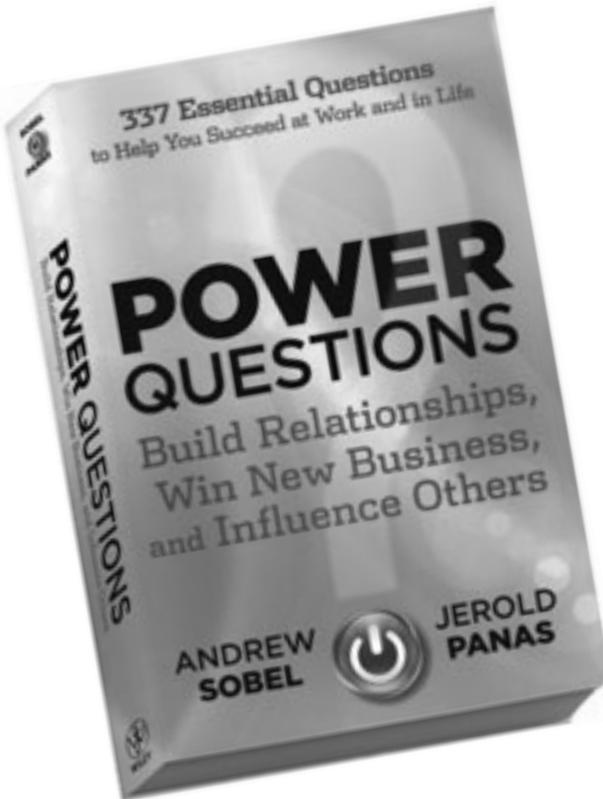
Most of the book's concise chapters begin with a true story illustrating the type of question covered in that chapter. Then the authors discuss the reasons why the question was effective in the story's context. Ending each chapter are suggestions for how readers can use similar questions themselves.

### No more digging holes

In one example, Sobel recounted a presentation he gave as a new partner in a consulting firm. When the potential client said, "Tell us a bit about yourselves," Sobel went into great detail about his firm's stellar attributes. About 30 minutes later, with the presentation finally done, he and his colleagues were met with silence. Then one of the client's executives grabbed her appointment book, thanked them and said she had to run to another meeting. Soon they were escorted out without having won the account.

Later, Sobel went on a sales call with a senior partner in the firm. The prospect asked, "Why don't you start by telling us about your firm?" The partner paused and then asked, "What would you like to know about us?" Then he was silent.

The client replied, "Well, we are of



course broadly familiar with what you do. I'd like to understand in particular what your capabilities are in Asia, and also how you work together internally."

The partner said he was curious and asked the prospect to say more about "working together internally." An interactive, engaged conversation ensued – and they got the job. The lesson learned: If someone says, "Tell me about your company," get them to be more specific. Ask, "What would you like to know about us?"

### Getting to the heart

Sobel noted that some meetings are akin to male gorillas engaged in battle. "They circle each other, and circle again, and again. In the process, they rake their hands in the dirt, scooping up handfuls that when thrown in the air make quite a dust storm. This is Gorilla Dust. Nothing decisive happens."

### Power Questions: Build Relationships, Win New Business, and Influence Others

By Andres Sobel  
and Jerold Panas  
© 2012 by Andrew  
Sobel and Jerold Panas  
John Wiley & Sons Inc.  
Hoboken, N.J.  
205 pages  
ISBN: 978-1-118-11963-4

So, next time you're meeting with someone who is throwing Gorilla Dust around, don't ask an open-ended question; ask a closed-ended question to force a decision, Sobel advised. For example, ask, "Is it a yes or a no?"

A final section of the book provides 293 additional power questions, categorized by the types of situations in which they would be applicable, such as when you want to win new business, hold effective first meetings, understand aspirations and goals, discuss a proposal, coach and mentor others, or resolve a crisis or complaint.

The book promises that if you put the questions it contains to use, you will "connect more deeply with your clients, drive quickly to the heart of problems, and unlock your professional and personal influence in unexpected and delightful ways."

Sounds worthwhile, doesn't it? ☒

# Inspiration

**WaterCoolerWisdom:**

**Any sufficiently advanced technology is indistinguishable from magic.**

- Arthur C. Clark

## Go with the tech flow

**I**t is clear technology has brought us a long way from the payments industry's early days of manual "knuckle busters" used to imprint credit card data on receipts at the POS. It's also clear technology will continue to transform the sophisticated electronic payment devices and networks our businesses employ.

That means people who can take advantage of new technology as it becomes available have an advantage over those who resist the changes technological advancements will bring. If you're an early adopter who can't wait for each latest and greatest terminal upgrade or mobile payment scheme, you don't have anything to worry about. But if you feel you're more befuddled than enthralled with each new release, don't give up. You can remedy the situation.

### Learning time

Here are some suggestions:

- **Take a class:** Many locales have affordable community colleges and adult education programs that offer classes in a variety of subjects, including technology. To accommodate working professionals, many classes are offered nights and weekends. Retail stores, including Apple Inc. and Best Buy Inc., also offer classes to help people make full use of devices they purchase. (Given the focus on using smart phones as payment devices, if you don't own one yet, it's about time you got on board.)
- **Use the Internet:** Most of us rely on the web to find answers to questions we encounter in the course of a day. The Internet can also be used as a tool for in-depth learning. For example, Khan Academy, [www.khanacademy.org](http://www.khanacademy.org), offers video training in a range of subjects, including computer science and cryptography. More pertinent to our industry, ETA University will soon offer an introductory class on technology.
- **Rely on your vendors:** Technology vendors often provide training. Find out what options your vendors offer, and use them. Also, ask your vendors for help. If you need answers or something goes wrong with your merchants' software or hardware, expect your vendor partners to educate you.



- **Volunteer:** One of the best ways to learn is by doing. So if you want to master a new POS system your ISO is planning to offer merchants, volunteer to help the vendor with installations and troubleshooting before the rollout. Or if you're new to the mobile payments arena, but a nonprofit organization you support wants to use mobile payments at an upcoming event, study the options, and then help the organization select and implement a solution.
- **Go to the library:** Many of us visited libraries frequently as children but tend to overlook them as adults. They offer books galore, of course. But libraries also have educational DVDs, as well as audio books that may help fill in gaps in your technical knowledge.
- **Find a mentor:** You may already have a mentor helping you develop as a business leader. Why not find a technology mentor, too? Your mentor should be someone who is not only well versed in technology, but also supportive and capable of teaching. If you can't find someone in your immediate professional circle, put the word out through social media such as LinkedIn ([www.linkedin.com](http://www.linkedin.com)).

Technology will continue to evolve. The more you master it, the better you will serve your merchant customers and retain their business for a long time to come.

Good Selling!<sup>SM</sup>

Paul H. Green, President and CEO

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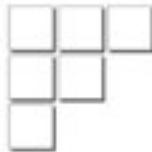


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- Activation bonuses-up to \$200.00 per account
- 5% commission on merchant cash advances

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- Same day funding option\* on all transactions settled by 4 a.m. (EST)
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- Low Cost Virtual Terminal with Quickbooks Plug In
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- Complete state-of-the-art web-based touchscreen POS solutions for restaurants (ORDYX), retail (INVENTRAK), and healthcare (MPAY GATEWAY)
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- 3 or 6 tiered pricing or straight pass thru pricing



\* Same and next day transmission of funds is guaranteed by CREDOMATIC. Actual posting of all deposits to merchant account is determined by merchant depository bank.

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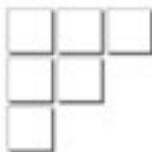
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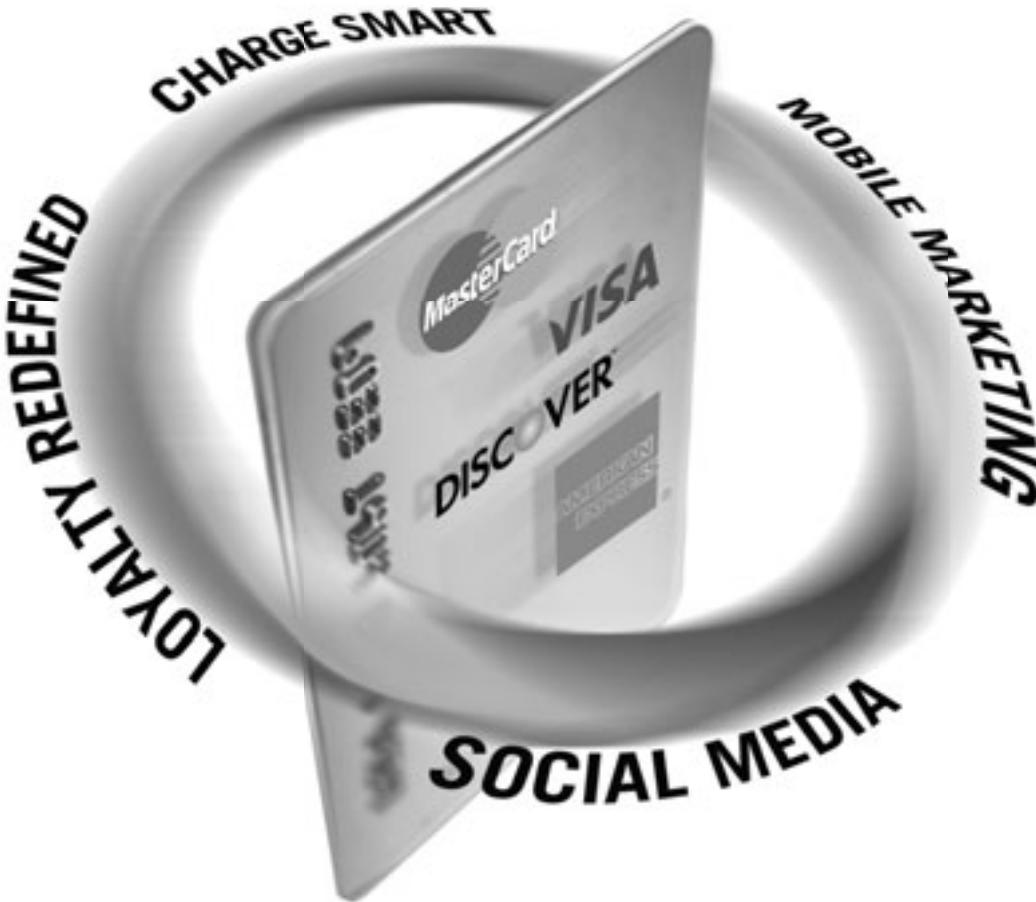
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**HARBORTOUCH**

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## NEW ENHANCED FEATURES!

**CASH TRANSACTIONS** – Accepts and records both cash and credit card transactions.

**DISCOUNTS** – Includes discounts by percentage or specific dollar amount.

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Customizable inventory, e-mail receipts with Google Maps™, tip calculator, Geo Tax, real-time reporting and FREE user-friendly software app.

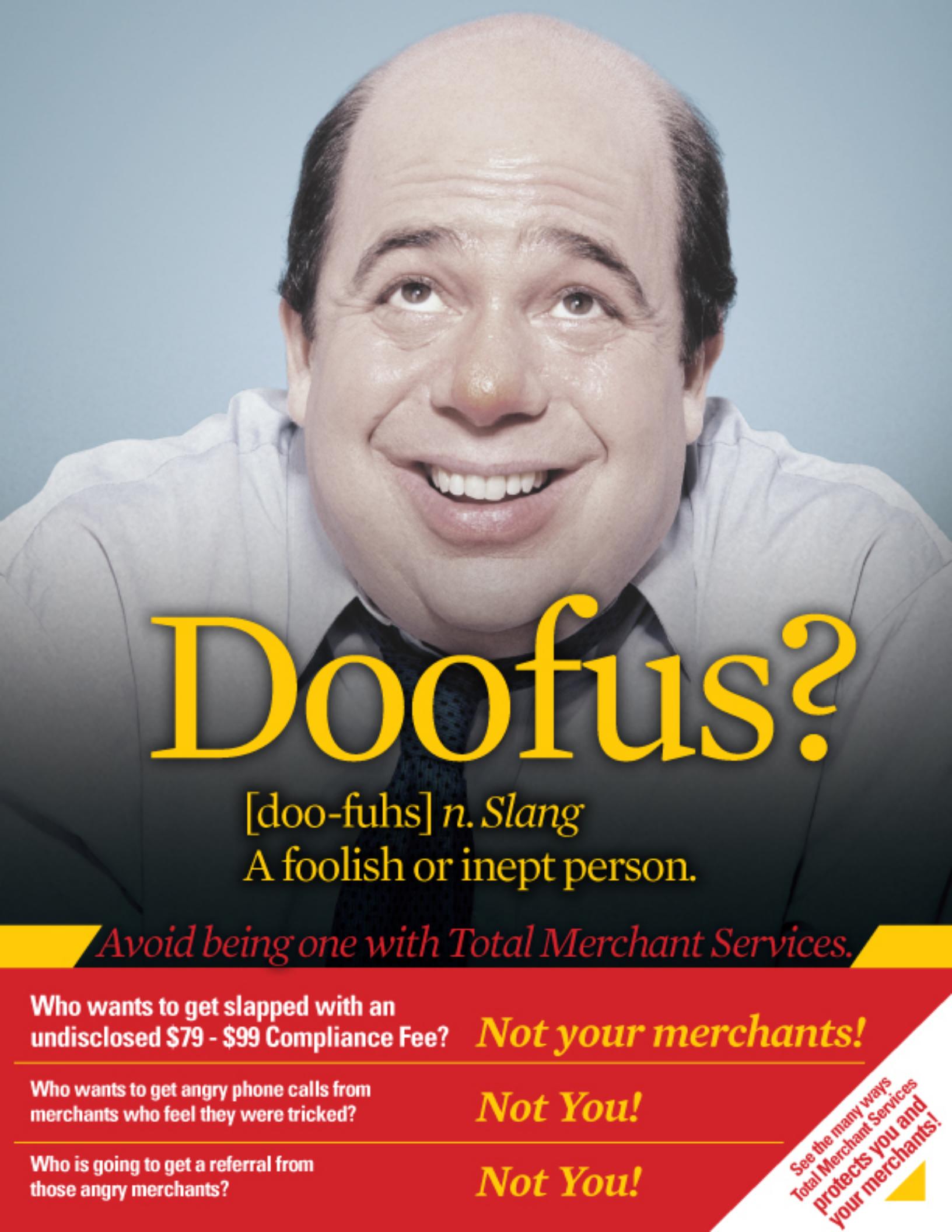
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# Doofus?

[doo-fuhs] *n. Slang*  
A foolish or inept person.

*Avoid being one with Total Merchant Services.*

Who wants to get slapped with an undisclosed \$79 - \$99 Compliance Fee? ***Not your merchants!***

Who wants to get angry phone calls from merchants who feel they were tricked?

***Not You!***

Who is going to get a referral from those angry merchants?

***Not You!***

See the many ways  
Total Merchant Services  
protects you and  
your merchants!

# Hidden Compliance Fees? Angry Merchants? Don't take it anymore!



## We've got some better ideas! Take a look:

**You can have it all!** You can still earn an 8x upfront bonus, 50%-65% revenue sharing splits, the best free terminal placement programs in the business, with an honest, transparent, reasonable Compliance Program.

### Total Transparency

Total Merchant Services protects you and your merchants with total transparency. We take a reasonable approach in disclosing the financial details of our Compliance Program to every new merchant on our Schedule Of Fees in simple, clear language.

### Easy To Sell

All our merchants receive the Compliance Program at no additional charge during the first year of their processing relationship with us and these services may be accessed immediately. On the 13th month of processing, and from that point forward, merchants will be assessed a fee of \$4.95 per month. We even offer a \$25,000 Compliance Reimbursement Program to make sure our merchants feel good as they are getting something in return.

### Honesty is our Everyday Policy

At Total Merchant Services, you'll find no compliance fee trickery and zero surprises. We believe in being upfront, honest and ethical in all of our business dealings. We will not use bait and switch tricks or surprises to get over on merchants or sales partners. We know that doing anything less would be a recipe for disaster—not growth.

### Still not sure? Want to be convinced?

If you'd like help comparing our program, including the true impact of the Compliance Program fees, please give us a call. We'll show you that chasing a deal that looks better is NOT going to make up for a Compliance Fee Program that destroys your reputation and your business.

**Who's going to have happier customers?**  
**You!**

**Who's going to earn more money?**  
**You!**

**Who's going to get more referrals?**  
**You!**

**Who's going to break through in '11?**  
**You!**



**total merchant services**  
payment solutions for your business

Give us a call or visit our website for more details.  
**(888) 848.6825 x9411**      [upfrontandresiduals.com](http://upfrontandresiduals.com)