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July 9, 2012 • Issue 12:07:01

Expert advice on data security defense and planning

When it comes to data security, ISOs and merchant level sales-people (MLSs) have little choice but to prepare for the worst and hope for the best – just like any other business that handles third-party personal information. But acquiring businesses have more at stake than most when it comes to compromised data. A payment business can be hurt not only by thefts from its own system but also by thefts from customers and third-party service providers.

Shirley Inscoc, a Senior Analyst with the Aite Group LLC, described the payments sphere's vulnerability this way: "If you think about the process, you have acquirers or ISOs who have contracts with each of their merchants and who have contracts with various processors, and all it takes is one weak link for a data breach to occur."

It is likely all ISOs and MLSs will need to take one or all of the following actions related to breached data at some point in their professional lives:

- Address customer concerns about a breach at a third-party processor
- Help an e-commerce customer recover from a hack
- Advise a retail business after its POS terminals have been altered by fraudsters
- Respond to a breach of an ISO's or MLS's own system

With this in mind, leading payment security experts were asked for advice on how payment businesses can both protect sensitive data and respond to breaches in payment networks.

Being prepared – plan ahead

The fact that breaches happen with regularity indicates the Payment Card Industry (PCI) Data Security Standard (DSS) and the Europay/MasterCard/Visa (EMV) standard are not foolproof. Thus, ISOs and MLSs need to know beforehand what to do should a breach occur.

Janet Langenderfer, who owns the payment consulting company Vision Partners & Associates LLC, said formulating a plan for how your company will address a breach is paramount for ISOs. "The ISO needs to educate their staff on how to react to a breach. It is not happening enough, truly, in my opinion." She said the education and training should include a checklist that includes up-to-date security policies and procedures to follow in the event of a break-in, including notification procedures.

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- » Cliff Teston–Signature Card Services
- » Scott Wagner–GO DIRECT Merchant Services Inc.
- » Tom Waters–Bank Associates Merchant Services
- » Patricia Walters–Hypercom Corp.
- » Cody Yanchak–First American Payment Systems

NotableQuote

Square and PayPal pricing aside, today's merchants also need to offer compelling, differentiated service experiences in their stores. And mobile POS (mPOS) solutions can provide this via new options for in-store mobility, customer interaction and relationship development.

See Story on page 72



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President and CEO:

Paul H. Green.....paul@greensheet.com

General Manager and Chief Operating Officer:

Kate Rodriguez.....kate@greensheet.com

CFO/Vice President Human Resources & Accounting:

Brandee Cummins.....brandee@greensheet.com

Assistant VP, Editorial:

Laura McHale Hollandlaura@greensheet.com

Senior Editor:

Patti Murphy.....patti@greensheet.com

Associate Editor:

Dan Watkinsdan@greensheet.com

Staff Writers:

Jim McCaffreyjim@greensheet.com

Ann Trainann@greensheet.com

Production Manager:

Lewis Kimble.....lewis@greensheet.com

Assistant VP, Advertising Sales:

Danielle Thorpedanielle@greensheet.com

National Advertising Sales Manager:

Rita Francisrita@greensheet.com

Office Manager:

Kat Doherty.....kat@greensheet.com

Director of Information Technology:

Wolf Dean Stileswolf@greensheet.com

Correspondence:

The Green Sheet, Inc.

800-757-4441 • Fax: 707-284-1968

1160 N. Dutton Ave., Suite 200, Santa Rosa, CA 95401

Send questions, comments and feedback to greensheet@greensheet.com

Send press releases topress@greensheet.com

NOTE – Please do not send PDF versions of press releases.

Print Production:

Hudson Printing Company

Contributing Writers:

Marc Abbeymarc.abbey@firstannapolis.com

Rick Berry.....rick@abcmobilepay.com

Jeff Fortney.....jeff@clearnet.com

Lacy McDonnelllacy.mcdonnell@firstannapolis.com

Chandan Mukherjeecm@paycubeinc.com

Peggy Bekavac Olson.....peggyolson@smktg.com

Tom Waterst.waters@bams.com

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Forum

Calling all partners

I've heard that some of the larger ISOs hold meetings with their partners, including vendors, cash advance outfits, gift and loyalty providers, etc., and smaller ISOs and agents working through them. What goes on at these meetings? How are they different than regional acquirers meetings? What objectives do they meet? What are the advantages to having these types of events?

Jeremy Corrigan
SaveOn Merchant Services

Jeremy,

Periodic meetings with partners have benefits both for the ISOs hosting them and for the partners who attend. Partner meetings are similar to regional acquirer meetings in that they offer a balance of educational, networking and social opportunities. They differ in several ways, as well.

First, ISOs hosting their own meetings can gear the agenda to meet their specific business needs. Perhaps an ISO is launching a new mobile payment initiative.

A partner meeting enables the ISO to provide attendees with the requisite information about the program, such as why the ISO selected this particular program, how to sell merchants on its benefits, how the software and hardware work together, how to implement the program, who to contact when you need technical assistance and how to provide ongoing support.

Or maybe the ISO has completely revamped the company's website. A partner meeting gives the ISO a chance to demonstrate all of the site's cutting-edge capabilities and how to take advantage of them. It also enables the ISO to test run the site and correct any problems that come to light.

Another example could be that the ISO has noticed an increase in merchant churn over the last quarter and devotes a portion of the meeting to gathering in-depth information about what's actually going on out in the field in an effort to pinpoint the problems and solve them.

For attendees, partner meetings offer an opportunity to see presentations geared specifically to their business needs, as

opposed to the more general industry knowledge offered at regional acquirers meetings.

Participants can become better informed about the equipment, software, business practices and sales materials they use on the job. They can present questions that most concern them to knowledgeable people who are vested in their success.

Partner meetings also tend to be smaller than acquirer meetings, giving people ample opportunity to get to know each other.

They afford all participants, many of whom are independent entrepreneurs running sole proprietorships, a chance to feel connected with one another and the group brought together by the ISO; to reinforce common, mutually beneficial goals; and to become reinvigorated and inspired.

Both types of meetings provide worthwhile resources for professional development; we recommend you attend as many as you can.

Editor

Step up, be heard

Do you have expertise, wisdom, tips or opinions to share with your peers in the payments industry? Consider joining the group of industry experts we are proud to call our contributing writers. Or maybe you just want to dash off a paragraph or two because an issue has stirred you into action or you have an important observation to share. We can print those flashes of insight right on this page. Go ahead, send us your thoughts. You can reach us via email at green-sheet@greensheet.com, by phone at 800-747-4441, on Facebook at www.facebook.com/thegreensheetinc or on Twitter using [@the_green_sheet](https://twitter.com/the_green_sheet).



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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

Expert advice on data security defense and planning

Acquiring businesses have more at stake than most when it comes to data theft. They can be hurt by thefts from their own systems, from their customers and from third-party service providers. With this in mind, leading payment security experts were asked for advice on how payment businesses can both protect sensitive data and respond to breaches in payment networks.

News

26

ATM regs under fire, class action denied, consent decree approved

In recent ATM legal and regulatory news, a Texas federal judge refused to certify a class action pertaining to fee notices, the House Financial Services Committee set a date to review bipartisan legislation to ease ATM notice regulations and a Pennsylvania judge approved a consent decree requiring ATM accommodations for the blind.

News

24

Merchant info possibly compromised in breach

In an update on a data breach discovered by Global Payments Inc. in March 2012, Paul Garcia, the company's Chairman and Chief Executive Officer, said the leading acquirer discovered hackers may have obtained names, addresses, Social Security numbers, drivers license numbers and bank account numbers from merchant applications.

News

28

Durbin one piece of retail puzzle

The debate continues on whether the Durbin Amendment to the Dodd-Frank Act of 2010 will boost the bottom line for merchants and translate into lower prices for consumers. According to the Merchants Payments Coalition, the reform is working to bring lower prices to consumers and spur retail sales.

News

24

Republican senators introduce national data security standard

A group of senators introduced a bill in June 2012 to create a national standard for companies responsible for protecting and securing electronic data. Currently, merchants and payment businesses that transmit, process, store or secure electronic third-party personal data must comply with separate standards in 46 states for protecting data and reporting breaches.

Feature

37

Prepaid forums address challenges ahead

Prepaid debit cards – notably general-purpose reloadable cards – are breathing new life into financial services, creating new market and revenue opportunities. However, a number of potential obstacles exist, including burdensome regulations and figuring out how to reach the financially undereducated and propagate consumer-friendly pricing models.

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Feature

40

The new language of rewards

Possibilities are expanding in the realm of consumer incentives and rewards. Formerly, the redemption of digital rewards at brick-and-mortar stores was accomplished only after consumers printed out virtual rewards cards from PCs and then presented the print-outs at the POS, where bar codes printed on physical paper were scanned. That awkward ballet is now being replaced.

View

42

Lead sources - the front line in sales competition

The acquiring sphere is nothing if not dynamic. And though this often leads to upside opportunity, it would be a mistake to ignore the mounting signs of the industry's maturation. With competition growing more intense and sales productivity on the decline, using the right type of lead for your business objectives becomes all the more important.

Education

56

Street SmartsSM

When you hit the doldrums, start rowing

Your business can be growing at a healthy clip, with new business and ample referrals. Then suddenly you realize referrals and new signings have dropped off. Looking back, you realize you have been distracted; you haven't done your best. So you've sailed right into a slump. At this point, you have a choice: wait to be rescued or lower your long boat and use your oars.

Education

62

Revvng the engines that drive success

At its core, the essential goal for every ISO is to develop and repeat processes that create revenue for the company. When built out properly, these processes become revenue engines: well-oiled machines providing continued income and driving you down the path to success. This article identifies a framework for doing just that.

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Education

65

Is the aggregator model right for you?

Visa Inc. launched the expanded framework for merchant aggregation in July 2011, thereby consolidating the role of payment service providers (PSPs) beyond e-commerce and into brick-and-mortar and mobile points of sale and services. Would becoming a PSP give you greater flexibility in servicing your merchant customers?

Education

72

mPOS runs circles around PayPal, Square

Both PayPal Inc. and Square Inc. fulfill a need; however, they are not designed for businesses requiring POS features that integrate with bookkeeping and business management software. Merchants need affordable processing and technology that can deliver reports, control inventory and monitor transactions. And with mobile POS solutions, you can deliver just what they need.

Education

68

Be positively different to make your business stand out

In an era when merchants are constantly bombarded by solicitations for merchant processing services with pitches that tend to all sound the same, being different can help you win more new business, increase merchant stickiness and reduce attrition, as well as combat the downward spiral of price compression for what the market has come to view as a commodity service.

Inspiration

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Do you still love me?

When was the last time you reached out by phone or in person to the individual merchants in your portfolio? If you haven't interacted with them in some form during the past six months, you're missing the mark. Shifts in payment technology are happening at such a rapid pace, many merchants are feeling overwhelmed by the deluge of new possibilities. They could use a hand.



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IndustryUpdate

NEWS

FTC faults hotel chain's data security

A **Federal Trade Commission** complaint filed June 26, 2012, in the U.S. District Court for the District of Arizona, alleges the Wyndham Worldwide Corp. hotel chain and three of its subsidiaries repeatedly failed to properly secure electronic customer data, and the lapses led to three data breaches at Wyndham hotels in less than two years.

The complaint alleges Wyndham Worldwide's poor security continued even after a breach was discovered in 2008, thus allowing two subsequent breaches in 2009. The FTC said Wyndham hotels also allowed improperly configured software onto its system that caused sensitive payment card information to be stored in clear text.

Additionally, the FTC said the breaches resulted in "fraudulent charges on consumers' accounts, millions of dollars in fraud loss and the export of thousands of consumers' payment card account information" to Russian cyber criminals. The commission asked the court to order Wyndham to make restitution and offer refunds for losses.

Michael Valentino, spokesman for Wyndham Worldwide, said after the breach was discovered the hotel chain promptly notified customers and offered credit monitoring services. To date, the company has not received any notice of a customer suffering financial loss as a result of the intrusions, he stated.

Massive sweep takes down cyber criminals

On June 26, 2012, the United States Attorney for the Southern District of New York and the New York Field

Office of the FBI concluded **Operation Card Shop**, reportedly the largest coordinated international law enforcement action in history. The operation targeted cyber criminals who exploit stolen credit card, bank account and other personal information.

The investigation, which spanned two years and encompassed 13 countries, garnered 24 arrests, 11 of them in the United States. Four additional defendants remain at large. During the investigation, overseas authorities in seven countries conducted 30 interrogations and carried out more than 30 search warrants.

Manhattan U.S. Attorney Preet Bharara called the array of cyber schemes and scams the investigation uncovered "breathtaking." He said, "Individuals sold credit cards by the thousands and took the private information of untold numbers of people."

"The defendants casually offered every stripe of malware and virus to fellow fraudsters, even including software-enabling cyber voyeurs to hijack an unsuspecting consumer's personal computer camera."

Janice Fedarcyk, FBI Assistant Director in Charge, New York Field Office, said, "From New York to Norway and Japan to Australia, Operation Card Shop targeted sophisticated, highly organized cyber criminals involved in buying and selling stolen identities, exploited credit cards, counterfeit documents and sophisticated hacking tools."

Debit regs may hinder Georgia banks, economy

A new study by the **Competitive Enterprise Institute for the Georgia Public Policy Foundation** said federal regulations capping debit card fees harm Georgia financial institutions and could hurt the state's economic recovery. The study sparked calls for repeal of

BOTTOM
LINES

HEADLINES
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- A **Char-Broil Sizzle Study** found 69.5 percent of Americans were planning a family-only cookout for July 4, 2012. Burgers and hot dogs topped the grill for a majority of respondents; 46 percent in the Midwest preferred sausages; 53 percent in the Northeast favored chicken.
- Based on merchant data collected by **SumAll**, daily spend online per individual shopper from June to August 2012 will average \$37.95, with Mondays hitting a high of \$41.13 and Fridays the lowest at \$34.74.
- Data released by **American Express Co.** indicates U.S. families with children under the age of 18 will spend over \$16.6 billion this summer, which equates to about \$600 per child.

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- *WHY SETTLE FOR MEDIOCRE SERVICE?*
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UMS & 'H' COMPANY POS RENTAL PROGRAM COMPARISON

CATEGORY	UMS 3 YR	UMS 4 YR	'H' COMPANY
CONTRACT TERM	36 MONTHS	48 MONTHS	60 MONTHS
MONTHLY PAYMENT	\$99	\$79	\$59
QUARTERLY FEE	\$59	\$59	\$59
ANNUAL FEE	\$0	\$0	\$99
TOTAL PAYMENT	\$4,272	\$4,736	\$5,215
GIFTCARD PROCESSING	FREE	FREE	NO
ONSITE INSTALLATION	YES	YES	YES
INSTALLATION COST	FREE	FREE	FREE
ONSITE SUPPORT	ADDITIONAL	ADDITIONAL	ADDITIONAL

Industry Update

the Durbin Amendment to the Dodd-Frank Act of 2010. Economist John Berlau, the study's author and a Senior Fellow for Finance and Access to Capital at the Competitive Enterprise Institute, said losses sustained by banks as a result of the reduction in debit card fees are impairing the banks' ability to recover and help the state's economy.

As a result of the debit interchange regulations, "it will be much harder for local entrepreneurs to find the funding they need to grow their business," he said.

Kelly McCutchen, President and Chief Executive Officer of the Georgia Public Policy Foundation, stated, "The Durbin Amendment has already hurt small and large banks, and it isn't helping consumers. It should be repealed before it does any more harm to the businesses that rely on them for loans and lines of credit to make payroll, open new locations and hire more employees."

AmEx entering B2B payment realm

American Express Co. recently launched PAYVE, a digital payment service designed to help large and midsize businesses centralize the processing of multiple payment methods through one electronic platform. Payment methods include check, automated clearing house (ACH), international wire transfers and AmEx's

web-based payment solution, Buyer Initiated Payments. AmEx noted that more than half of U.S. business-to-business (B2B) payments are still made by paper check. On average, paper check payments cost companies 40 to 50 percent more to process than card or electronic payments, the company said.

ANNOUNCEMENTS

Acquired Marketing launched

Nancy Drexler, a frequent contributor to *The Green Sheet*, opened a marketing agency for businesses in the payments industry. Her agency, **Acquired Marketing**, offers creative and strategic services, such as advertising, product launches and vertical marketing strategies. The company will limit itself to representing two companies per market niche to devote itself more fully to clients.

Chosen Payments honored in hometown

ISO **Chosen Payments** held a grand opening and ribbon-cutting ceremony for its new headquarters in its hometown of Moorpark, Calif. The Moorpark Chamber of Commerce sponsored the event and First Data Corp. representatives attended. First Data is Chosen Payment's primary processing partner.

First Data releases online PCI solution

First Data released the First Data PCI Rapid Comply Solution, an online self-assessment questionnaire (SAQ) and vulnerability scanning tool to help small to midsize merchants achieve and maintain Payment Card Industry (PCI) Data Security Standard (DSS) compliance.

Harbortouch adds to restaurant POS

ISO and POS systems provider **Harbortouch** deployed a free online reservations module for its hospitality systems program. The new Harbortouch Reservations module allows restaurant customers to make reservations online and restaurants to manage reservations through their POS systems. It also will alert customers when their tables are ready.

Mako Level 1 PCI DSS certified again

For the third consecutive year, cloud-based network management and security company **Mako Networks Ltd.** received PCI DSS certification, the company reported. Compliance requires Mako to undergo an independent audit to ensure its business, processes and documentation meet the more than 200 requirements of the PCI DSS.

New Merchant Warehouse residual program

Merchant service provider **Merchant Warehouse** is

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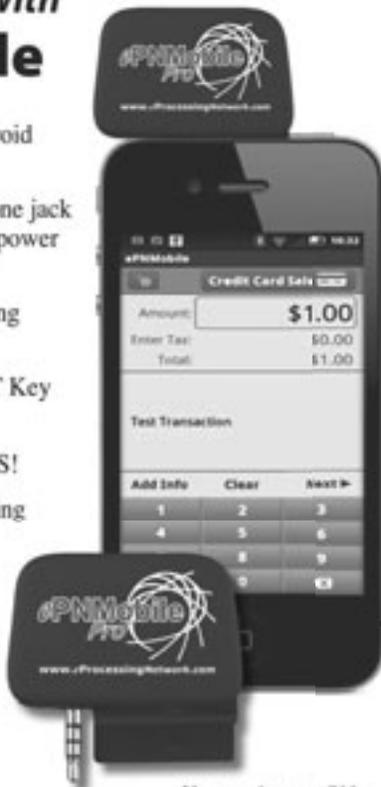
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Industry Update

offering a new lifetime residual revenue program for its agents. The program, called the Insight Partnership Program, bases revenue splits with its agents on gross profits after processing related expenses.

Shift4 adds encryption

Payment gateway operator **Shift4 Corp.** launched a point-to-point encryption solution that reportedly will securely process credit, debit and third-party gift cards, and handle split-processing. Shift4 said the solution is unique because an entirely neutral entity holds the encryption keys, and it protects merchants from the "rate creep" associated with proprietary technologies offered by others.

In other news, Shift4 released a card data security technology solution designed to address the unique complexities of the hospitality industry.

PARTNERSHIPS

ACI enters three partnerships

Payment software manufacturer **ACI Worldwide Inc.** expanded its partnership with smart card and token management software solutions provider **Bell ID** to deliver issuance and management of mobile near field communication (NFC) payment tokens. The tokens will be paired with devices equipped with contactless technology and that use ACI Token Manager for Mobile.

ACI is also partnering with **Spectrum Message Services Pty Ltd.** to deliver

mobile alerts designed to identify and stop fraud. ACI said customers using its mobile alerting will be able to identify suspicious transactions in near real-time and send short message service text messages to alert cardholders, thereby rooting out fraud quickly.

In addition, ACI agreed to work with **Credit Agricole Cards and Payments**, the processor for the payment business of European bank Credit Agricole S.A., to upgrade Credit Agricole Cards and Payments' infrastructure. The companies promise to deliver world-class scalability, reliability and agility to the bank's ATM network.

Citi, USAID work to broaden inclusion

Citigroup Inc. (Citi) and the **U.S. Agency for International Development** teamed to broaden financial inclusion worldwide by promoting mobile money technology in developing countries. Citi will integrate its banking services with mobile money platforms to integrate banks with mobile money services in developing countries.

BlueStar to distribute Psion devices in Mexico

POS device distributor **BlueStar** extended its partnership with **Psion PLC** to distribute the POS hardware manufacturer's solutions in Mexico. The agreement enables BlueStar to expand its distribution of Psion's handheld devices, vehicle mounted computers and connectivity solutions to the Mexico market. Psion's devices are known for their ruggedness and application in industrial markets globally.

Elavon taps Protegrity for tokenization

Merchant acquirer **Elavon Inc.** chose end-to-end data security solution provider **Protegrity USA Inc.** for next generation tokenization technology. Protegrity's patent-pending Vaultless Tokenization product is now part of Elavon's SAFE-T Suite solution. "Together, we can help businesses ease the burden of PCI compliance



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IndustryUpdate

audits and reduce the total cost of card acceptance – two challenges that are impacting retailers on a global basis," said Suni Munshani, Chief Executive Officer at Protegrity.

First Data signs three deals

First Data won a competitive bidding process to use the **i-design Group PLC** marketing software solution, **joono**, on ATMs. The software enables banks to deliver targeted marketing, multimedia capability and, potentially, third-party advertising campaigns using i-design's media sales and campaign operations services.

First Data also signed a long-term strategic merchant services partnership with **Chemical Financial Corp.** The acquirer will deliver processing services to the bank's commercial customers throughout Michigan. And the **Vancouver Board of Trade** inked a merchant processing services agreement with First Data whereby the board will receive exclusive rates on electronic payment processing services.

Ingenico, TPG partner on terminal distribution

Payment terminal manufacturer **Ingenico S.A.** signed a multiyear distribution agreement with **The Phoenix**

Group that will allow TPG to market and sell Ingenico's **Telium** series of POS devices to ISOs in the United States.

Meritus works with Junction

ISO **Meritus Payment Solutions** joined with **Junction Solutions Inc.**, a provider of software solutions and services for the multichannel retail, distribution and food and beverage industries. **Junction Solutions'** e-commerce offerings will now include Meritus' products and services.

PAI, Panoptic team for PCI compliance

ISO and electronic payment processor **Payment Alliance International** is now in a strategic partnership with **Panoptic Security Inc.** to provide PAI customers with an online PCI DSS compliance portal. Panoptic's compliance and indemnification program, **ExpertPCI**, allows merchants to complete SAQs and network Internet Protocol scans online.

USBS picks Charge Anywhere

Merchant services provider **US Bankcard Services Inc.** added the mobile software solutions of **Charge Anywhere LLC** to its offerings. The **Charge Anywhere Mobile Payment App Solution**, which is Payment Application DSS certified, comes with a Bluetooth card reader and receipt printer. It is reportedly compatible with the leading operating systems for mobile devices.

ACQUISITIONS

Monitise buys Clairmail

Mobile solutions provider **Monitise PLC** closed its deal to acquire mobile banking and payment specialist **Clairmail Inc.** Monitise said the combined businesses will manage more than 1 billion transactions a year and payments and transfers worth \$15 billion annually. Terms of the deal were not released.

Oberthur acquires MoreMagic

Paris-based smart card security, solutions and services provider **Oberthur Technologies** acquired Boston-based mobile payment company **MoreMagic Solutions Inc.** The acquisition allows Oberthur to provide mobile telecommunication firms, financial institutions and other non-telecom service providers with person-to-person money transfer, mobile banking, proximity and remote payment capabilities.

APPOINTMENTS

Arai tapped by EastPay

EastPay Inc. hired **Debra Arai** as its Director of Risk Management Services. She is responsible for ACH

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compliance audits, ACH risk assessments and remote deposit capture risk reviews. She is also Product Manager for the ProceduresNow! software suite and provides ACH rules interpretation support to members of NACHA – The Electronic Payments Association's Regional Payments Associations.

Heartland fills executive positions

Heartland Payment Systems Inc. added three executive positions to help develop its portfolio and services in key industries. **Robert H.B. Baldwin Jr.** was promoted from President to Vice Chairman. He will work closely with Chairman and CEO Robert O. Carr to build industry and investor relations and develop the company's information security and customer service operations.

Heartland Chief of Corporate Development, **Michael Lawler**, was promoted to President – Strategic Markets Group. Lawler is responsible for growing key markets in retail, services, education, health care, government, utility and micropayments. Lawler was a Senior Vice President at Tier Technologies Inc. before joining Heartland in 2009.

David Gilbert is the new President of Heartland's Hospitality Group. Gilbert is responsible for growing the company's restaurant and lodging business. He

comes to Heartland from his position as Chief Operating Officer of the National Restaurant Association.

Balthaser joins JR's

Terry Balthaser is the new Vice President of Sales and Marketing at JR's POS Depot. He is responsible for increasing sales and developing new partnerships. Balthaser previously worked for National Distribution & Contracting Inc. and VeriFone Inc.

Byerley signs on with Meracord

Doug Byerley is the new Chief Operations Officer of third-party payment service provider Meracord LLC. Byerley is responsible for strategic operations and for developing new growth and service business. He headed product management at Total System Services Inc. before coming to Meracord.

Moneris appoints Lee

Christine Lee was named President, North American Strategic Partnerships and Emerging Markets for merchant services provider Moneris Solutions. She is responsible for business growth, marketing strategies and initiatives, and for launching new products. Lee previously worked for MasterCard Worldwide. ■

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Merchant info possibly compromised in breach

In an update describing the investigation of a data breach discovered by Global Payments Inc. in March 2012, Paul Garcia, the company's Chairman and Chief Executive Officer, said the leading acquirer discovered hackers may have accessed personal information belonging to merchant applicants.

The vulnerable information – which the company has not confirmed was accessed – contains names, addresses, Social Security numbers, drivers license numbers and bank account numbers from merchant applications.

Merchant data in question

Garcia revealed the potential vulnerability in a conference call held June 12, 2012, to provide an update on the company's continuing investigation of the breach. He stressed during the call that "it is unclear whether the intruders looked at or took any personal information from the company's computer," but when forensic analysis revealed the data vulnerability, Global Payments decided to reveal the possible compromise.

Garcia stated he doesn't believe the thieves even looked at the file containing the sensitive information "much less took any data," but the company decided best practices compel it to contact anyone potentially impacted by a breach of the merchant accounts. "We are going to properly address the situation and try to do the right thing for all the companies involved," he said.

"We sincerely apologize for this incident and are working diligently to conclude our investigation," Garcia said. "We are committed to fully resolve any issues arising from this matter." The company is offering at-risk merchants credit monitoring and \$1 million in identity protection insurance at no cost.

Breach consequences and mitigation

Global Payments anticipates it will have additional costs to bear as a result of the breach, but those costs "are manageable," Garcia said. He stated the expense will not interfere with the company's growth and that the breach's financial impact will be discussed further in the next update call scheduled for July 26, 2012.

Garcia said Global Payments can confirm that only track 2 card data (consisting of primary account number, expiration date and service code) was stolen from fewer than 1.5 million accounts. The CEO also noted that the breach did

not involve its customers at the POS level, so merchants do not have to make any POS changes to process secure transactions through Global Payments.

Garcia reported that the company hired a qualified security assessor to do an independent review of the company's Payment Card Industry (PCI) Data Security Standard (DSS) compliance. When the review is complete, and remediation is concluded, Garcia promised Global Payments will work with the card networks to get the company back on the networks' list of PCI DSS-compliant service providers.

"Our confidence level is growing every day," he said. "We feel like we are getting to the end of this." Global Payments is posting investigation updates at www.2012infosecurityupdate.com. 

Republican senators introduce national data security standard

A group of senators headed by Sen. Pat Toomey, R-Pa., introduced a bill June 22, 2012, to create a national standard for companies responsible for protecting and securing electronic data.

Currently, merchants and payments industry businesses that transmit, process, store or secure electronic third-party personal information must comply with separate standards in 46 states for protecting electronic data and reporting breaches.

Toomey's S. 3333, titled "A bill to require certain entities that collect and maintain personal information of individuals to secure such information and to provide notice to such individuals in the case of a breach of security involving such information, and for other purposes," has not yet been assigned to a committee.

One standard to ease compliance burden

"Congress needs to provide businesses and consumers with certainty and establish a single reasonable standard for information security and breach notification practices," Toomey said about the proposed legislation. "Our bill would eliminate the burden of complying with varying standards and laws, ensuring that all consumers and their personal information are afforded the same level of protection."

Co-sponsoring S. 3333 are Sen. Roy Blunt, R-Mo., Sen. Jim DeMint, R-S.C., Sen. Dean Heller, R-Nev., and Sen. Olympia Snowe, R-Maine. Sen. Snowe pointed out that, according

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to the Privacy Rights Clearinghouse, more than 540 million records have been reported breached since 2005, and research from the Ponemon Institute puts the average organizational cost of a breach at \$5.5 million.

"While states have led the way in establishing policies to protect consumer data and notify them if such data is compromised, the existing patchwork of state laws and the inherent interstate commerce aspect of this issue warrants action by Congress," Snowe said. "Our legislation would implement a national data security breach standard to simplify compliance for businesses and notifications to consumers to reduce undue burden and confusion."

Legislation needed

Holli Targan is a partner in the Michigan law firm Jaffe Raitt Heuer & Weiss; her practice specializes in card processing and payment systems law. Targan, a member of the Electronic Transactions Association's Government Relations Committee, said she supports the goal of national data breach notification regulation. Targan said state laws can differ greatly in how basic terms such as "personal information" and "breach" are defined and can have very different notification requirements, making compliance challenging for breach victims. ■

ATM regs under fire, class action denied, consent decree approved

In recent ATM legal and regulatory news, a Texas federal judge refused to certify a class action pertaining to fee notices, the House Financial Services Committee set a date to review bipartisan legislation to ease ATM notice regulations and a Pennsylvania judge approved a consent decree requiring ATM accommodations for the blind.

Texas judge denies class certification

On May 28, 2012, a judge in the San Antonio division of the Western District of Texas denied class certification for a claim alleging Houston ATM distributor Dixie Farm Texaco Inc., independent gas station chain Three Star Venture Inc. and RBS Citizens N.A. failed to put notices of ATM fees on the outside of their ATMs. The Electronic Funds Transfer Act (EFTA) requires dual fee notices, one physically on the machine and the other on the ATM screen.

U.S. District Judge Xavier Rodriguez did not address the merits of the claim in his order dismissing the complaint. He instead found the complaint did not meet minimum legal requirements for class certification. The judge held that plaintiff Jimmie Lee Pfeffer's assertion (on behalf of the class) that the class was too large to enumerate was not the same as actual evidence demonstrating that to be the case. The judge also stated the complaint failed to precisely define when the gas stations' ATMs were left without stickers. Rodriguez reasoned that if the court didn't know for how long the ATMs lacked stickers, it could not know who was affected by the lack of notice.

Pfeffer filed an amended complaint the next day dismissing all class allegations, removing RBS as a party to his claim and moving to proceed with his individual claim that the remaining defendants "imposed ATM fees without providing any posted notice as required by the EFTA."

CUNA calls for Regulation E revision

Lawsuits similar to Pfeffer's are of concern to lawmakers in Washington. H.R.



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News

4367, bipartisan legislation to ease ATM notice regulations, was scheduled for a House Financial Services Committee review June 27, 2012.

The Credit Union National Association believes more than 100 class-action lawsuits have been filed against credit unions over failure to provide adequate ATM notices. According to CUNA, the cost to sue is low when compared with the potential reward: the lesser of either \$500,000 or 1 percent of the net worth of the ATM operator. CUNA represents 7,200 state and federal credit unions and is campaigning vigorously to change fee disclosure regulations.

Ryan Donovan, CUNA Senior Vice President of Legislative Affairs – in remarks published June 20, 2012, in *The Hill*, a Washington newspaper covering Congress – called for an end to the physical notice requirement because it drains resources from credit unions without offering benefits to its members. He said it costs credit unions \$2,000 per machine to comply with the physical ATM notice requirement – money that could have gone out to customers as loans.

Donovan labeled the ATM fee disclosure lawsuits frivolous and said ATM notices are being removed or destroyed; then the machines are photographed to prove noncompliance – all without the knowledge of targeted ATM owners. Nonetheless, many credit unions decide to settle the lawsuits because it costs too much to defend them, Donovan said.

Donovan also reiterated points CUNA made in a June 4, 2012, letter to the Consumer Financial Protection Bureau. CUNA urged the bureau to use its exemption authority to amend Regulation E, the Federal Reserve Board's

rule implementing the EFTA, to end the duplicate disclosure requirement at ATMs.

"If the agency is not able to do that, it should work with CUNA and others to support appropriate legislative relief to amend the Electronic Funds Transfer Act," the letter said.

Judge signs consent decree in Pittsburgh

On June 6, 2012, the U.S. District Court for the Western District of Pennsylvania, approved a consent decree binding Pittsburgh's Century Heritage Federal Credit Union to an agreement to make its ATMs accessible to the blind within 90 days.

Plaintiff Robert Jahoda, who is blind, reportedly is suing multiple financial institutions to force them to comply with the Americans with Disabilities Act (ADA) requirement that ATMs be accessible and usable by blind people. ADA guidelines require, among other things, that ATMs be speech enabled, that Braille instructions for the speech mode be provided at the machine and that input control be "tactilely discernible." ■

Durbin one piece of retail puzzle

The debate continues on whether the Durbin Amendment to the Dodd-Frank Act of 2010 will boost the bottom line for merchants and translate into lower prices for consumers. According to the Merchants Payments Coalition, a strong advocate of debit interchange reform representing member associations that collectively serve about 2.7 million merchant members, the reform is working to bring lower prices to consumers and spur retail sales.

"The reform has worked as intended where it has reduced interchange fees," said Douglas Kantor, Counsel to the

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MPC and Partner at Steptoe & Johnson LLP. "What we're seeing, where those reductions are, is consumers are saving, business is better and banks, especially exempted banks, have done quite well and haven't had problems." He said many of the claims made by banks that interchange reform would be detrimental simply haven't panned out.

Kantor believes a problem persists because the Federal Reserve's final ruling varied from the proposed rule, which means the original intent of Congress may not have been fully implemented. "There were some problems with the way the Fed wrote the final rule, and so, on some smaller-dollar transactions, there aren't savings and, in some cases, have been increases," he said. "And that's a problem, but it's one that we're hoping the courts sort out."

Home Depot paying it forward

Kantor said that transactions for which interchange fees were reduced have played out as the coalition expected. As an example, the MPC cited The Home Depot U.S.A. Inc., which has publicly stated interchange fees represent the company's third-highest operating cost and that it has reduced prices on over 3,000 products since Oct. 1, 2011, when the Durbin Amendment went into effect.

Stephen Holmes, Senior Manager, Corporate Communications for The Home Depot, said it's essential to keep everything in perspective because you can't draw a straight line from the Durbin Amendment to pricing. "We're lowering prices," Holmes said. "That's a normal part of our process. As a discount retailer, we're taking savings wherever we can get them and using that to give it back to our consumers."

Kantor agreed, stating, "What we have so far is anecdotal evidence. We don't have across-the-board evidence, but the anecdotal evidence you certainly saw for Home Depot, but you've also seen from major retailers, having compressed profit margins, and so that to the extent they're saving anything, it is passing through." Heavy retail discounting over the past several months has been good for everybody, he added.

Looking ahead, it appears the fight is not over yet for MPC and other retail organizations. Merchants continue to be vigilant about reining in operating costs in an economy that has not yet fully regained its footing. "The [debit] interchange fee is just a small component of what is happening," Kantor said. Lowering credit card fees may be next on the agenda for the MPC and similar organizations. About that issue, Kantor said, "We are always working on that effort." ■



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Research Rundown

Data security best practices for SMBs

The Top 5 Security Best Practices for Small Merchants, a white paper published by payment security and compliance solutions provider ControlScan, is available free to small and midsize businesses (SMBs) and the acquirers who serve them. The purpose of the paper is to help SMBs become less likely targets for data thieves. The document provides detailed information on best practices that can be implemented easily and cost-effectively, the company said.

"Small merchants represent the path of least resistance to data thieves," said Steve Robb, ControlScan Vice President of Products and Services. "The Top 5 Security Best Practices white paper arms these merchants with a stronger awareness, as well as proven, easy-to-implement tactics for protecting their business."

Recommended tactics include:

- Understand sensitive data, where it is and who is responsible for its protection.
- Avoid storing sensitive data; if required to do so, secure it.
- Protect perimeters with firewalls.
- Fortify interiors with people, procedures and technology.
- Get to know service providers and their level of PCI compliance.

In addition, the paper cites several recent studies that reinforce the importance of Payment Card Industry Data Security Standard compliance and security. According to the paper, even the smallest data breach can have a business-ending result for the average merchant.

"This is a very serious issue, and we approached it with that mindset," Robb said. "Our significant experience working with Level 4 merchants and their acquiring banks helped us make this white paper a solid representation of the top five data security best practices small merchants can put in place to significantly reduce their risk of a breach."

For a complimentary copy of the white paper, visit www.controlscaan.com/whitepapers/top_5_security_best_practices.php.

Payments outpace economy in first quarter

The 14th edition of quarterly U.S. economic data released jointly by the Electronic Transactions Association and The Strawhecker Group shows payments in the first quarter of 2012 continued to outpace the general economy. TSG's proprietary TSGPX index of more than 30 publicly traded payment companies outperformed the S&P 500 Stock Index by a margin of 13.2 percent based on compound annual growth rate from the first quarter of 2007 the first quarter of 2012.

Major card brand debit card changes from Q1 2011 to Q1 2012

Visa Inc. debit card payment volume	+2.2 percent
Number of Visa debit card transactions.....	+2.4 percent
MasterCard Worldwide debit card payment volume	+19.4 percent
Number of MasterCard debit card transactions	+19.6 percent

Source: Electronic Transactions Association and The Strawhecker Group, *US Economic Indicators Q1 2012 Report*

Decline of traditional retail channel

Findings from the **Retail Systems Research LLC** *Omni-Channel 2012: Cross-Channel Comes of Age* benchmark report suggest – for the first time in six annual RSR studies – that more merchants are operating online/e-commerce channels than traditional stores: 92 percent versus 89 percent of respondents, respectively. The study analyzes key drivers, opportunities and organizational constraints shaping cross-channel retail strategies and contains baseline recommendations for merchants.

E-commerce cost models for SMBs

Forrester Research Inc.'s *SMB eCommerce Solutions 2012* provides detailed charts on e-commerce solutions available to SMBs. It covers cost models on 29 platforms in four categories: on-premises licensed software, hosted or managed, software-as-a-service, and full-service platforms. Forrester predicts future e-commerce solutions will emphasize full-service offerings and include increased usage of open-source solutions and more web-based services.

Global mobile payments forecast

Mobile Payment Market, Users Worldwide & Countries Forecast to 2014, a report from **MarketResearch.com**, predicts mobile payments will exceed \$500 billion globally by 2014, with the United States topping \$200 billion by 2015. The research further indicates North America and Asia will account for over 60 percent of the mobile payments market and more than 80 percent of mobile payment users.

DateBook

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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.

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>



Women's Network in Electronic Transactions

LINC Chicago

Highlights: W.net's LINC Chicago will directly precede the Midwest Acquirers Association's annual conference. The event will provide an opportunity for women in the payments industry to network and hear from engaging speakers who will address key issues in payments, as well as offer career tips and advice specifically applicable to women.

W.net's LINC meetings occur throughout the United States and provide a forum for female payment professionals to empower and inspire each other through local networking, mentoring and educational opportunities.

When: July 17, 2012

Where: Hilton Chicago

Registration: www.wnetonline.org



The Prepaid Press

tppExpo'12

Highlights: Research indicates the prepaid industry has grown in three distinct branches: calling card, wireless, and gift card and alternative payments. These three sectors converge at the retail level, but are still approached as different industries. The Prepaid Press Expo 2012 (tppExpo'12) prides itself on being the only trade event that focuses on the convergence of all prepaid products and services.

The event is recommended for anyone involved in producing or selling prepaid services. Among the benefits for attendees and exhibitors are opportunities to network with customers across all prepaid distribution channels, conduct face-to-face business with new prospects and reach prospects unavailable elsewhere.

When: Aug. 6 – 8, 2012

Where: Paris Hotel, Las Vegas

Registration:

<https://secure2.rhq.com/tpp/tpp2012/attreg/index.cgi>



WesPay

Payments Symposium 2012

Highlights: Quality education at a reasonable price is the aim of Payments Symposium 2012. In keeping with that goal, the event offers networking opportunities with hundreds of payment professionals, credits for those seeking to gain or renew their Accredited Automated Clearing House Professional or Certified Treasury Professional status, information on the latest developments in the payments industry, and guidance from leading industry experts.

Headliners slated to speak at the symposium include Lee Wetherington, Director of Strategic Insight at ProfitStars, Jim Van Dyke, President and founder of Javelin Strategy & Research, and Janet Estep, President and Chief Executive Officer of NACHA – The Electronic Payments Association.

When: Sept. 17 – 18, 2012

Where: Hard Rock Hotel, San Diego, Calif.

Registration: www.wespay.org/symposium/registration.htm

Selling Prepaid



Prepaid in brief

NEWS

Gift card fight takes twist in New Jersey

The movement to repeal New Jersey's controversial unused gift card fund collection policy took another twist when a bill that extends the deadline for compliance with the ZIP code collection mandate passed both houses of the New Jersey legislature. **S1928** passed the Senate on June 21, 2012; the same bill in the Assembly – **A3045** – passed on June 25. The legislation now awaits New Jersey Gov. Chris Christie to sign it into law.

The legislation originally repealed the collection mandate by removing stored-value (gift) cards from the ranks of escheatable property the state could seize after a dormancy period had elapsed. But now the legislation simply pushes the deadline for implementation of the mandate back 49 months. "[S1928] was originally the repeal bill," said John Holub, President of the New Jersey Retail Merchants Association. "And it's been turned on its head."

Holub said the NJRMA cannot support legislation that mandates merchants collect the ZIP codes of gift card purchasers, even if that mandate is pushed back four years and one month. "We don't foresee anything that would change our opinion on the difficulties of retailers having to comply [with the mandate] and the negative impact it would have on consumers," he stated. "My fear is we're going to have déjà vu all over again. And we're going to be back in the exact same spot we are today."

First Data processes for Burger King pilot

A new mobile proximity payments pilot leveraging **First Data Corp.**'s Universal Commerce payment gateway will take place this summer at approximately 50 Burger King Corp. quick service restaurants in Salt Lake City. At the center of the pilot is the BK Mobile Crown Card, a mobile prepaid account that will allow customers to pay for BK purchases by using smart phones to scan quick response (QR) codes on restaurant counters and drive-up windows.

Mobile commerce platform operator Firethorn Mobile Inc., a subsidiary of wireless technology firm Qualcomm Inc., is partnering with First Data for the pilot. Elizabeth

Grice, Director of Communications at First Data, said account provisioning and reloading will take place via First Data's Universal Commerce gateway, while the actual POS payments will be processed over First Data's ValueLink prepaid platform. First Data is Burger King's debit and credit card payment processor as well.

Corporate incentives accelerate in Canada

A survey of Canadian companies found that the adoption of corporate employee incentive programs has accelerated over the last two years, with prepaid cards being cited as the most popular incentive tool by employees and employers. *The 2012 Canadian Incentive Trends Survey*, conducted by Toronto-based prepaid incentive card program manager **Berkeley Payment Solutions**, said organizations have implemented incentive programs at a 46 percent increase since 2010, and a 21 percent increase since 2011.

Of the 767 Canadian companies polled, 32 percent said closed-loop, retailer-specific gift cards were the most cost effective tools; followed by merchandise (30 percent); prepaid Visa Inc., MasterCard Worldwide or American Express Corp. incentive cards (26 percent); incentive travel (4 percent); and "experiential events" (3 percent).

ANNOUNCEMENTS

Prepaid reportedly universal

Prepaid card users span virtually every age and income demographic, according to an **Aurimedia Consulting Group** report. ACG's *The Payments Report* said 54 percent of consumers have purchased prepaid cards, with 79 percent of those consumers having purchased cards at brick-and-mortar retail stores.

Brightwell bolsters OceanPay with EMV

Atlanta-based maritime payroll card provider **Brightwell Payments Inc.** added Europay/MasterCard/Visa (EMV) functionality to its OceanPay payroll card. Brightwell said adding EMV allows Brightwell to expand its program reach in Europe.

Juntos Finanzas wins Core challenge

At the 7th Annual Underbanked Financial Services Forum in San Francisco, **Juntos Finanzas** won Core Innovation Capital's Core challenge. Core said Juntos Finanzas, which provides mobile personal finance tools for the unbanked, was voted the company "most likely to enable underserved Americans to gain better access to a financial product needed to help them reach financial prosperity."

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beyond the transaction.

Selling Prepaid

InComm's Monaco honored in Canada

Frank Monaco, Vice President of International at prepaid card distributor InComm, was recognized as Industry Contributor at Prepaid Awards Canada. Monaco won the award for fostering the growth and development of the global prepaid card industry. The awards ceremony took place June 7, 2012, at the Liberty Grand Entertainment Complex in Toronto.

paysafecard expands into Turkey

Vienna, Austria-headquartered paysafecard group launched its prepaid online payment services in Turkey. The company said Turkish consumers are aware of paysafecard, but the country is lacking in alternative payment solutions online.

Mobile RDC called critical for unbanked

At the sixth annual Mobile Banking & Commerce Summit in San Francisco, Plastyc Inc. Chief Executive Officer Patrice Peyret said the ability for smart phone users to remotely deposit physical checks is a "vital" service for unbanked and underbanked consumers. Mobile remote deposit capture will "plug the last remaining functional gap between prepaid card accounts and checking accounts," Peyret said.

PARTNERSHIPS

AccountNow chooses Fiserv for fulfillment

Prepaid card provider AccountNow Inc. tapped payment processor Fiserv Inc. for prepaid card production services, including card manufacturing, card personalization and collateral material procurement. Fiserv said AccountNow will be able to track card production, shipments and inventory in real-time.

GETI, BluePay tee it up for PGA event

Gift and loyalty card processor Global eTelecom Inc. (GETI) joined with ISO BluePay Processing LLC to supply guest concession gift cards and volunteer meal cards for the Travelers Championship Golf Tournament in Cromwell, Conn. The tournament took place at the TPC River Highlands golf course June 21 to 24, 2012.

VendTek, iSend penetrate new markets

Mobile money company iSend inked a distribution deal with VendTek Systems Inc., parent company of Now Prepay. The agreement allows iSend to resell Vendtek's mobile phone top-up and voucher services.



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Corporate gifting streamlined

Gift card and loyalty program integrator **Tango Card Inc.** and travel and expense management company **Concur Technologies Inc.** created a gift card purchase and expense management solution for corporations. The solution is designed to correctly capture who gave what to whom and manage related expenses.

ACQUISITIONS

Chexar to acquire Clear Payments

Check guarantee provider **Chexar Networks Inc.** signed a letter of intent to acquire its partner, remote deposit capture company **Clear Payments Inc.** The deal was scheduled to close by the end of June 2012. Chexar uses CPI for check imaging technologies, funds settlement and mobile technology.

APPOINTMENTS

NBPCA names board at Power of Prepaid

The **Network Branded Prepaid Card Association** elected its board of directors and association officers for the 2012 – 2013 membership year at the association's inaugural Annual Congress - The Power of Prepaid, held June 3 to 6, 2012, in Washington. The list can be accessed at www.nbpc.org/~media/D2DB992C3A594B36AC0BC9941F033A87.ashx. 



Features

Prepaid forums address challenges ahead

By Patti Murphy

ProScribes Inc.

Prepaid debit cards – notably general-purpose reloadable (GPR) cards – are breathing new life into financial services, creating new market and revenue opportunities. It's not apt to be clear sailing going forward, however. Banks and non-banks in the prepaid card industry face plenty of potential obstacles, like burdensome regulations, how to reach the financially undereducated and the work it will take to propagate consumer-friendly pricing models.

This was a key message from two industry events in June 2012: the Network Branded Prepaid Card Association's first-ever Annual Congress and the 7th Annual Unbanked Financial Services Forum, presented by the Center for Financial Services Innovation.

At the opening session of the Unbanked Forum, Stewart Stockdale, President of Global Consumer Financial Services – Executive Vice President at The Western Union Co., took on the pricing issue. "Reloadable prepaid will not take off because of the heavy fee schedules," he said. Unlike many similar products, Western Union's MasterCard prepaid debit card carries minimal fees, with no monthly or transaction fees, he noted.

Stockdale isn't alone in voicing concerns about pricing. Judith Rinearson, Partner in the law firm Bryan Cave LLP, told attendees at the NBPCA Congress, "There's a sense that consumers don't know about the fees or how costly these products are."

A guiding compass

Meanwhile, the CFSI used the NBPCA Congress to unveil its Compass Guide to Prepaid, a set of "aspirational guidelines" for the design and delivery of prepaid debit cards. Two weeks later, the CFSI leveraged the Unbanked Forum to rally companies behind the campaign. "This is not a sign-on campaign," said Jennifer Tescher, CFSI President and Chief Executive Officer. "We want companies to take a public stand."

Several companies did just that, appearing on a panel with Romy Parzick, Manager, Innovation and Research at the CFSI, to discuss why they chose to make the commitments to the Compass Guide to Prepaid.

"The most important aspect of our business is building trust," said Patrice Peyret, CEO at prepaid card company Plastyc Inc. That's why Plastyc has posted what it calls an easy-to-understand fee box and consumer-oriented how-to videos on its website. "This is actually improving business for us," Peyret added.

Other prepaid companies that have made commitments to the CFSI's guidelines include Meta Financial Group Inc.'s Meta Payment Systems, NetSpend Holdings Inc. and Minnesota community banking group Sunrise Community Banks.

'Evidence-based regulation'

David Silberman, Associate Director, Research, Markets and Regulation at the Consumer Financial Protection Bureau, presented at both conferences. At the Unbanked Forum, Silberman said the new consumer watchdog agency is committed to "evidence-based regulation." He said that, from the CFPB's vantage, "consumer education and empowerment are inextricably intertwined."

Selling Prepaid

In May 2012, the CFPB issued an advanced notice of proposed rulemaking in which it set forth options for federal oversight of GPR cards and gave interested parties until late July to submit comments. The bureau said its primary areas of concern in formulating prepaid card rules are fees, terms and disclosures, and Federal Deposit Insurance Corp. coverage of deposits to prepaid cards.

The NBPCA, which held its first Annual Congress two weeks after the notice went out, carved time out of its agenda for a special educational session to review the proposal with a team of lawyers and encourage those in attendance to participate actively in the rule-making process.

Terry Maher, Partner in the law firm Baird Holm LLP and the NBPCA's General Counsel, and Rinearson, who chairs the NBPCA's government relations committee, urged attendees to provide thoughtful responses to the CFPB, especially with regard to potential compliance costs. "This is one of those issues the CFPB needs to be aware of," she said. "The CFPB has asked us [for industry input] and it's on us now to respond."

Not just for the unbanked

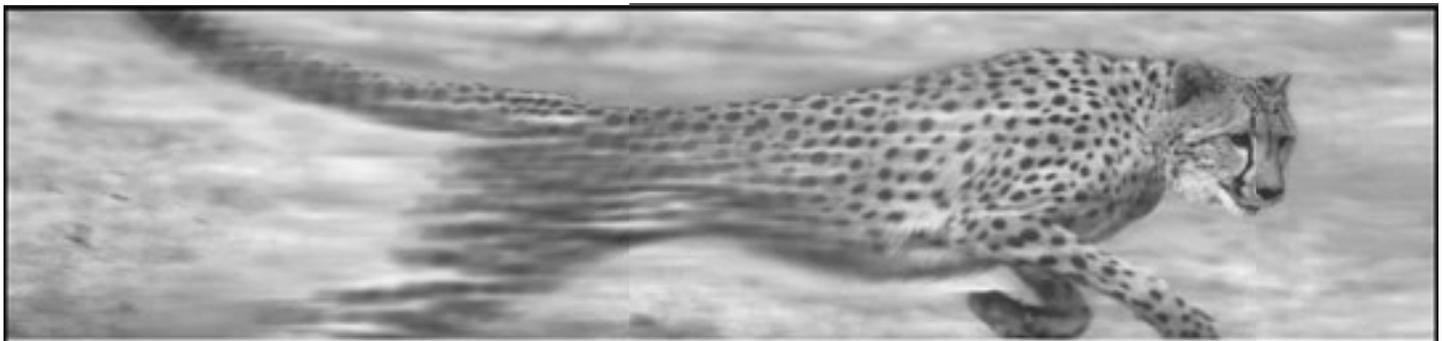
GPR cards have been gaining significant attention in recent years, especially as banks and other financial services companies look for new, inexpensive ways to

grow their bottom lines. At the NBPCA conference, Gail Cunningham, Vice President of Membership and Public Relations, National Foundation for Credit Counseling, stated that an estimated 35 million Americans have used prepaid debit cards in the past 12 months.

NFCC data also revealed that prepaid cards are not just for the unbanked. "Only one in four folks said they used prepaid cards because they had no other option," Cunningham said. In fact, a 2011 survey by the National Urban League revealed that 80 percent of prepaid cardholders have access to demand deposit (checking) accounts.

The numbers can be deceptive, however. According to Todd Zywicki, Senior Scholar at George Mason University, prepaid cards aren't very "sticky." In a presentation at the NBPCA Congress, Zywicki shared data suggesting GPR cards are four times more likely to be discarded than checking account-linked debit cards, and twice as likely to be discarded as credit cards. This data suggests plenty of opportunities exist to make prepaid cards more sticky with consumers and reap the benefits in the process. 📱

Patti Murphy is Senior Editor of The Green Sheet and President of ProScribes Inc. She is also the founder of InsideMicrofinance.com. Email her at patti@greensheet.com.



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Prepaid profile: Giftango Corp.**The new language of rewards**

The realm of consumer incentives and rewards is one of expanding possibilities. Once upon a time, the redemption of digital rewards at brick-and-mortar stores was accomplished only after consumers printed out virtual rewards cards from PCs and then presented the print-outs at the POS, where bar codes printed on physical paper were scanned. That awkward ballet is being replaced by a more fluid experience facilitated by smart phones and digital gifting companies like Giftango Corp.

Today, consumers equipped with smart phones can walk into stores, and mobile applications on their handsets direct them to in-store discounts, that can be redeemed in real time at the POS. Instead of presenting print-outs, consumers hold up phones to allow special bar code readers to scan quick response (QR) codes from touch screens.

David Nelson, Chief Executive Officer at Giftango, likens his company to the "hub of the digital rewards and incentives system" that connects merchants to mobile apps and closed-loop gift card or stored-value account processors, such as First Data Corp., Chase Paymentech LLC and Vantiv LLC. "All those merchants are sitting on a fragmented set of processors throughout the marketplace," Nelson said. "And somebody needs to bring all of that together to create essentially a single language."

In Giftango's case, that "language" is its application programming interface to which mobile application developers and processors connect. "We're connected to all of these banking systems so that we can go immediately [to] retrieve that stored-value [denomination] on behalf of that merchant and present it through that app," Nelson said.

Get your kicks

Giftango is tapping into the \$100 billion rewards and incentives market in the United States, where merchants employ a variety of strategies to entice consumers into stores, get them to spend money and then get them to repeat steps one and two. The latest strategy is accomplished via mobile apps.

Giftango recently partnered with Silicon Valley-based application developer shopkick Inc. The shopkick app, which reportedly has over 3 million active users and has surpassed 1 billion in-app deals and offers viewed, allows consumers to earn reward points called "kicks" for walking into stores and making purchases. "Kicks" can be redeemed for in-store gift cards, among other rewards. Nelson said apps like shopkick are valuable tools for merchants because they engage consumers in a new way and

motivate them to shop. "You really start to see how digital incentives and digital rewards is going to be an emerging marketplace because it's one of the best ways to make people get off their butts and go do something," he said.

An added dimension

Giftango is POS solution agnostic, so it will work equally well with phones enabled with near field communication (NFC) technology or with bar codes, according to Nelson. Both solutions require new technology at the POS. To take NFC payments, POS devices must be embedded with NFC technology. For QR or other two dimensional (2D) bar code installations, traditional one dimensional laser scanners need to be upgraded to read bar codes off of high-definition smart phone screens. The alternative is that cashiers key in bar codes by hand.

Even though Giftango research showed cashiers are surprisingly adept at keying in the codes manually, at quick service restaurants (QSRs) where line speed is crucial, upgrading scanners might be advisable, according to Nelson. QSR chains like Subway and Burger King Corp. are working "very very hard" to develop POS solutions, he said.

A leader in this movement is coffee chain Starbucks Corp. A white paper sponsored by Giftango and conducted by C2 Consulting Services LLC said the Starbucks mobile app, which launched nationwide in January 2012, uses 2D bar code scanners that can store large amounts of data, making them ideal for loyalty applications.

The white paper, entitled *Mobile Scanning Devices: The Value of Being Prepared*, said the new scanners cost between \$100 and \$1,000 per unit, with handheld models from Honeywell International Inc., Intermec Technologies Corp. and Datalogic S.P.A. ranging in price from \$120 to \$350. Nelson said one of Starbucks' advantages in its mobile POS payments rollout was it had the financial resources to upgrade scanner technology at over 12,000 U.S. locations. He believes the price of the scanners will creep downward in the next few years.

A rainbow of rewards

June 2012 has been a busy month for Giftango. Beyond its partnership with shopkick, Giftango expanded into Europe by launching its Giftango International subsidiary in Dublin, Ireland, and agreeing to provide electronic gift cards for the corporate customers of U.K.-based prepaid voucher provider Park Group PLC. Additionally, Giftango won the Best Prepaid Innovation award at Prepaid Awards Canada for its virtual gifting platform.

It is early days in the virtual gift card and mobile rewards and incentives space, according to Nelson. "I think there's a big prize at the end of that rainbow for those merchants who get it right as they get to be the first to take advantage of an emerging market," he said. 📱

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Lead sources - the front line in sales competition

By Marc Abbey and Lacy McDonnell

First Annapolis Consulting

The acquiring industry is nothing if not dynamic. And though much of the time this leads to upside opportunity, it would be a mistake to ignore the mounting signs of maturation of the business.

Though "margin" events like the Durbin Amendment to the Dodd-Frank Act of 2012 will keep earnings buoyant for some time to come for most acquirers, the writing is on the wall that competition will become gradually more intense.

Decline in productivity

One of the arenas in which this rise in competitive intensity is apparent is demonstrated by the increase in pressure on traditional sales models, as well as the substantial decline in sales productivity rates from the first half to the back half of the last decade.

Indeed, as part of our ongoing research, our firm measures new merchant sales per full-time equivalent employee per month; we found that from 2000 to 2011 the annual change in that figure was in decline:

- Field sales-9 percent
- Telesales.....-3 percent

This decline in productivity reflects a raw increase in sales staff and related investment from acquirers intending to maintain the growth rates to which they have become

accustomed, though in an environment where same-store growth is in secular (long-term) decline.

In addition to putting pressure on the growth equation for many acquirers, declining sales productivity has become a substantial financial issue for some. Whereas virtually every aspect of the value chain has been subject to declining unit costs, acquisition costs remain stubbornly high and rising, resisting scale economies or improved efficiency.

Quality and quantity leads

If a management team could take only one action to improve sales productivity, that action would be improving the quality and quantity of the leads the sales force has available to it. There is a huge amount of experimentation in lead generation in acquiring, ranging from the use of comparison websites on the Internet to the use of nontraditional partners such as insurance agents and wholesalers.

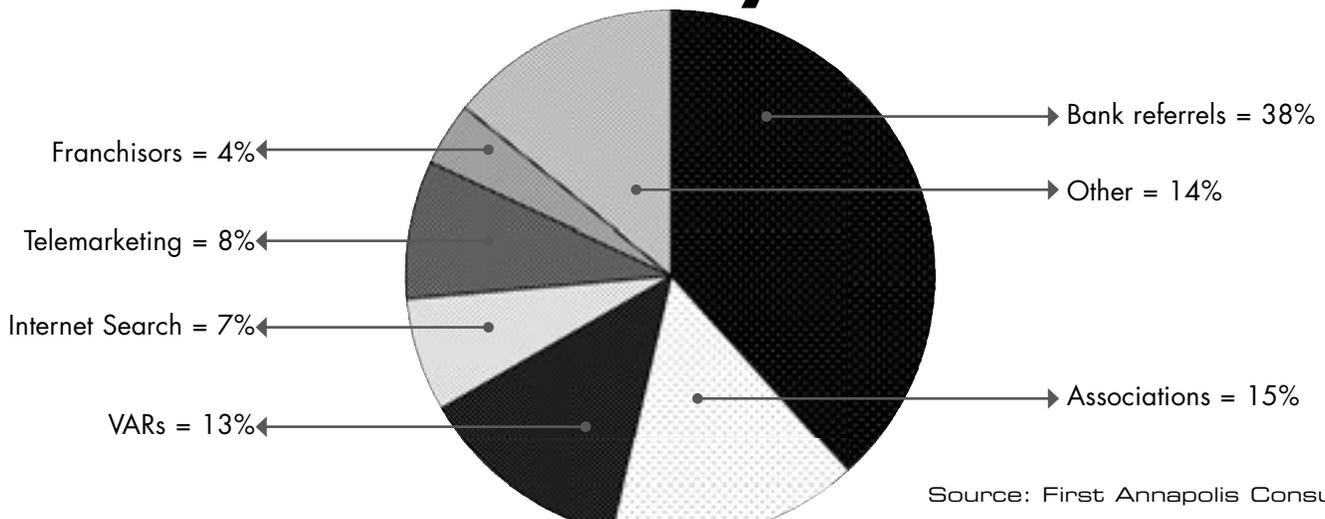
However, it is still true that the majority of leads come from a relatively narrow set of categories, as estimated in the chart, titled "Estimated leads by lead source," accompanying this article.

In recent years, competition to sign the traditional lead sources has increased substantially. For example, the large bank market is highly competitive, and new partnerships in this market are somewhat uncommon.

Very few large banks change providers once in an alliance of some sort with an acquirer. Of the current top 20 banks, only three have changed acquirers; and in each case, those three had special circumstances often related to broader mergers and acquisitions of the parent company.

By contrast, the association's business is highly fragmented, with no single dominant acquirer and less than complete penetration. The value-added reseller (VAR) market,

Estimated leads by lead source



Source: First Annapolis Consulting

too, has extremely competitive pockets, but overall is not fully penetrated and lacks a single dominant player.

There is much evidence of acquirers specializing around lead source. For example, the players most focused on organic Internet searches are different organizations with different skill sets (search optimization, etc.) than those acquirers pursuing paid search.

The set of acquirers focused on community banks is different than the acquirers focused on national and super-regional banks (and the underlying bank needs and economics are different). An acquirer committed to the VAR channel generally has different capabilities and organization than other types of acquirers.

Sub-segmenting lead sources

In short, competition for these lead sources has its own set of dynamics and requirements – selling through a bank franchise referral partner bears little resemblance to selling effectively through associations.

Whereas specialization around sales channel and merchant segment has become conventional wisdom in acquiring, specialization around lead source is taking the same path and level of importance.

The challenge for acquirers is not solely to identify the main lead source or sources that will drive the acquirer's business, but also to sub-segment the lead source category and to develop competitive advantage in sourcing and managing a given lead source.

(So, it's not simply associations but rather associations that are member service-oriented, regional or local, and targeting business-to-business members, for example.) Of course, it is a bit of a false choice to focus on solely one tactic to improve sales productivity, as sales management from recruiting to training to compensation has a substantial impact, as does pricing strategy and product management.

Nevertheless, a high performance and differentiated lead source will hide a lot of sins in a sales organization, and lead source management is quickly becoming the front line in the sales productivity arms race the industry has been experiencing for some time. ■

Marc Abbey is the Managing Partner of First Annapolis Consulting and is also responsible for the Acquiring Practice. Lacy McDonnell is a Senior Consultant in the Acquiring Practice. They can be reached via email at marc.abbey@firstannapolis.com or lacy.mcdonnell@firstannapolis.com, or by phone at 410-855-8500.

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Company Profile



Stream Cash LLC

ISO/MLS contact:

David Edelen

Co-founder

Phone: 502-716-7269

Email: dedelen@streamcashresiduals.com

Company address:

201 Towne Park Circle

Louisville, KY 40243

Phone: 866-976-9666

Fax: 502-365-1851

Website: www.streamcashresiduals.com

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- Portfolio purchasing

Loans, residual purchases for ISO capitalization

While the merchant cash advance business has mushroomed in recent years, capital infusions for ISOs are considerably less widespread. Kentucky-based Stream Cash LLC is one of a handful of companies that focuses on capitalizing ISOs, both through loans and portfolio purchases.

Three friends founded Stream Cash in 2008. Two of them, David Edelen and Jay Rice, worked together for more than a decade at National Processing Co., where Edelen was the Senior Vice President in charge of managing the ISO channel, and Rice was the company's National Recruiter for ISOs. The third founder, Chris Hylan, is a high school friend of Edelen's who has long worked in the finance realm, including as Hewlett Packard Co.'s Chief Financial Officer.

The company's leadership combines Edelen and Rice's familiarity with the payments industry and Hylan's financial expertise. The three remain intimately involved in acquiring loan partners, providing consultation and establishing contractual terms.

The problem with banks

Edelen said ISOs commonly turn to providers like Stream Cash for the same reason merchants procure cash advances: banks don't understand the payments industry and are reluctant to approve loans to ISOs that do not have top-notch credit or upfront collateral.

"When I was managing ISO relationships [with NPC], our partners had a difficult time finding lines of credit because banks don't understand the merchant processing business," Edelen said. "They'd say to the bank, 'Hey, I've got a \$50,000-a-month check, can you loan me \$200,000?'"

"Well, [bank loan officers] don't understand that ISO's contract and how the money works, and they want to find a house or a car to put a lien on. They don't have the experience or wherewithal to deal with the ISO. All residual payers and merchant portfolios are not equal. Banks will never grasp that risk, nor credit an ISO for the true value of that residual annuity."

An informed approach to lending

By contrast, Stream Cash vets potential borrowers with a more rounded outlook, according to the founders, who said the portfolio strength and reputation of a company are much more closely considered than its credit or borrowing history. In line with that practice, the collateral for any loan is not an existing asset but the ISO's future residuals. "A bank, at the end of the day, will not collateralize annuity," Hylan said. "It has to be a tangible asset [that the borrower] is putting up."

Regarding Stream Cash's screening process, Edelen said: "We look at the portfolio history, the ISO contract, the merchant contract and the financial situation of the ISO. That means more to us than the guy's credit bureau."

Repayment is secured by redirecting a specified amount of the ISO's residuals each month from its processor. Unlike merchant cash advance providers,

Stream Cash lends money to ISOs. It also does straight purchases of residual portfolios.

which take a percentage of the client's receivables until the debt is repaid, Stream Cash's loans are amortized, or paid back in fixed amounts over a pre-determined time. Hence, the use of the term "loan," as opposed to "advance."

"In our world, it is clearly a loan, just like a personal line of credit," Hylen said. "It's a fixed [payback] period, and we amortize payments – so, for example, they're going to pay \$7,000 a month for 36 months."

Loans and residual purchases

Stream Cash lends money to ISOs. It also does straight purchases of residual portfolios. Whether ISOs choose to sell their residuals completely or just put them up for a loan depends on the ISO's individual circumstances.

"We're not going to loan somebody \$100,000 if they're bringing in \$20,000 in residuals a month," Rice said. "We'll loan less, or we'll buy. It just depends on what the ISO is looking for."

It may be looking to add salespeople or a [technology upgrade], or they may be in a situation where they have separate residual streams and want to sell some of them, or maybe want to sell their own business. We buy those, in all of those cases. At the end of the day, the ISO is gonna get a check."

Edelen provided further detail. "Our loans and purchases have helped buy out the equity position of a partner who wishes to exit, helped increase sales force or invest in new offices, or even develop new products – all positive things that help the ISO take his residual check to the next level," he said, adding that the company's multiple varies anywhere from less than a year to more than 40 months. (A multiple is the amount of money the company will pay to acquire merchant portfolios, measured as a multiple of an ISO's monthly revenue.)

On the loan side, the company noted that the payback period is three years; loan amounts range from \$100,000 to \$5 million; interest rates are in the teens; and Stream Cash lends only to ISOs with monthly residuals of at least \$20,000. "It doesn't make sense to go too far out there," Edelen said. "If we gave someone making \$5,000 a \$100,000 check, we wouldn't be in business very long."

Hylen pointed out that growth-oriented ISOs, including those that are highly successful, may seek extra capital to streamline that growth or, conversely, to ensure sufficient money is on hand after they have poured most or all of their usual profits into expansions and upgrades.

Consultation along with funding

"Every loan and every purchase is made under unique circumstances, but at the end of the day with any capitalization you need to do, you need leveraging to take that next step," Hylen said. "Opening an office has a lot of cost outlays, and it's nice to have some financial cushion."

The company's founders stressed that Stream Cash is not only a loan provider, but also often a consultant to the recipients of funding. It works with its clients to ensure each business receives a loan that is helpful but not burdensome, and

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that fits the client's specific needs. "Stream Cash is an honest company that provides you with straightforward information without hidden agendas," said Sasha Dharani, Chief Executive Officer of Houston-based Transnet Payment Systems. "That's why I love doing business with them."

According to Hylan, Stream Cash will often suggest modifying the size and terms of a loan request after consultation. "We did a loan last year where we realized they were asking far more than they needed," he said. "It made more sense to do the [capitalization] in pieces and not start the clock on their interest."

Hylan added that the ISO in question was trying to add a gateway to its business, a months-long process that, in this case, was better suited to incremental infusions of capital.

"We give an honest assessment to the ISO and work only with processors and ISOs we feel comfortable will be there to make that residual payment years down the road," Edelen said. "The last thing we want is to burden someone with incremental debt they can't manage. We are in the business of growth – as their check grows, our collateral gets stronger."

Inside industry information

Edelen noted that his and Rice's familiarity with the industry – including the reputations of its ISOs – is a unique intangible in the company's arsenal. No deal carries a safety guarantee, but knowing what companies have what kind of history, policies and reputation can be crucial in dealing with them as a loan provider, helping to shape their decisions about whom to work with, and accelerating the process of devising a contract and delivering the loan.

"That's where reputation comes in," Edelen said. "Some ISOs have a good reputation, some not so good, and some of them Dave and I will vouch for because we know them, and we know they treat their people right. ... We don't know everyone that calls us, but we know someone that knows them."

Hylan added that it's a combination of subjectivity and hard analytics. "There's definitely some degree of [reputational consideration], but there's also the financials and the balance sheets," he said.

According to Stream Cash, loan turnaround times are as short as a week or two for new clients and as little as 48 hours for returning ones – and that is due to the company's industry knowledge and the fact that it is an efficient, lean enterprise working with a targeted market segment. "The bureaucracy is taken out of it," Hylan said. "We're the sales, underwriting and management all in one. As long as the deal isn't hairy, that can really speed up the process." ■



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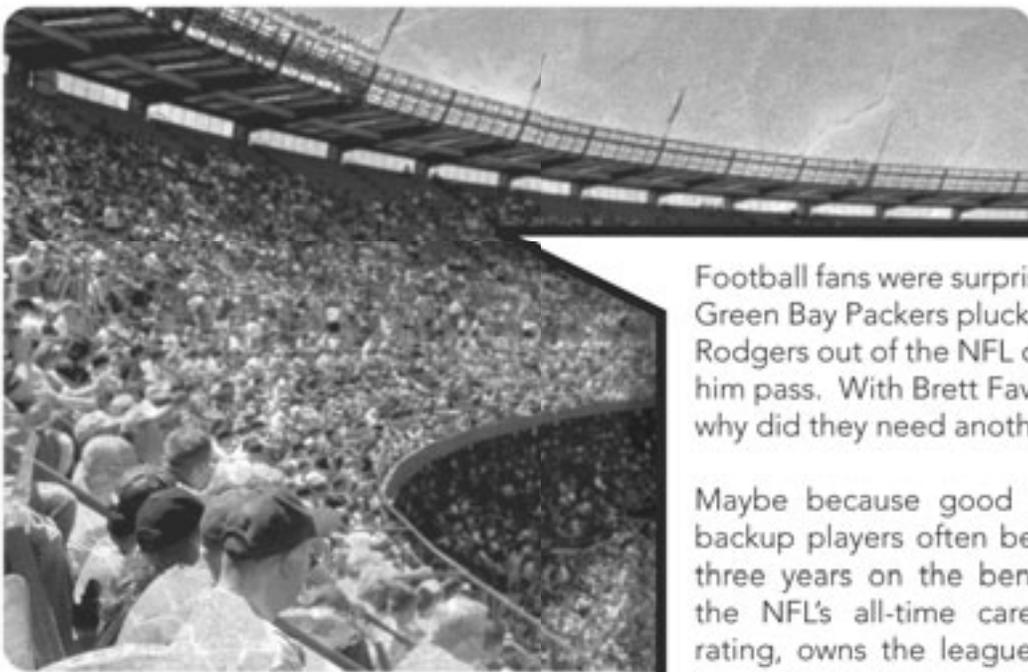
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"The bad guys aren't reinventing the wheel. We still commonly see weak passwords; lack of properly configured firewalls (which makes for a really expensive router); open remote access ports and utility ports; and vendor supply default passwords that are known by every hacker in the world."

Christopher Pogue, Senior Security Consultant
Trustwave's SpiderLabs

Heather Mark, Senior Vice President, Market Strategy at payment security firm ProPay Inc. noted that even though it's difficult to consider the possible failure of prevention measures that have required significant resources and effort to implement, ISOs should have incident response procedures ready and rehearsed.

"Having a well rehearsed incident response plan is vital to containing a breach, getting the system online fast, and notifying all stakeholders," Mark said. "There should be drills to practice the incident response plan and a chain of command set in place. There should be standard operating procedures for how to respond to a beach. The acquirer may want a crisis manager on staff or retainer."

Mark also offered advice on whom to call, and in what order. "Call law enforcement first; get them involved quickly," she said. "They may have information on how to contain the breach. The next call is to the acquirer. Remember, it is fairly uncommon for an ISO or merchant to recognize a breach first. Get as much information as possible on a suspected breach. Be receptive. Listen to information, and have a FAQ where customers can be directed for updates and answers."

"Call the PR firm quickly. It should understand already your business and customers and be ready to put a response plan in place quickly. An increase in reputational damage comes with a breach. Crisis management can mitigate damage."

Defending sensitive data – best practices

Experts interviewed for this article generally agreed that PCI DSS compliance is one important step but not an entire defense against data thieves. Paul Coppinger, co-founder and President of Apriva, said, "The first and best line of defense for preventing a breach is to reduce the attack profile that is available to the hacker. What this means in practice is often described as reducing PCI scope."

"After you have reduced the PCI scope as far as possible in a particular situation, then you work on securing what is left. This will involve using Payment Application (PA) DSS certified solutions, periodic monitoring and network scanning. The techniques used by hackers are changing all the time, so using a monitoring service is absolutely critical."

"One of the best techniques for reducing scope is tokenization, which is something that processors and some gateways are starting to offer as either a standard part of their solution or at a small premium. Tokenization will eliminate the need for merchants to store cardholder data in their systems, which is where the larger opportunity exists for hackers. Any software that is PA DSS certified will do all the right things necessary to ensure that transactions are handled in a secure manner."

According to Simon Gamble, President, North America for Mako Networks Ltd., a PCI certified network management service provider, payment professionals also need to keep something else in mind when working with merchant security. "You could have the most secure terminals on earth and if you are not looking at the network you are in trouble," he said.

Mako Chief Executive Officer Bill Farmer pointed to security issues involved with mobile payments. "In the PCI sphere it is ludicrous to put the company on a mobile reader," he said. "Having PINs going into a device when you have no control over the software on the phone or tablet, leaving card data on a phone – this lack of control could penalize merchants."

Gamble added, "A payment terminal shouldn't do anything other than process transactions. A phone or tablet is not a secure payment device right now though they may be secure in the future. EMV is good, but when any other device is on the network that device needs to be compliant."

Christopher Pogue, a PCI Qualified Security Assessor (QSA) who works as a Senior Security Consultant at Trustwave's SpiderLabs, said, "The bad guys aren't reinventing the wheel. We still commonly see weak passwords; lack of properly configured firewalls (which makes for a really expensive router); open remote access ports and utility ports; and vendor supply default passwords that are known by every hacker in the world."

Experts consulted by *The Green Sheet* also pointed out that security costs are low compared to the risks of an insecure system. "There's no excuse for a merchant not to be PCI compliant," Gamble said. "It's just a matter of where they are going to put it in the budget. A totally compliant network costs less per month than a meal at a good restaurant."

CoverStory

Pogue agreed. "Security does not cost thousands of dollars in investment," he said. "Simple things like good passwords regularly changed, limiting input to one remote access, knowing where the traffic is supposed to go – these are easy things to do that don't cost a lot. The fact that many are not doing so is mind boggling. I could make the changes in an hour and eat a sandwich while doing it. Often a breach that costs \$150,000 in fines could have been prevented if they had spent \$500 on a proper firewall."

Responding to a breach – notifications

Letting customers know a breach has been discovered is both a sensitive and critical component of breach response. Pogue advised informing customers of the following:

- The business was the victim of a crime.
- Law enforcement is investigating.
- The systems are being examined and repaired.
- Customers' personal information may be at risk.
- You will continue to update them as more information becomes available.

Pogue also advised breached ISOs and merchants to eliminate the fraudsters' means of infiltration. "Get a new IP," he said. "Change all the passwords. Don't presume the POS configuration packets in every system have been changed. Check each one. That's a big job but not impossible. It can be done."

Gary Glover, Director of Security Assessment at SecurityMetrics Inc., a provider of PCI compliant security solutions, urged acquirers to keep in mind how devastating a breach can be to a business. "The merchant is looking at their whole way of life potentially changing," he said. "I've seen restaurants that have been closed and 401(k)s that have been emptied to pay for the investigation and forensics following a breach."

"Don't leave the merchant alone. Tell them what's going on. Keep in touch with regular calls even if you don't have any news. Remember you are never going to have good news, but you can let them know you are involved and helping by staying in good contact."

Langenderfer said her first call after being notified of a breach would be to her lawyer. "My company is at stake, and I need to handle this situation with kid gloves," she said. "You want to be in control until you understand what it is that has happened. Once the situation goes to Visa or MasterCard, it is out of your control. If you are an ISO, call your processor and start notifying your merchants. You need to respond relatively quickly and you need to be really careful."

Langenderfer also said ISOs should be careful about information release; it has to be done but it needs to be

controlled. "Sometimes you have to tell the customers about a breach sooner than you like because the clock is running, and you can't let the breach be secret for months," she said. "But in a perfect world you don't want to tell merchants until you solve the problem. These are the kind of hard decisions you need to make. This is why you want the lawyer, Visa and MasterCard, and your PR force helping."

Recovering from a breach – steps back to compliance

When breaches are discovered and card companies are notified, merchant or service providers have to prove they are in PCI compliance before they can be certified by the card companies for payment acceptance again.

The professionals interviewed for this story agreed the road back to compliance is tough and that selecting the firms to help with that process should be done with care. "You don't want the same company that did the assessment for compliance to do your forensics after a breach," Mark said. "That is like having your accountant do your audit. It doesn't make much sense."

SecurityMetrics' Glover offered these technical suggestions for responding when a breach is reported: unplug the server; check the remote access – shut it off if you don't need it; check the firewall to be certain it is properly installed and working; bring in analogue-based transaction terminals for the interim and hire an independent QSA; inform the card companies of the breach, and follow Visa Inc. and MasterCard Worldwide procedures; and know the regulations of the state(s) where you do business – some states have notification requirements.

Glover also urged caution when reinstalling an old image of a database because it may contain unprotected credit card information. "If I was compromised, I'd want to contact a QSA even if I was told I didn't need it," he said. "I'd have the QSA test even if it is only 'forensics light.' How do I know I didn't fix something in the wrong way and allowed an entry point for a break-in?"

"In the future, limit remote administration utilities to just one. Disable all others. If you have an on-demand service provider, have them call you to enable remote access and call back when they are done working on the system. Disable the remote administration when it is no longer being used."

There was also general agreement among the experts interviewed that the first thing to understand about security is that there is no such thing. "There will always be an inherent security risk associated with acceptance of electronic payments," Coppinger said. "There are many things that can be done to reduce that risk, but the way the system works right now, that risk will never be zero." ■



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When you hit the doldrums, start rowing

By Jeff Fortney

Clearent LLC

In the 18th and early 19th centuries, ocean crossing was completely reliant on wind power. The stronger the wind, the faster the crossing. Experienced sailors were familiar with the routes that provided the type of wind they needed.

They also knew what areas to avoid. However, even the best sailors ran the risk of dropping too close to the equator and entering an area called "the Doldrums." The equator provided little to no horizontal wind. Unless a large storm brewed, the water was calm and movement ceased.

An inexperienced captain might panic and remain there for weeks until rescued. But the experienced captain knew the only way out was to lower his long boat, fill it with sailors and have them row, essentially towing the bigger ship. This was both time-consuming and back-breaking.

From this situation came the common expression "the doldrums." Today, dictionaries define this term as a period of stagnation, slump, despondency or unhappy listlessness.

Dr. Seuss captured it in *Oh, the Places You'll Go!*:

*"You'll come down from the Lurch
with an unpleasant bump.*

*And the chances are, then, that
you'll be in a Slump.*

*And when you're in a Slump,
you're not in for much fun.*

*Un-slumping yourself is
not easily done."*

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The payment processing world is not immune to the doldrums. We all suffer from them on occasion. We find ourselves stagnating, with our motivation lacking. And our businesses suffer. Slumps can creep up on us and cling like glue.

Former Cincinnati Reds catcher Johnny Bench, twice a National League Most Valuable Player (MVP), put it this way: "Slumps are like a soft bed. They're easy to get into and hard to get out of."

Detour: Slump ahead

Slumps don't usually provide warnings to keep you from sailing straight into them. Your business can be growing at a healthy clip, with new business and ample referrals. Then suddenly you realize referrals and new signings have dropped off.

Looking back, you realize you have been distracted; you haven't done your best. You're not sure when it started, but the facts are clear: You're in a slump. Unfortunately, this revelation doesn't mean the slump is over.

At this point, you have a choice. You can wait to be rescued, or you can lower your long boat and use your oars.

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One suggestion is to take a mental time out and just dream. Sit outside in a park, or take a long bath and picture what you will do with your success. Don't picture what you will do to become successful. Just picture the final results once you are successful.

Every successful ISO and merchant level salesperson has been in this situation, and our industry is littered with failed companies that chose the rescue option.

In addition to taking remedial action, you must learn how to recognize a slump before you are in too deep. A slump is not a bad day. Rather, a sales slump can be defined as an inability to sell at your previous levels for a week or more.

Goals and action plans

Unless you have a system that tracks your goals and actions, it may take a few days to realize you're in a slump. GS Online MLS Forum member **MBRUNO** has such a system. "I'm a numbers guy," he wrote. "My goal is always to do better than the month before.

"I developed a pretty good reporting system to give me a snapshot of a number of metrics by day/month/year and then cross reference those against the last month, quarter and year. It's a great motivator and helps keep me out of the doldrums."

MBRUNO identified two key components: a goal and a means to track efforts to reach that goal. Goal-setting is a topic of its own for a later time. But remember that no matter what goal you set, it must be measurable, realistic and under your control.

To reach your goal, you must have a plan that defines your necessary daily, weekly and monthly actions, all of which you will measure. I have one caveat, though. Don't measure only the number of merchant deals.

Measure your behavior – things you must do to execute your action plan – because a slump is not a failure to sign merchants for a brief period of time. Rather, a slump happens when you allow a lack of signings to impact your behavior.

Time is a precious resource

Once you review your goals, look at how you use your time – your one finite commodity. Once we use time, it's gone forever. Are you easily distracted? Are you committing the same amount of time as before but getting less done? Instead of using your sales time for sales are you devoting it to activities outside of sales?

If you answered yes to any of these questions, you have probably reached the doldrums. It's time to drop the long boat and start rowing.

Step aside and recharge

You may want to jump into a plan to attack your slump, but most will tell you the first step in that attack is to recharge your battery. "I find that life is too short," said **THECREDITCARDMAN**. "I am out of here and taking a few days off to do whatever. Even just a few hours on a mountain road with the top down and the cell phone off can clear your head."

One suggestion is to take a mental time out and just dream. Sit outside in a park, or take a long bath and picture what you will do with your success. Don't picture what you will do to become successful. Just picture the final results once you are successful.

If you can't leave the area, do something that is not related to work, like taking a walk, cleaning the house, playing with your children or watching a movie during the day. This will help you temporarily shut out your work so you can come back with a fresh perspective.

Press the reset button

If your success ratio has been signing one merchant for every 10 calls and you can make 30 calls a week, you have started to expect three new sales per week. If you're in a slump, you are probably falling short of that goal.

This is when you'll be tempted to make more calls to make up for lost time. Be careful though, because the quality of your calls might drop, which means your slump could get even deeper.

To put your slump behind you, start by resetting your expectations. Don't try to make up for slow weeks. Start from zero and move forward. This means that even if it's the 15th of the month, you should reset your goal to what you would normally expect for the remainder of the month.

Move outside your comfort zone

When you're ready to start again, follow the advice of baseball great and former MVP Hank Aaron: "My motto

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"As corny as it may sound, I created a little poster earlier this year and listed each of Tom Hopkins' seven motivators by text and with a picture," he posted. "For example, money is represented by a picture of several \$100 bills. For family, I have a picture of my wife and baby. Every time I'm in a slump, I look at the poster for motivation."

Forum member **ADUNN**

was always to keep swinging. Whether I was in a slump or feeling badly or having trouble off the field, the only thing to do was keep swinging."

However, not many of us are like Hammerin' Hank. Getting out of the slump will likely require stepping out of your comfort zone to try something different. **THECREDITCARDMAN** also used a baseball analogy.

"I would try to lay down a few bunts, go to the opposite field, take a few more pitches and try to walk, or even sacrifice my body and crowd the plate for a hit."

You can try many things, both internally and externally. Internally, reevaluate your 30-second commercial, also known as your elevator speech. Is it too technical? Can you tweak it to surprise prospects with your comments? Will they smile when they hear it?

Come up with a couple of alternatives that paint different pictures, and then test them on your friends and family.

Picture books aren't just for kids

If you don't have a goal binder, create one now. This isn't a binder that tracks the calls you make or the deals you sign. This binder should show you what you will do once you reach your goals. Make it visual – lots of pictures – and keep it with you.

ADUNN put his on a poster. "As corny as it may sound, I created a little poster earlier this year and listed each of Tom Hopkins' seven motivators by text and with a picture," he posted. "For example, money is represented by a picture of several \$100 bills.

"For family, I have a picture of my wife and baby. Every time I'm in a slump, I look at the poster for motivation."

An external way to break out of your slump is to call a satisfied customer or two. Refresh your confidence by hearing about what's going right for them, and then ask for a referral. If you're getting leads, don't stop at just two calls.

Keep dialing, and you'll boost your confidence as you make your way through your client list. Once you have a list of leads, start calling them. Make sure you mention who referred you, and be sure to tweak your introduction as needed.

After following up on all of your leads, reach out to a different market. Calling on a new vertical or industry type will require you to study that industry. It can open up new opportunities.

Reward successes – big and small

When you're in a slump, you become your own worst critic. You tend to find fault with everything – even your successes. That's why it's important that you treat this as a new start, with new possibilities.

Consider rewarding yourself for your successes. These don't have to be big rewards, but something that makes the effort worthwhile. **THECREDITCARDGUY916** shared his strategy:

"Happy hour after a good day, a massage for every deal I write, and a midnight black double IPA [India pale ale]."

Soon you will find you've climbed out of your slump and your positive attitude is back. The wind is blowing strong, and your sails are full. You may even exceed your previous results.

Just remember, even the best salesperson goes through a slump at some time in his or her career. Because the doldrums are always close by, keep your long boat handy.

And should you find yourself there again one day, just remember that you surmounted it once and can do so again. 🍀

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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Revving the engines that drive success

By Tom Waters

Bank Associates Merchant Services

In "What is the most productive thing you've done today?" published in *The Green Sheet*, June 11, 2012, issue 12:06:01, I identified a bottom-line perspective for increasing productivity and establishing momentum. In this article, I will identify a framework for establishing a successful ISO.

At its core, the essential goal for every ISO is to develop and repeat processes that create revenue for the company. When built out properly, these processes become revenue engines: well-oiled machines providing continued income and driving you down the path to success.

Financial success in merchant services is measured in the number of approvals, number of transactions processed and size of the portfolio. In other words, it is a question of how many clients you have, how many customers your clients attract and how much money those customers spend on credit cards.

Sometimes a prospect has several locations that generate multiple approvals. Sometimes the prospect has partners who are also involved in other businesses. These are very real possibilities and should be explored.

Each aspect defines in mathematical terms the relationships we establish. We can boil down the revenue we generate in merchant services to one fundamental component – the approved application.

As with any financial services portfolio, you should work to make your accounts diverse. Optimally, larger deals with longer pipelines should be accompanied by smaller accounts that help you gain experience and hedge your income base. Regardless of how you structure your pipeline, the general process remains the same.

Drafting the blueprint

Cultivating one relationship with one business owner

to acquire an approval is the core process of merchant service sales. Many of the largest merchant service firms began by applying this simple formula, meeting one business owner at a time. Eventually, more complex processes become integrated into the system. But at the center, all revenue engines work on top of that basic process.

The simplest engine to draft is cold calling to create relationships where none yet exist. It is the act of reaching out to potential customers who likely have no idea who you are and convincing them to explore the possibility of working with you. The concept is akin to social fishing. You randomly encounter businesses, ask questions and build relationships with the proprietors.

Start with a winning formula

The math is basic: one agent multiplied by one prospect signed equals one approval. On average, this method usually yields just one approval, unless you solicit multilocation chains. During a given work week, we expect each agent to reach out to several hundred prospects. Many agents discover that this method works for them. However, we call it the "grind" for a reason.

While this basic formula is a simple and effective engine, it is a short-term strategy for newly developed agents and ISOs. This period of soliciting accounts should be a way to gather the much-needed experience to counter advanced lines of questioning from often well-informed chief financial officers or controllers.

Expanding beyond Formula One

Sometimes a prospect has several locations that generate multiple approvals. Sometimes the prospect has partners who are also involved in other businesses. These are very real possibilities and should be explored. This advanced formula is a variation of the original.

It allows us to leverage new relationships through a prospect's existing network during or shortly after the sale. The math equation is only slightly more complex: One agent multiplied by one prospect plus one neighbor equals two approvals. Train all new agents to ask about neighbors.

These first engines are the most easily attainable forms of generating approvals. They are the most accessible for your direct involvement and they are the least complex by nature. But they are also the most time-consuming. The growth model here is linear. Using the formulas above to obtain dozens of approvals per month would occupy most of an agent's work schedule.

Sharing your blueprint to build a fleet

As you plan to grow your ISO, the obvious way to increase approval counts is to increase the number of agents involved. This method will multiply your growth in the

simplest form, while maintaining the linear approach. It simplifies training and is the easiest to replicate. Teach single or multiple agents to establish relationships with business owners and to help the proprietors make sense of their card processing programs.

Have agents do what you learned to do. Show them the blueprint of your revenue engines, and give them tips on how to build their own. If your designs are solid and easily understood, soon you will have your own fleet of agents riding around, converting relationships into revenue.

An ISO should first master these fundamental processes before attempting to replicate that success through recruits. After you have cultivated a few agents to reproduce the basic tactics, you can explore new and more complex designs that have the potential to produce even higher returns. You will have more capacity to keep your clients and agents happy while they are aboard your vehicle.

Nice ride, buddy

If successful, at this point you should have a dispensable cash flow to invest in marketing projects and branding. If the relationship-building processes are the revenue engines of your vehicle to financial freedom, branding is the chassis.

You should see a tipping point in your ISO development when your "bodywork" attracts a flock of interested parties without your direct effort. If your engines are strong, you won't be embarrassed when you are asked to "pop the hood."

A flashy exterior is great. But if you do not have the power to truck around all your newly recruited agents and clients, their bad experiences may wreck your vehicle, leaving you with a poor reputation.

You'll need to balance the development of your brand image with powering the engines that drive your agent and customer experience. As you balance both, you can create an excellent atmosphere that welcomes your new friends aboard and keeps them riding along with you. 🚗

Since 2001, Tom Waters has risen through the ranks of merchant service sales. He is responsible for cultivating relationships with entrepreneurs in information technology, accounting, sales and marketing in his role as Sales Director of Bank Associates Merchant Services (www.bams.com). His open door policy for advice on pipeline and client management has been the source of many new and profitable relationships. Using fresh and matter-of-fact training methods, Tom has contributed to the success of thousands of agents, affiliates and clients. He can be reached via email through t.waters@bams.com or via phone at 347-651-1065.

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10 years ago in The Green Sheet

In July 2002, developments in the payments industry shaped the industry we see today. PayPal Inc. had only been four years in existence and yet had captured the attention of New York state bank regulators. Like PayPal, VeriFone Inc. was in growth mode. And bankcard fraud at restaurants was leading to the introduction of tabletop POS terminals.



PayPal deemed legal

New York State's Department of Financial Services, then called the New York Banking Department, reviewed PayPal's business model and concluded the alternative payment provider, which would be acquired by eBay Inc. that October, was not engaged in illegal banking activities.

VeriFone gets capital infusion

Chicago-based private equity investment firm GTCR Golder Rauner LLC reaffirmed its confidence in VeriFone by planning to increase its investment in, and recapitalization of, the POS device manufacturer.

South Florida called skimming hotspot

The U.S. Secret Service said credit card skimming was the fastest growing form of fraud and that South Florida was the "skimming capital of America." The agency estimated that one in five South Floridians had been defrauded, primarily through card skimming schemes at restaurants.

Is the aggregator model right for you?

By Chandan Mukherjee

PayCube Inc.

Over the past year, the aggregator model has gained prominence in the payment acquiring space. Organizations like Square Inc. have successfully leveraged the concept and extended it to their customer bases.

To fuel further growth, Visa Inc. launched the expanded framework for merchant aggregation in July 2011, thereby consolidating the role of payment service providers (PSPs) beyond e-commerce and into brick-and-mortar and mobile points of sale and services.

A merchant aggregation model allows PSPs to enroll and manage their merchants and present the transactions to acquiring processors as a single entity. This liberates the acquirer from managing merchants directly.

The PSP enrolls and manages the merchant. And many ISOs and payment gateways are now seeking to become PSPs, because this gives them greater flexibility in servicing their merchants.

So, what are some of the technology impacts that an ISO or a payment gateway must consider before moving to a PSP model? This article discusses several factors to carefully consider before charging ahead: risk assessment, transaction switching, funds settlement, and reporting and business intelligence.

Risk assessment

Migrating an ISO or gateway to the PSP model necessitates a shift in risk models, which change as the PSP becomes liable for the risk profiles of its merchants. Likewise, acquirers will evaluate the PSP and its business for the appropriate risks.

The aggregator or PSP model means that acquirers will assess or scrutinize the risk of a PSP more thoroughly than it would the risk of any individual merchant. While the process of risk assessment for a PSP is relatively easier, it is surely different than assessing a merchant.

Acquirers are going to demand a whole set of documentation and will want to understand the nature of the merchants the PSP proposes to service.

Of course, the PSP model targets small merchants, who generally have higher risk profiles. Acquirers are under the limitations put forth by the card networks regarding the aggregator model, and these limits are narrow.

Certain merchant category codes are not eligible for the aggregator model. Furthermore, monetary limits of about \$100,000 in annual sales per merchant are imposed. A PSP is allowed to do its own merchant funding, as long as its annual volume remains below \$50 million.

Transaction switching

The PSP will be required to obtain a merchant identification number (MID) for identifying all of its transactions. (And perhaps that MID should be called PSP ID.) This MID is assigned by the acquirer as part of boarding the PSP. A review of the PSP, its target merchant segment and its types of transactions will eventually get the PSP an MID.

In addition, the gateway must generate its own MID for every merchant it boards. This process, which may already exist in some gateway implementations as a way of identifying the merchant for internal systems and reports, now has to be expanded for use with transactions that come into the gateway from merchant systems.

An internal translator table is required in all gateways to switch code to map the gateway-generated MID to its processor MID in request messages, and back to the gateway-generated MID in response messages.

The gateways must create velocity-based systems that trigger alerts when merchants approach their annual limits, as defined under the PSP program by the networks and the acquirers.

As mentioned above, the gateway will do better to deny or reject transactions with invalid or prohibited merchant category codes (MCCs) that are submitted. The MCC prohibition tables are likely to be updated periodically, and the systems will have to be capable of handling that.

Funds settlement

Generally speaking, ISOs get paid via residuals, while gateways are paid from the monthly service fees. The actual settlements for goods and services are transferred from acquirers' bank accounts directly to merchant banks.

This area will see some changes. In most cases, acquirers will settle with a settlement entity, as defined using the MID. Since a PSP has its own MID and shields all its merchants from the acquirer, the acquirer settles with the PSP.

The funds received by the PSP will be disbursed by the PSP into individual merchant accounts. Most ISOs or

Education

gateways do not have systems for this; creating such a system is perhaps the most important and critical change an aspiring ISO or gateway must consider before becoming a PSP. Hundreds of third-party companies provide settlement services and engines. If an ISO or gateway is not prepared to handle settlement in-house, it can consider using third-party settlement services for the initial running of its PSP business.

Reporting and business intelligence

Today, data is a valuable asset that every company generates in the course of doing business. The natural product of our reporting and information-warehousing databases, business intelligence is manifested in the reports and dashboards we use to get snapshots of our businesses at points in time.

This area of the ISO/gateway business will be greatly affected during a transition to a PSP model. Most ISOs have reporting capabilities that show the residuals and transaction volumes. But these reports are generally driven off the data that acquirers provide to ISOs and gateways.

Merchants also have accounts through acquirer-created merchant portals for a variety of reports. An ISO/

gateway will have to recreate this merchant portal inside its systems and provide the same level of data access to its merchants in the aggregation pool. Merchants' need for data will not change due to migration from a direct acquirer relationship to a PSP. These should be provided by the PSP to all of its merchants.

A gateway or ISO will have to make a number of critical changes during the migration to becoming a PSP. Some of these changes will consume both time and resources. But knowing what changes to the infrastructure will be required allows for better understanding of the PSP business model and better prepares the ISO/gateway for the process. 

Chandan Mukherjee is the co-founder of PayCube Inc., a San Francisco Bay Area-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 staff of retail and payments-focused software engineers, systems architects, project managers, tech leads and systems analysts. For more information, email cm@paycubeinc.com, call 510-545-6854 or visit www.paycubeinc.com.



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Be positively different to make your business stand out

By Peggy Bekavac Olson

Strategic Marketing

One of the most important things you can do for your business is to be different. In an era when merchants are constantly bombarded by solicitations for merchant processing services with pitches that tend to all sound the same, being different can go a long way toward boosting your business.

Demonstrating unique positive qualities can help you win more new business, increase merchant stickiness and reduce attrition, as well as combat the downward spiral of price compression for what the market has come to view as a commodity service.

Setting yourself apart

Being different sets your firm apart from the competition by providing value that others do not. It's what a prospect or customer would say when asked to identify what's special about doing business with you.

Without differentiation, all businesses selling the same product or service ultimately compete head-to-head against one another, with price being the only determining factor in making a sale. Does this sound like a familiar situation that you encounter selling merchant services today? If so, keep reading.

Learning how to be different

The first step in being different is to identify a marketplace niche that is well suited to your businesses' strengths, inherent skill-sets and interests. It's important that the niche enables you to solve a specific problem for potential customers and fills an important need.

The niche you select should permit you to uniquely position your business in a different light than the competition, while being big enough to allow you to make plenty of money.

Second, you must choose one or more strategic characteristics or factors that your company can use to distinguish itself in the marketplace.

Step back and identify your company's core strengths to determine how you bring value to merchants. Understand and identify what your company brings to the table that no other company can or does.

Take a look at the list provided below of potential distinguishing business factors. The purpose of the list is simply to jump-start thinking about how you can position your company to be different. It is certainly not comprehensive or exhaustive in scope.

Potential distinguishing factors include:

- Accessibility
- Brand reputation
- Brand status
- Convenience
- Customization
- Customer service
- Deliver
- Durability
- Flexibility
- Financing
- Manufacturing
- Packaging
- Payment terms
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Choosing differentiators wisely

Not every differentiation factor in the list will work for your organization. That's a good thing because businesses cannot compete on the same level, in the same way, to be profitable. It is also not reasonable to use many or all of the differentiation characteristics listed, as this typically results in stretching your organization too thin during the implementation process. It also muddies your message to the marketplace. Differentiation is a situation where less is definitely better than more, so be specific and focus on excelling at one or just a few characteristics, rather than trying to be good at everything.

You may already have an inkling about how your business is different and want to get started working on it right away, but it's always a good idea to reach out to some of your best customers to get their take and perspective. Ask them why they do business with you and what, in their opinion, makes your business stand out. You might be surprised at what you hear.

Another important activity is to approach two or three prospects who haven't done business with your firm recently to find out why they chose another vendor and not you. This outside viewpoint will provide a unique evaluation of your company and should prove invaluable in helping you create powerful differentiation to propel your business forward.

Doing what it takes

Once you settle on how you are or want to be different, you need to focus on doing the things required to truly be different. In other words, you can't just talk; you need to walk the talk and do what it takes to become the company

you aspire to be in the marketplace. You must make sure that your organization is living and breathing the characteristics that make you distinct for differentiation to truly be effective.

Don't forget about creating clear and concise marketplace messaging to communicate your positioning effectively. State not only who you are, what you do and how you are different, but also how what you do helps or benefits your potential customers.

Spreading the word

Tell everyone about what differentiates your business. Do this consistently and repeatedly, through all the various communication channels and mediums you employ. Your salespeople should have their elevator speeches down cold. In addition, this messaging should pervade your website, your marketing collateral and more.

Also, be open to new ways of getting your messages across. For example, you could keep an eye out for promising new social media sites and reach out to the group's members before your competitors have caught on.

Or you could explore new ways to jointly promote your businesses with your partners. If you communicate in a manner that captures the market's imagination in a positive way, this can be one of the factors that makes your company unique.

Differentiation can boost confidence in your business in the minds of your employees, customers and merchant prospects. So take it to heart: being different is a good thing. Take action today to win more new business, increase merchant retention, and combat price compression by knowing and effectively communicating how you're different. 

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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mPOS runs circles around PayPal, Square

By Rick Berry

ABC Mobile Pay Inc.

Square Inc. has soared to over \$5 billion per year in payment card transactions, a phenomenal figure. PayPal Inc. has claimed over 2,000 sign-ups per day after its recent launch into the retail brick-and-mortar marketplace. The main reason for the huge dollar volume being processed by Square is that it was developed for person-to-person (P2P) payments, and it works without requiring a traditional merchant account.

PayPal accomplished its sudden deployment and successful campaign to sign up merchants by having an established infrastructure developed via its relationship with its parent company, eBay Inc.

Both companies fulfill a need; however, they are not designed for businesses requiring POS features that integrate with bookkeeping and business management software from Intuit Inc., Oracle Corp., Sage Group PLC, among others. Merchants need technology that can deliver reports, control inventory and monitor transactions.

Cost gets merchants' attention

But the foremost concern is cost. Merchants open their doors and create websites to make money. Business is their livelihood; that's how they feed their families. Therefore, any business with significant sales volume finds the payment processing cost to be critical.

The basic cost for Square and PayPal is 2.75 and 2.7 percent, respectively. A merchant with \$25,000 per month in transactions who uses Square to swipe card-present transactions pays around \$687.50 monthly – because keyed-in transactions cost 3.5 percent plus 15 cents per transaction. So, \$50,000 would cost \$1,375, and \$100,000 in sales would cost around \$2,750. Also, any keyed-in transaction of more \$1,000 is held for 30 days.

The merchant's PayPal cost for \$100,000 in sales would be about \$2,700, plus additional monthly fees in three versions. A virtual terminal is available at 3.1 percent plus 30 cents per transaction. PayPal can also link to an existing merchant account for a \$179 set-up fee and \$19.95 per month with 500 free transactions.

A merchant processing \$100,000 or more using a traditional merchant account can save \$700 to \$750 per month when charged a more reasonable 1.99 percent, which saves around \$9,000 to \$10,000 each year. That's a lot of

money merchants can redirect to inventory, marketing or even a vacation.

If you search long enough, you'll find a PayPal tiered volume discount rate structure you can apply for, starting at 2.9 percent plus 30 cents up to \$3,000 per month; 2.5 percent plus 30 cents from \$3,000 to \$10,000 per month; and 2.2 percent plus 30 cents for more than \$10,000.

Not having to qualify for a typical merchant account means more risk, which is why the pricing is higher, and there are parameters such as volume limitations and payment holds and much more when using Square or PayPal.

Differentiation matters

Square and PayPal pricing aside, today's merchants also need to offer compelling, differentiated service experiences in their stores. And mobile POS (mPOS) solutions can provide this via new options for in-store mobility, customer interaction and relationship development.

The mPOS supports a variety of sales floor functions, including inventory look-up and management and customer data acquisition. Sales associates may roam the store for line busting inside or outside and can offer parking lot or drive-through checkout.

Servers and sales associates may accept payments at the table in a restaurant or at the door in a store or on a delivery.

The technology also facilitates remote printing and works with legacy system printers or wireless printers. Peripherals for the mPOS, such as bar code scanners, printers, cash drawers, keyboards, mobile card readers and more, are sophisticated and operate intuitively.

Plus, cloud-based mPOS solutions can handle sales in stores and online. All sales personnel have access to the same information, and the database tracks sales and transactions instantaneously.

Merchants can also capture customers' email addresses to send receipts, and customers can opt in to join loyalty programs, receive newsletters or enjoy new and novel buying experiences.

The mPOS is a viable payment alternative to Square and PayPal. By offering this, ISOs and MLSs can help merchants increase sales and develop loyal relationships, cementing emotional bonds that will have customers spreading the word about their favorite tech savvy merchant. 

Rick Berry is Chief Executive Officer of ABC Mobile Pay Inc., a Los Angeles-based provider of mobile payment processing. Contact him by email at rick@abcmobilepay.com, by phone at 661-259-2185 or via www.abcmobilepay.com.



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Product: Retail Teller Machine

Company: KAL

In June 2012, Edinburgh, Scotland-based global ATM software company KAL launched the Retail Teller Machine (RTM) in New York's Times Square. It is a cashless ATM that could transform branchless banking. The RTM does not carry or dispense cash, yet it can perform all the functions of an ATM. One might ask how this is possible.

In describing the system, KAL said that instead of dispensing cash, the RTM prints a unique voucher that is then exchanged for cash inside the store housing the ATM. The merchant is immediately compensated by the RTM, which executes a back-to-back transaction, remitting the dispensed amount into the merchant's bank account.

"We believe the RTM is one of the most important products ever to be introduced to the self-service banking industry," said Aravinda Korala, Chief Executive Officer at KAL. "With significantly decreased [operating] costs, banks can now ensure they have a presence wherever their customers are."

He added that the RTM offers a cost-effective way to make banking services available to millions of customers worldwide who may not have easy access to their banks. Additionally, it enables banks to connect with more customers and increase their customer base without opening new locations.

"The patented process of the RTM also provides an exciting new opportunity for retailers to work closely with their banks in providing convenient and safe access to banking services," Korala said. Theoretically, customers will spend more with RTM-equipped merchants because they will have more cash in hand. Also, proceeds from interchange transaction fees, which are paid by issuing banks to acquiring banks, are sometimes shared with merchants.

The unit features a 17-inch touch-screen with an optional display available for advertising. The RTM is equipped with a smart-card reader to support Europay/MasterCard/Visa transactions and an optional reader for near field communication transactions. The system also features a camera and audio capability and reportedly meets full regulatory compliance standards.

Operating on ATM software, the RTM provides a full range of banking services, including video-conferencing with a bank call center, cash withdrawal, deposit, bal-

Features of Retail Teller Machine include:

- Operates at one-tenth the cost of a bank ATM
- Prints voucher for customer cash exchange inside store
- Executes back-to-back transactions to reimburse merchants
- Runs on same software as a traditional bank ATM
- Reduces maintenance, armored service costs associated with ATMs

ance inquiry, bill payment, account transfer and mobile top-up, among others. Because the RTM requires less maintenance and fewer armored service calls, KAL claims it operates at one-tenth the costs of traditional bank ATMs. 

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Secure checkout for POS, web or mobile

Product: Mercury HostedCheckout

Company: Mercury Payment Systems LLC

Payment processor Mercury Payment Systems LLC demonstrated its latest hosted payment technology, Mercury HostedCheckout, during the National Retail Federation's 2012 annual convention in New York. The solution is part of the company's MercuryShield suite of secure integration tools, which have been designed to integrate easily with existing software products.

"Mercury HostedCheckout is a secure, Mercury-hosted online payment processing solution now available for mobile, e-commerce and integrated point-of-sale payments," said Shelley Plomske, Senior Vice President of Product at Mercury Payment Systems.

Whether the point of purchase is an integrated POS system, a mobile device or a website, Mercury HostedCheckout provides a customizable payment page on the merchant's website. Card data is collected and processed using Mercury's proprietary tokenization technology from pre-authorization to sale, and transactions are routed through Mercury's hosted payment page to ensure sensitive card



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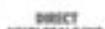
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data is never stored in the merchant's system, the company stated.

Plomske noted that because Mercury HostedCheckout shifts the responsibility of handling sensitive card holder data to Mercury, it helps remove software developers and merchants from the scope of Payment Application (PA) Data Security Standard (DSS) and Payment Card Industry (PCI) DSS requirements, which should ease the burden of achieving PCI compliance for traditional brick-and-mortar, web and mobile merchants.

According to Plomske, the checkout solution provides a customizable user interfaces to create a seamless experience for merchants and customers. The system is also capable of handling further transaction functions such as adjustment; voice authorization; split tendering; reversal; card on file, batch close, summary and clear; keyed entry; touch screen; and keyboard emulation swipe.

Since Mercury HostedCheckout provides checkout only, all other ordering functions involved with conducting traditional POS, e-commerce and mobile commerce business must be designed and programmed by software developers prior to integration with Mercury HostedCheckout, the company said, adding that it doesn't charge additional gateway fees for the integration.

Features of Mercury HostedCheckout include:

- Simplifies the burden of PCI compliance, integrates easily
- Delivers transaction security via proprietary tokenization
- Offers customization of payment page and user interfaces
- Handles a variety of authorization and batch needs
- Supports multiple mobile and Internet browsers

Web browsers supported include Microsoft Corp. Internet Explorer, Mozilla Corp. Firefox, Google Inc. Chrome and Apple Inc. Safari. The POS-hosted solution includes an optimized version for the Apple iPad. Mobile browsers supported include Apple iOS, Google Android OS, Research in Motion BlackBerry OS and, in the near future, Microsoft Windows Phone 7.5. 

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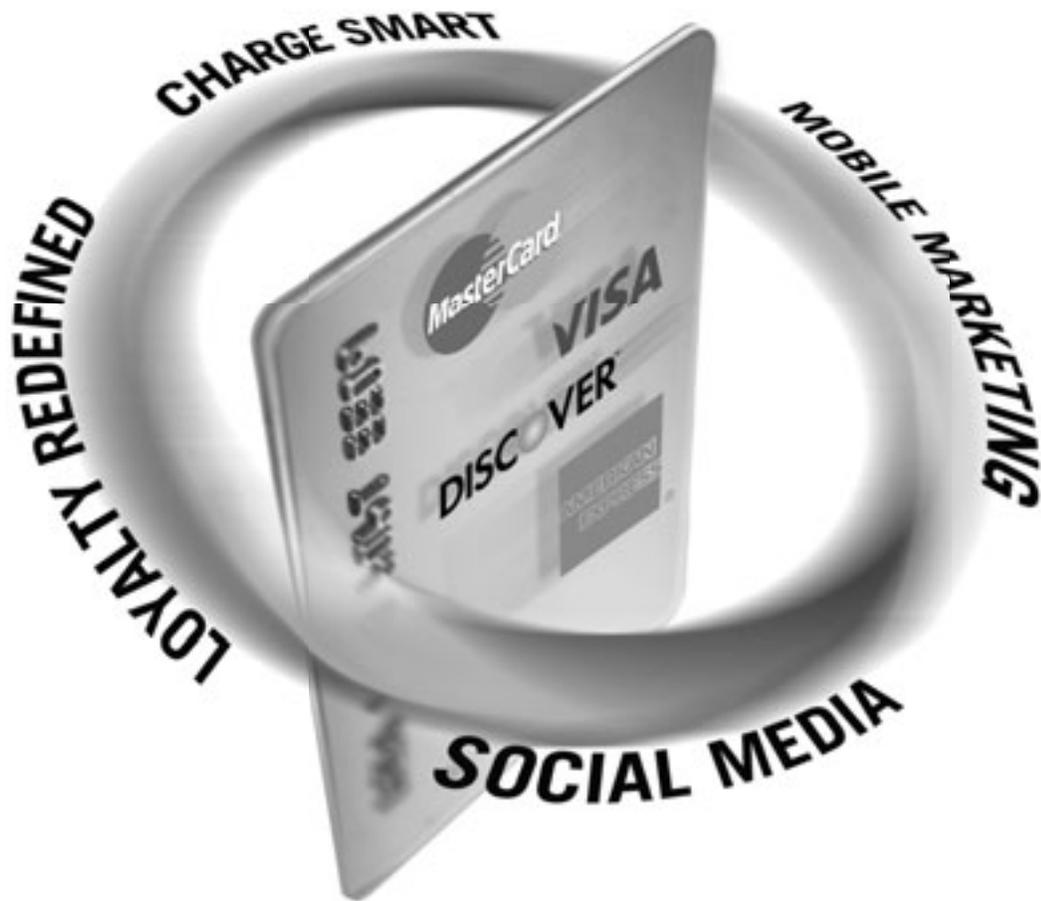
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- Maya Angelou

Do you still love me?

If merchants are wondering whether you still exist, the dust buildup on your relationship has obviously reached critical mass. At this point, the next merchant level salesperson (MLS) to flash a smile could literally sweep the dust under the rug and start anew with the merchants you count for your residuals month in, month out.

Merchants today face inordinate challenges with changing consumer expectations, pricing pressures and competition from big-box retailers. The last thing they need is lackluster support of a vital link to profitability: a POS system that should connect them with customers, track inventory, accept present and future forms of payment, and have an excellent backup system - you.

When was the last time you reached out by phone or in person to the individual merchants in your portfolio? If you haven't interacted with them in some form during the past six months, you're missing the mark. Shifts in payment technology are happening at such a rapid pace, many merchants are feeling overwhelmed by the deluge of new possibilities. They could use a hand.

Merchant outreach

If you own a larger ISO, you probably have departments dedicated to customer service, technical support and security. The departments are likely staffed with folks who routinely resolve merchant POS issues. Why not deploy these same teams to strengthen merchant connections and reduce attrition?

One way to accomplish this is to designate one day each month when a specific team will make outbound calls to merchants. If it's the technical support team, have each person on the team contact a certain number of merchants and find out whether merchants are having any technical issues related to equipment or if their POS systems are liv-

ing up to expectations, functionally. Document issues that come to light during the calls, including matters resolved, suggestions and follow-up needed, if any.

As you rotate teams each month, customer service members could pose questions about how quickly and effectively their team has resolved issues in the past and what areas might need improvement. The security team could assess merchant awareness of Payment Card Industry Data Security Standard compliance, determine what steps merchants have taken to protect their systems, and discuss resources and solutions your company has to offer.

On the other hand, if you are an MLS operating with a staff of one or two, merchant outreach can be integrated into your weekly routine. It may not be a full day, but schedule a block of time that allows you to connect with enough individuals so that in a year's time most merchants in your portfolio have heard from you.

By reaching out to merchants in this manner, you will open up a new level of dialogue. Realizing their opinion counts, the quiet majority who seldom speak up unless there is a serious problem will now have a voice that could improve the way you operate. Some of the best ideas come from those who avoid the fanfare and drama. Your task is to coax them into revealing their thoughts.

The simple and unexpected act of showing you care can profoundly affect the way merchants perceive you and your business. If you make the connection, the next competitor who struts in to greet your merchant should be met with a perfunctory, "No, thanks. I'm very satisfied with my service."

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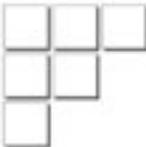


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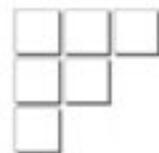
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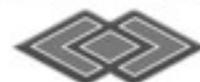
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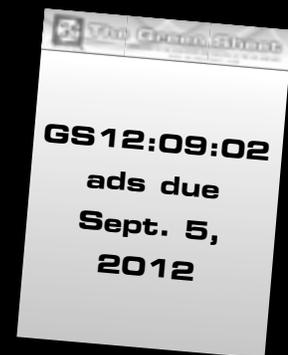
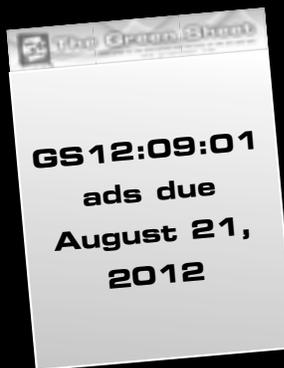
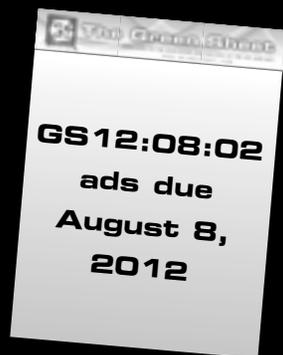
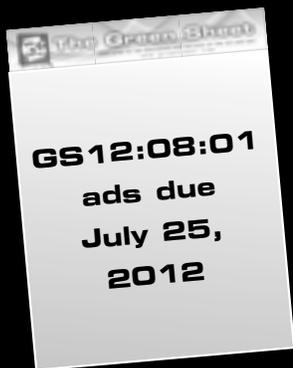
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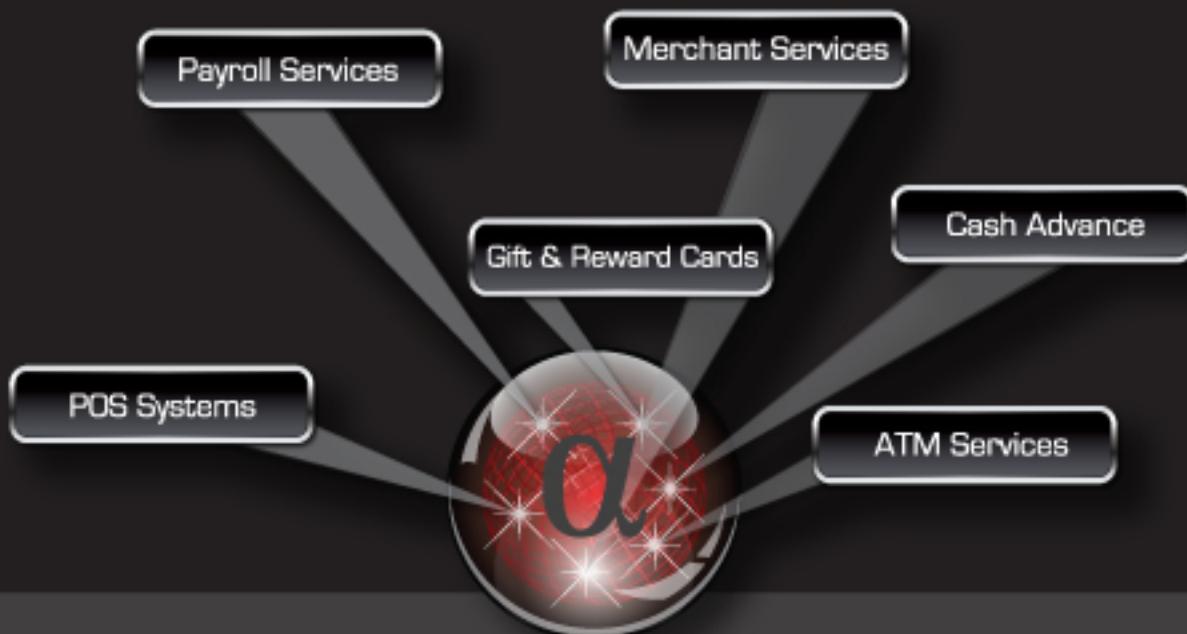
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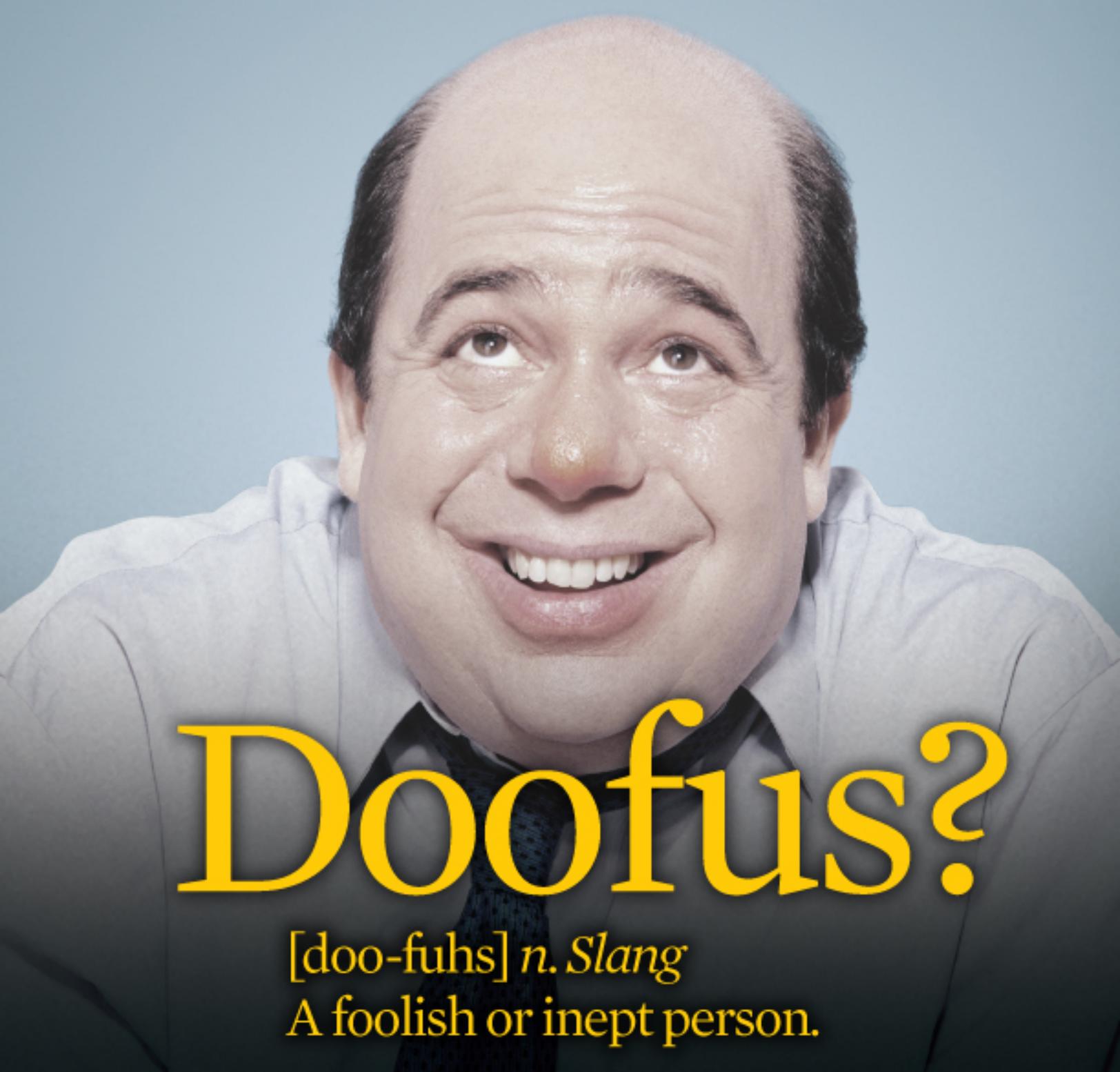
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[doo-fuhs] *n. Slang*
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Who wants to get angry phone calls from
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Total Merchant Services protects you and your merchants with total transparency. 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.

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