The Green Sheet

DEDICATED TO THE EDUCATION AND SUCCESS OF THE ISO AND MLS

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Integrated systems create a new POS paradigm

Recent data released by global research and advisory firm IHL Group revealed that the worldwide PC-based POS market grew by 6.9 percent in 2010, while terminal shipments in North America saw a 5.7 percent gain over the previous year. Worldwide, 87.4 percent of POS terminal shipments were embedded with Disk Operating System or Microsoft Windows platforms; Linux captured 8.4 percent of the global share of 2010 shipments.

"It was a strong year overall, but several threats appear on the horizon for this market," said Greg Buzek, President of IHL Group. "New mobile devices, inspired by the Apple iPad price point of $500, are a significant threat to the traditional POS market, particularly for specialty stores and hospitality establishments. Our recent research studies found that upwards of 50 percent of specialty retailers are looking to deploy handheld POS devices to replace many of their standard POS systems."

ABI Research projected global retail technology spending could reach $21 billion by 2014, driven by demand for customer-friendly technology and evolving security standards. Larry Fisher, Research Director at ABI Research, said in a statement, "Retailers look to technology to enhance the customer experience, drive customer loyalty, reduce costs, and to become more efficient at managing

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NotableQuote

Today, MLSs are still signed up with no experience and tossed to the streets with nothing but a phone number. Most get frustrated and quit. Others quit because they give their word to merchants who are then cheated by the processor.

Inside this issue:
CONTINUED

The Green Sheet Inc.

Forum

Continuing the capital conversation

Peter Remington's request that we provide "more articles on the capital that is available to grow a small business," published in The Green Sheet*'s Forum section April 25, 2011, issue 11:04:02, motivated Glenn Goldman, President and Chief Executive Officer of Capital Access Network Inc., to respond with the following:*

Your request can be read two ways – and both are very interesting. On the one hand, it can be answered based on how merchants can access capital to grow their businesses (and your bankcard revenues). On the other hand, it can be answered based on how ISOs can access money to invest in their own acquiring businesses.

Both merchants and ISOs have been severely impacted by the Great Recession and have had to examine and re-examine every area of their businesses to survive. Every cost has been examined and cut where possible; every product offering has been examined for ROI or repositioning; every prospect and customer gets the best customer experience possible – in short, your business is leaner and meaner than ever before, and you've identified opportunities to invest in profitable growth as the economy recovers.

Those businesses that wait for full economic recovery will miss the boat. They will emerge from their bunkers to find that those who made the investments have captured and are holding the market share they want. It has always worked this way.

For the ISO community, we've heard that those with investment money are waiting for the uncertainty of recent regulatory developments to clear before they prepare to start issuing checks again. That means growth capital will be largely internally generated for the near term. That is good news for the merchant community, because one way for ISOs to generate internal profit is to provide merchants with working capital to help their stores grow.

When merchants grow, their processing volumes grow.

When their processing volumes grow, ISOs make more money. When merchants grow using working capital accessed with the help of their ISOs, the ISOs make money through commissions paid by the capital provider. And there is capital available for merchants to grow. For example, through its subsidiaries, AdvanceMe Inc. and NewLogic Business Loans Inc., Capital Access Network has stepped up funding volumes in recent years to help meet the need for merchants to access working capital and for ISOs to make commissions.

It is ISOs with the strongest businesses who will be the first to receive growth capital when it returns to the market in a big way. Through excellent customer service and savvy marketing, it is possible to maintain and expand your book. Make sure your product mix is right for your merchants and your bottom line. Working capital commissions are a way to do good (for your merchants) while doing well (for your ISO).

So, the good news is that there is money available now for merchants to grow, which at the same time helps the internally generated growth of strong ISOs. As for third-party money, it will be a little bit of a wait, but you want to position your ISO to be first in line when the window opens again – which it always does.

Thank you, Glenn, for providing us an expert's view on the availability of capital for merchant and ISO growth – both what is being offered now and what will likely become available in the future.

Editor

Call us, write us

Would you like us to cover a particular topic? Is there someone you consider an industry leader? Did you like or dislike a recent article in *The Green Sheet*? What do you think of our latest *GSQ*? Email your comments and feedback to *greensheet@greensheet.com* or call us at 800-757-4441.

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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.

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News

Indictment halts the action for poker sites, processors

It is alleged that U.S.-based online poker companies, associates and payment processors subverted the Unlawful Internet Gambling Enforcement Act of 2006 by duping U.S. banks into processing gamblers' payments. The indictment includes charges of fraud, illegal gambling and money laundering.

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News

Does certification without licensing make sense?

Association and individual business initiatives to implement ISO and MLS training and certification programs are efforts to head off outside regulation of the industry. But can such programs be successful without government intervention?

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News

PayPal, Discover launch Money Messenger

Industry experts believe the partnership between PayPal Inc. and Discover Financial Services for a person-to-person money transfer service is evidence of the movement toward the replacement of small-dollar cash transactions with electronic ones.

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Education

Street Smarts℠: Let's reform our industry's education and training

Inadequate education and miscommunication between management and MLSs are common problems in the industry. This article presents ideas on how to firm up the training of ISOs and MLSs and discusses whether a standardized, industrywide certification program is the way forward.

QS**GS**

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Education

What tokenization is and isn't

Tokenization is a popular component in data security today and widely touted by marketing departments. Getting beyond the hype, the technology is not a panacea, but it's not snake oil either. Instead, tokenization is an effective way to disguise cardholder data; it doesn't make merchants' security compliance burdens go away.

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Education

Ask, don't sell

Two things trip up the MLS in a sales call: excitement and the need to feel like an expert. Both get in the way of agents listening to merchants and asking the right questions at the right time. The way to increase your conversion rate is to guard against those two faults and learn the delicate art of questioning.

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Education

How to use direct mail to build your business

Direct mail marketing campaigns are an effective sales tactic, but they involve detailed planning, dedication and repetition. To ensure direct mail marketing success, find out what works and what doesn't, and then follow six key steps. And don't forget marketing's seven touches golden rule.

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Inspiration

Learn to make use of conflict

Conflict is a normal part of doing business. Merchants might get angry when their terminals malfunction or may take issue with their monthly statements. Knowing how to handle conflict when it arises makes you a better seller and improves your relationships with merchants.

New Agent Power Tools

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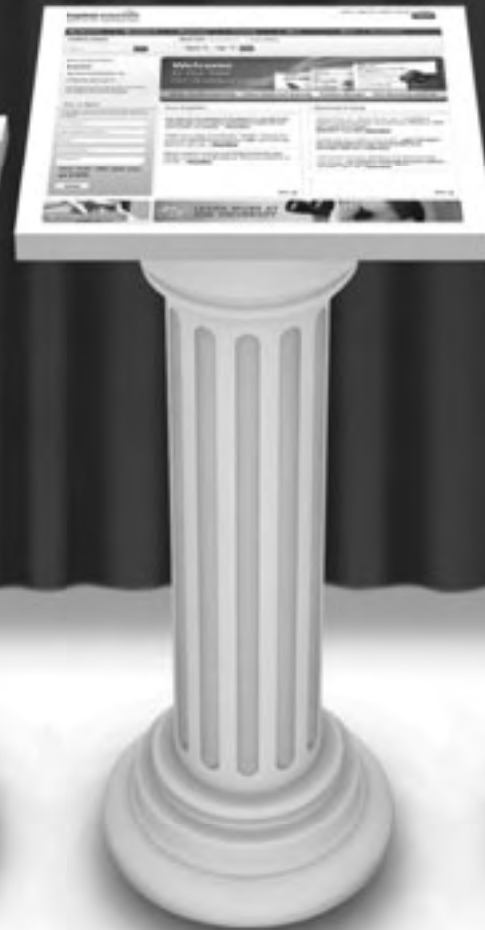
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NEWS

EMV cards hit U.S. market

Americans traveling abroad face increasing scrutiny of their mag stripe cards by foreign merchants, especially in Europe where Europay/MasterCard/Visa (EMV) technology is now the norm. Now U.S. financial institutions are remedying the problem, with two banks claiming to be the first to issue EMV cards to U.S. consumers. **Chase Card Services** said it is the first major U.S. bank to issue cards with EMV chips. Chase will begin supplying the chip-and-signature JPMorgan Palladium credit card in June 2011, initially to customers who travel abroad frequently and to other Chase cardholders within the year.

While not disclosing a time frame for its program, **Wells Fargo & Co.** also announced in April a pilot of the **Visa Inc.** Smart Card, which includes EMV chip technology along with a mag stripe. Some 15,000 Wells Fargo card customers who travel internationally are receiving the Smart Card. **Giesecke & Devrient GmbH** is supplying the chip technology for Wells Fargo.

Oberthur releases MasterCard chip card to issuers

Oberthur Technologies Inc. released to card issuers its first **MasterCard Worldwide** M/Chip Advance product. The processor-based card integrates data storage that enables a one-card payment capability for use in mass transit, loyalty, campuses and government entitlement programs. The Cosmo Fly v4 M/Chip Advance has been fully certified and can be used for contact and contactless payments. It allows issuers to tailor the card for added services, such as transportation ticketing in open fare systems.

"M/Chip Advance paves the way for future innovation, building on the fast-growing EMV infrastructure worldwide," stated Ed McLaughlin, Chief Emerging Payment Officer at MasterCard.

Trustwave to go public

Trustwave Holdings Inc. indicated its intention to take the company public when it filed a registration statement with the U.S. Securities and Exchange Commission April 21, 2011. The public filing gives a first peek into Trustwave's success as a provider of data security compliance services to the entire payments ecosystem. The company specializes in compliance with the Payment Card Industry (PCI) Data Security Standard (DSS). Trustwave's revenue jumped 53 percent in 2010 to $111.5 million from the prior year.

Trustwave claims eight of the top 10 Fortune 500 companies as customers in 2010. Acknowledged processing clients include Banc of America Merchant Services, EVO Merchant Services Inc., Fifth Third Processing Solutions LLC, First American Payment Systems LP, First Data Corp., Global Payments Inc., Sage Payment Solutions and TSYS Acquiring Solutions, among others. Trustwave also counts American Express Co., Discover Financial Services and Visa as clients. In addition to its solid presence in the payments industry, Trustwave plans to expand its partner network in health care and government services, according to the filing.

As of Dec. 31, 2010, Trustwave had sold over 900,000 TrustKeeper subscriptions – a recurring revenue stream that may make shares in the company a hot commodity among potential investors. "A number of our partners are in the midst of a multiyear effort to monitor and enforce PCI compliance among their payment card accepting customers, and in turn we expect the number of subscriptions to increase," the filing stated.

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

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

- The **National Gardening Association** estimated 28 percent of U.S. households purchased flower plants in 2010, with purchases averaging $63 per household. For each dollar spent on flower plants, Americans added $3 to the tab for garden accessories.

- A **CampusBookRentals.com** survey found that 66.7 percent of college students spent an estimated $200 during the 2011 spring break period; 18.3 percent used credit cards to pay for sightseeing, the favorite spring break activity among 59.3 percent of those surveyed.

- **J.D. Power and Associates** projected new-vehicle sales for April could reach 948,100 units for a seasonally adjusted annualized rate of 11.1 million units, marking the second time this year the retail selling rate has exceeded 11 million units.

Industry Update

ANNOUNCEMENTS

41st Parameter named to OnDemand Top 100 list

AlwaysOn Network LLC named **41st Parameter Inc.** one of the OnDemand Top 100 winners for 2011. AlwaysOn's selection criteria include innovation, market potential, commercialization, stakeholder value and media buzz.

Bango moves into Canada

Bango Inc. expanded its mobile payment platform to Canada, bringing the total number of potential subscribers reached through carrier billing in North America to over 200 million. Bango provides credit card and PayPal Inc. options for payments that cannot be charged to mobile carrier bills.

CAN's remittance platform judged most innovative

Capital Access Network Inc. received the 2011 Monarch Innovation Award for its Daily Remittance Platform (DRP). The award for "overall most innovative" product of the year is determined by a panel of judges and presented by Barlow Research Associates Inc. The DRP

is a delivery system that enables financing providers to deliver daily remittances to small and medium-sized businesses (SMBs) while driving card acceptance. CAN provides lenders, card issuers, processors, acquirers, banks and other capital providers platforms and hosted services that facilitate remittance-based lending.

Gap pushes on with Visa SMS promotions

Gap Inc. selected **Visa** to help deliver discounts and promotions to consumers via short message service (SMS) technology. Customers who opt in are notified of discounts in real time while shopping. Gap was the first global retailer to try out the Visa service when it ran a pilot program in November 2010.

National Vision chooses SDS

National Vision Inc. turned to **Specialist Data Solutions Ltd.** to replace its in-house retail POS and office management systems. National Vision will deploy SDS' Practice Management System.

Pivotal Payments launches internal platform, enters UK market

Pivotal Payments moved its transaction processing in-house with the launch of an enhanced processing and reporting platform, dubbed HD3. The platform is said to be a fully integrated North American back-end and back-office processing system. The company also launched services in the United Kingdom, Pivotal's first expansion outside North America. Pivotal added 300 U.K. merchants in March.

TMG completes review of controls

The Members Group completed an SAS 70 Type II audit of its controls. The review, conducted by McGladrey & Pullen LLP, helps satisfy the stricter due diligence of credit union vendor-management programs.

Visa Europe investment to push mobile payment convergence

Visa Europe said it will invest 100 million euros annually to foster the convergence of card payments with mobile and e-commerce transactions. "The first results of this will be commercial launches of mobile payments before the end of 2011, closely followed by a major launch in e-commerce payments," Peter Ayliffe, Chief Executive for Visa Europe, said at a banking conference in April. Visa Europe has spent 1 billion euros on payment technology since 2004.

PARTNERSHIPS

JetPay partners with Acculynk for e-commerce

Acculynk's PaySecure for PIN debit payments on the

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Internet is now available on the payment platform of Dallas-based **JetPay LLC**. In the partnership agreement, JetPay offers PaySecure to e-commerce merchants at other acquirers that do not currently offer PaySecure, as well as to JetPay's existing merchants. Acculynk recently extended PaySecure to mobile phones and to person-to-person transfers.

AmEx, Verizon put their money behind Payfone

American Express Co. and **Verizon Investments Inc.** – assisted by Verizon Ventures – made strategic investments in **Payfone**, a service for authorizing and processing mobile transactions that bypasses traditional credit card payment systems. Other investors in the $19 million funding round include **Rogers Ventures** and prior investors **Opus Capital**, **BlackBerry Partners Fund** and **RRE Ventures**. The capital will be used to support Payfone's expansion around the globe, including North America. Founded in 2008, Payfone's stated goal is to make mobile phone numbers the accepted payment form.

AmEx also formed a strategic alliance with Payfone to create a global mobile checkout service. Payfone will combine its mobile authorization and payment services with AmEx's digital payments platform, Serve.

APPI, Preston Todd launch system in North America

Brazil-based **APPI Tecnologia S.A.** engaged **Preston Todd Advisors** to market its payment terminal technology to processors and large ISOs in North America. APPI provides equipment application support and development. The software reportedly manages POS terminals from multiple manufacturers within a single system.

ATM USA partners with CMS for merchant services

ATM USA has begun providing merchant services, including payment card acceptance and check processing. To enable the new services, ATM USA partnered with **Columbus Merchant Services** of Dallas.

Latin American group picks CAN platform

AvanzaMe Dominicana Ltd. signed an agreement with **Capital Access Network.** AvanzaMe, a recently founded development group in Latin America, is using CAN's Daily Remittance Platform for the marketplace in the Dominican Republic.

MagTek helps BlueStar become Apple-friendly

BlueStar Inc. began distributing QwickPAY software

Industry Update

from **MagTek Inc.** QwickPAY integrates with Apple Inc. iPhones and devices to enable acceptance of mobile card payments, using card swipe adapters.

Credit unions pick CO-OP Financial, subsidiary

The **California and Nevada Credit Union Leagues** will market member access and convenience products from **CO-OP Financial Services**. The partnership allows members of the credit unions to use surcharge-free ATMs via CO-OP Network and the network's mobile transactions capability. The leagues promote CO-OP's e-commerce, payment processing and call center services.

In addition, two Michigan-based credit unions partnered with **CO-OP Member Center**, a subsidiary of CO-OP Financial Services, for after-hours support services. **Credit Union ONE** and **Telcom Credit Union** had previously adopted CO-OP's network and payment processing services. The member center provides credit unions with 24-hour call support.

Kmart brings Western Union payment service into stores

Kmart, a subsidiary of Sears Holdings Corp., launched **The Western Union Co.**'s bill payment service at its

stores. Consumers can now make walk-in bill payments to most billers nationwide at any of 1,200 Kmart stores.

Merchant e-Solutions integrates with Adyen

Merchant e-Solutions partnered with e-commerce provider **Adyen** to create a worldwide, full-service payment platform for each company's respective customers. The companies' reported their integrated platform supports 75 payment methods and 187 transaction currencies, as well as supplying reporting tools, risk management and customer support. MeS teamed with Adyen to expedite its experience with international markets and gain access to extensive payment options.

MeS enables specialized quality control and provides merchants a single source for global processing. Adyen provides complete access to real-time financial data and has hundreds of relationships and customizable payment methods.

Elavon certifies Precidia engine for Level 2 processing

The POSLynx220 with the TransNet payment application from **Precidia Technologies Inc.** was certified for Level 2 processing by **Elavon Global Acquiring Solutions**. The certification allows merchants using the payment software to process MO/TO and e-commerce transactions.

SIX Card transitions to TNS network

Luxembourg-based payment provider **SIX Card Solutions S.A.** partnered with **Transaction Network Services Inc.** to give its merchants access to multiple banks and acquirers in Europe through a single network. The agreement gives SIX Card a managed payment network service for hospitality and car parking businesses, while streamlining the provider down to one connection, from multiple supplier relationships.

Squirrel POS system integrates with Shift4

Squirrel Systems integrated its POS system with **Shift4 Corp.**'s hosted payment gateway, Dollars on the Net. The integration was first deployed at **Fort Garry Hotel, Spa and Conference Center** in Winnipeg, Canada.

In other Shift4 news, **Wolfgang Puck Fine Dining Group** contracted for Shift4 services at seven locations, including Spago restaurants in Beverly Hills, Calif.; Maui, Hawaii; and Las Vegas. In addition to Shift4's tokenization, Dollars on the Net provides WPFDG's management with auditing tools and Shift4's Fraud Sentry technology to combat internal fraud.

WorldPay picks CellPoint for mobile payments

WorldPay launched a mobile payment reseller program

IndustryUpdate

based on the mPoint mobile payment system from **CellPoint**. WorldPay said it can now process any type of mobile payment, including remote, proximity, online and POS transactions. The system allows WorldPay to tailor its mobile payment services for the retail and transport industries. WorldPay also offers CellPoint's mTicket transport product and mRetail products.

APPOINTMENTS

Bakes takes helm at 1st Merchant Funding

Florida-based merchant cash advance firm 1st Merchant Funding LLC appointed **Justin Bakes** Chief Executive Officer. Most recently, he was Director of Mergers and Acquisitions at Watsco Inc.

FrontStream beefs up recruiting team

Ramping up its ISO and agent recruiting program, FrontStream Payments Inc. appointed **Carlee Hudachko** to oversee its relationship management team and hired **Shawn Lowry** as Recruitment Manager. Both report to Aaron Slominski, Senior Vice President of Sales, Agent-ISO channel. The Agent-ISO recruitment team will also hire another recruiter and several sales support personnel.

Morphis names Miller to management position

ATM software developer Morphis Inc. promoted **Debra Miller** to Director of Business Development. She had been a sales executive with the company since 2009.

Turgeon joins CardinalCommerce

CardinalCommerce Corp. hired **Paul Turgeon** as Vice President, Technology Services. He had served as a company advisor for a year. Previously, Turgeon was President of Payments & Processing Consultants Inc. He is also a veteran of First Data and NYCE Payments Network LLC.

Yohannan named Chairman of PayCommerce

Upon making a significant investment in PayCommerce Inc., entrepreneur **Leighton "Lee" Yohannan** was named the company's Chairman.

Yohannan is also Director Emeritus and founder of LiquidHub, a systems integrator. PayCommerce operates a cloud-based platform that allows SMBs to integrate receivables and payments with processing and settlement.

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Facts and figures from the feet on the street

By Jeffrey Shavitz

Charge Card Systems Inc.

In 2010, I published a questionnaire for merchant level salespeople (MLSs) so I could quantify and better understand the feelings, work habits and daily routines of salespeople in the payments industry.

This article provides factual data as reported by the respondents. I'm sharing this here because I believe *The Green Sheet* is an ideal vehicle for exchanging information with fellow MLSs who share the goal of making each of us more professional and educated within our industry.

What the MLSs say

Here are some of my findings based on open-ended questions:

- MLSs are writing more interchange-plus deals and

are often shocked when they see a prospective merchant who processes $5,000 per month at interchange + 10 basis points.

- More than two-thirds of respondents (68 percent) are intimidated by technology and haven't embraced it or taken time to learn about new developments, even though deep down they know technology is integral to our industry's future.

- A whopping 85 percent of respondents admitted they do not have a strategic plan in writing to set forth how they are going to accomplish their payment business goals. Of those, many said they have a mental plan but have not put pen to paper in order to quantify their goals.

- Even though 50 percent of respondents indicated they try to sell on value, they have found that price is the overriding factor in gaining a merchant as a customer.

- Thirty-eight percent of respondents believe they need to become more educated in the areas of interchange, the roles of acquiring and issuing banks, and exactly how credit cards are processed.

Yea or nay

These findings are based on questions that were answered with either yes or no.

- More than 50 percent of respondents:
  - Consider the payments industry to be commoditized
  - Are carefully searching for ancillary and synergistic services to offer merchants, including gift cards, other prepaid cards, cash advance, and mobile payment technologies

- Fewer than 50 percent of the respondents:
  - Prospect to a specific vertical market niche
  - Attend an industry tradeshow once per year
  - Speak to their merchants at least once per quarter
  - Have a formal merchant attrition program

I hope this information will provide you a benchmark for assessing your place within our industry. If you would like information on additional topics, please email me at *jshavitz@chargecardsystems.com*, and I will include your questions in follow-up questionnaires.

Jeffrey Shavitz is one of the founders of Charge Card Systems Inc. He is also an active member of The Green Sheet Advisory Board and the First Data ISO Advisory Board. He can be reached at jshavitz@chargecardsystems.com or 800-878-4100. For additional information on CCS, please visit www.chargecardsystems.com/gsadvisoryboard or the company's corporate website at www.chargecardsystems.com.

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The**Mobile**Buzz

Text message marketing, the other mobile

By Pal Flagg
Street Savings

With the ever-increasing pressure on margins for ISOs and merchant level salespeople (MLSs), the need for new value-added products and services is obvious. Mobile has surfaced as an important new product category with particular focus on mobile payments and hardware. New payments industry entrants are receiving significant press including the Google Inc.-VeriFone Inc. near field communication initiative and the ISIS partnership with AT&T, Verizon Wireless, T-Mobile USA and Discover Financial Services.

Mobile, mobile everywhere

It's easy to explain the reasons for the expanding array of mobile payment products and services. Mobile is pervasive. Consumer devices are inexpensive and powerful. Mobile phones are always on and always with us. They represent access to would-be competitors and a new channel for incumbents.

What is typically misunderstood in the bankcard mobile revolution, however, is the role of mobile marketing – including rewards and loyalty. This article reviews why mobile (text message) marketing is the "other mobile" that will play a significant part in the overall mobile revolution.

Mobile facts and figures

The numbers say it all. Mobile is growing exponentially, and it is becoming a powerful marketing tool for driving sales. According to data compiled by CTIA, The Wireless Association (*www.ctia.org/media/industry_info/index.cfm/ AID/10323*), wireless service penetration grew from 69 percent in 2005 to 96 percent in 2010.

The average number of monthly text messages grew from 9.8 billion to 187.7 billion during the same period. Text message open rates are typically around 95 percent versus email open rates that are usually closer to 17 percent. With these statistics, it's not surprising that the average person now initiates more text messages than phone calls. The utility and convenience of texting have made it the clear choice for quick communication in a fast-moving society.

How mobile marketing works

Mobile marketing falls into two broad categories: data-based services and text message services. Data-based services require that a customer have a smart phone and a data plan.

Consumers can download apps, such as Foursquare, from Apple Inc.'s App Store or Google Inc.'s Android Market. Smart phone penetration is growing fast; however, total current smart phone penetration is less than 50 percent.

The second category, text message mobile marketing, can be implemented easily. Virtually all mobile handsets can send and receive text messages without a data plan.

In its simplest form, text message marketing relies on consumers opting in to a service to receive marketing messages. The usual call to action is to text a keyword, such as "join" into a short code, such as "56687."

Other ways to join a service are via the web, social media sites or interactive phone systems, as well as by entering a phone number into a POS system or credit card terminal, or even an ATM.

What's in it for merchants

Any new marketing service needs to have a significant value proposition for merchants. Mobile marketing delivers with multiple meaningful benefits. Text message marketing enables merchants to:

- Communicate quickly with current and potential customers
- Reach participants, wherever they are, within minutes
- Create offers instantly, in response to sales activity, weather, inventory, slow times, etc.
- Market more cost-effectively than traditional methods
- Mobilize traditional and digital marketing by including mobile call-to-action codes in print ads,

websites, email, search functions (such as Google) and social media (such as Facebook)
• Revitalize gift and loyalty programs
• Drive top-line revenue

Customers benefit, too, since they no longer have to remember to bring paper coupons. People rarely forget their mobile phones or mobile phone numbers.

More about mobile gift and loyalty

Mobile marketing can also revitalize gift programs and energize loyalty programs. Most gift card programs now include email options for recipients. Mobile gifting programs are the next obvious step, with text alerts to recipients. Mobile has also shown its power with loyalty programs. Customers are familiar with providing phone numbers at the major retail chains to record purchases and receive discounts and rewards.

Today, small merchants can offer the same service as major retail chains by using mobile phone numbers and text messaging. This type of service requires a mobile marketing system that is integrated with gift and loyalty programs. An integrated mobile marketing system is also able to track offer effectiveness and the resulting revenue.

The value for MLSs

Mobile marketing offers two valuable opportunities for MLSs. First, mobile marketing is a value-added product that drives top-line revenue for merchants. It is easy to bundle with processing and other services where margins are being squeezed because of increased competition. Merchants are reeling from a tough economy, and competition is fierce among the survivors.

Traditional advertising is not as effective as it once was. With mobile marketing, agents can offer a solution that cost-effectively reaches merchants' markets and yields excellent redemption rates and return on investment.

Second, mobile marketing is an avenue for MLSs to become well-versed in the burgeoning mobile economy.

When integrated with a merchant's existing payment network, mobile marketing offers a foothold for the agent and his or her services in the emerging mobile commerce ecosystem and will pay big dividends.

Pal Flagg is the Chief Operating Officer at Street Savings. He is responsible for daily operations at the company, including sales, marketing and product development. He brings to Street Savings decades of experience in the advertising, media and wireless industries. As Vice President of Client Services at Comcast Spotlight, Pal oversaw the Client Services group, representing all Comcast advertising opportunities to Fortune 100 clients. Prior to this position, Pal led the client services and new business development efforts for Adlink. You can reach him at pal.flagg@ streetsavings.com.

Company**Profile**

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Email: *info@transengen.com*
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- Earn extra commission when converting existing clients
- Improve HIPAA and PCI compliance across your health care portfolio

Bringing new efficiency, opportunity to the health care vertical

The complexity of health care payments often leaves the parties involved feeling frustrated with delays, billing errors and unpaid invoices. There are an estimated $300 billion in patient accounts receivables today in the United States. Co-pays are increasing, and accounts receivables are expected to grow to $600 billion by 2015.

TransEngen Inc., a Connecticut company started by a pair of health care management professionals in 2006, has built a web-based software solution for health care payments called Revenue Maximizer. This tool package allows providers to immediately calculate patient health care costs, set up payment plans and accept most forms of payment, including cash, checks and an array of payment cards, while reducing the number of POS terminals and dedicated phone lines.

"We are using next-generation technology to help health care providers access payment options," TransEngen President and Chief Executive Officer Gregory Morris said. "We are providing transparency in real time. Patients and providers know immediately how much insurance is going to pay and how much the patient will owe. This helps the provider to manage expectations with the patient as to what the patient is going to owe."

The industry

Health care providers typically lack collections expertise. Of the approximately $300 billion in accounts receivables now due in the United States, an estimated $40 billion to $60 billion will end as bad debt.

Insurance payments account for nearly 77 percent of most provider revenues. Morris pointed out this is down from 2004, when providers received more than 92 percent of their revenue from insurance. The trend is continuing. Morris expects provider revenue from insurance will drop to 70 percent by 2012.

"It used to be good enough to bill the insurance company, and when the patient didn't pay, it didn't hurt the margin," Morris said. "As the co-pays for patients have increased, the revenue practices' need to collect from patients has increased, but most health care providers haven't changed their business practices or their technology."

Morris said many practices only capture a fraction of the patient revenue due them, and that up to 30 percent of patients never pay anything, according to industry estimates. He added that Revenue Maximizer technology can process and accept all forms of payment everywhere.

"It used to be co-pays were $5 to $10, and people would most often pay cash," Morris said. "Then they went to $10 and $15 co-pays, and people would often write checks. Now we have co-pays of $40, and more and more practices need to take cards.

Revenue Maximizer enables providers to capture payments or set up payment plans while patients are still in the office, which can eliminate the cost of sending out billing statements.

"Also, a lot of practices have multiple locations. If you have 10 locations in your practice, it is likely the offices opened at different times, and each has its own payment processor. Practices can end up with a huge reconciliation problem – 10 different settlement accounts with 10 different processors. Up to now there has been no system for reconciling these accounts. Revenue Maximizer is used by more than 10,000 health care professionals who have seen collection rates go up and underlying costs reduced."

Revenue Maximizer enables providers to capture payments or set up payment plans while patients are still in the office, which can eliminate the cost of sending out billing statements.

"For a provider to process and send out a statement, the average cost of processing and mailing is $8 for each statement," Morris said. "Statistically, a practice sends out 3.6 statements before it gets paid. That's about $35 to $40 for each collection. ... Revenue Maximizer can take payments from 190 days to one."

Industry statistics show up to 50 percent of the amount owed by insured patients nationwide ends up uncollected. And settlement costs in the health care industry are generally between 15 and 20 percent of total transaction volume, while the retail industry's settlement costs amount to approximately 2.5 percent.

Morris promises a product that can bring eight to 10 times return on investment, get providers their money faster, reduce the amount of bad debt in the provider's system, and decrease clerical and administrative expenses.

"Since my client has been using the system, patient collections have increased five-fold," Barbara Davis, President of Quick Claimers Medical Billings in El Paso, Texas, said about TransEngen's offerings. "The Card on File feature eliminates the need to send bills to the patient. At 1,000 statements a month, that's a savings of $420 in postage alone, not to mention the costs to generate bills. It makes my life easier in terms of having to collect from the patient."

Instant verification of patient insurance eligibility is another benefit because this typically takes 15 minutes or longer in a doctor's office. Also, the federal Health Insurance Portability and Accountability Act (HIPAA) has made patient privacy of paramount importance. Revenue Maximizer is fully HIPAA compliant and Payment Card Industry (PCI) Data Security Standard (DSS) Level 1 certified.

"The idea is for us to be Switzerland in terms of privacy and technology," Morris said. "If this information wasn't confidential, we couldn't be HIPAA certified. It is easy for a customer to work with us because we are operable with their [office management] technology."

Darla Walters, Office Manager for Champion Women's Center in Houston, stated, "We have only been using the eligibility verification and responsibility estimator for a short time, but we're already seeing a reduction in the amount of refunds we're sending out, as well as a reduction in billing statements. In the past, this had been a big drain on our staff's time."

Margin Multiplier

TransEngen introduced Revenue Maximizer to ISOs and merchant level salespeople (MLSs) at the Electronic Transactions Association Annual Meeting & Expo in San Diego in May 2011. The sales program, called Margin Multiplier, brings Revenue Maximizer to the industry's feet on the street and their clients.

TransEngine indicated it offers ISOs and MLSs a new way to access the health care vertical, create new revenue steams and gain new customers, as well as the ability to keep all card processing residuals, capture larger margins on existing accounts by integrating multiple payment options and services into the processing platform, and earn new commissions for converting existing clients to Revenue Maximizer.

Sales organizations also benefit from increased card processing volume on existing accounts, while providing clients the facility to integrate payment processing functions and health care information.

"Margin Multiplier is a way to give ISOs looking for entry into health care a vertical opportunity in the health care industry," TransEngen Vice President of Marketing Alexa Krasnickas told *The Green Sheet*. "Revenue Maximizer will also help companies with an existing block" of health care payment processing to increase revenues.

Revenue Maximizer has low-cost access and transmission fees, Morris noted. "There's no expense to use the technology," he said. "If you capture one new payment during the month, you pay for the technology."

Morris added that Margin Multiplier offers ISOs and MLSs the opportunity to enter the health care market immediately with no upfront resources. He also believes they can increase margins between 280 and 380 percent using Revenue Maximizer.

"There's a big radiology center in Texas that realized it did not do a good job of collecting money at the point of care," Morris said. "They put in our technology, hoping they would increase collections by $100,000 per month. In less than a month, they were collecting an additional $25,000 per day."

The company

Morris emphasized that Revenue Maximizer is a system designed for the health care industry, not a program created for one industry and adapted for another. "We have a singular focus," he said. "We are not taking an existing gateway and jerry-rigging it for health care. We have created a system for the health care industry that does a better job of collecting money from patients."

Revenue Maximizer was developed by Morris and his partner, Roger Francoline. The program is designed to meet what the two men see as the next great need of the health care industry: collecting and organizing patient information and payments.

"We formed this company to create the next-generation insurance product together," Morris said. "This is the next big opportunity – the opportunity to help providers explain payments for patients. Some of the new health plans have $1,000 deductibles. Practices now need to col-

lect bigger amounts from patients. In this new environment, you had better be good at collections."

Morris was formerly Chief Operating Officer of Aon National Healthcare Practice. Prior to working for Aon, he was the Executive Vice President and Chief Operating Officer of HealthMarket, where he helped lead the development of a data-based technology that gave patients the ability to track and control their own health care costs and utilizations. HealthMarket grew from a startup to a company with more than 2,600 employer clients and revenues exceeding $130 million during Morris' tenure.

Francoline, TransEngen's Chief Administrative Officer, also worked at Aon as Vice President of the National Health Care Practice and was a vice president at HealthMarket for four years prior to working at Aon.

While Revenue Maximizer has two critical tools for health care providers, the patient responsibility calculator and payment processing, the company also offers another package, HelpEngen, which gives providers tools to help the uninsured, underinsured and unable-to-pay patients find government health care programs the patient may qualify for. HelpEngen then can also document care the underprivileged patient receives.

Selling**Prepaid**

Prepaid in brief

NEWS

Prepaid highlighted in ISIS pilot

ISIS, the joint venture between AT&T, T-Mobile USA, Verizon Wireless, Discover Financial Services and Barclays Bank, said it will pilot its mobile commerce platform in Salt Lake City in early to mid 2012, with the system evolving to include couponing and merchant-issued loyalty cards.

Travel card commemorates royal wedding

Ttglive, the website for the U.K.'s *Travel Trade Gazette*, reported travel agency **Thomas Cook Group** launched a limited edition **Travelex Cash Passport** travel card in commemoration of the royal wedding between Prince William of Wales and Kate Middleton held April 29, 2011, in London.

Phone card leftovers targeted in Thailand

The **Federation of Consumer Organisations** gave mobile telecommunication operators in Thailand notice that they may face legal action if they can't clarify business practices concerning leftover minutes on prepaid calling cards, according to the *Bangkok Post*.

The nonprofit FCO is threatening to file suit against both private and state-run enterprises for unfair treatment of prepaid calling card users, the media outlet reported.

ANNOUNCEMENTS

MoneyGram completes refinancing

Money transfer specialist **MoneyGram International Inc.** reported it completed a $540 million senior secured credit facility consisting of a $150 million, five-year revolving credit facility and a $390 million, six-year term loan.

Prepaid Card Holdings becomes PrepaYd

Prepaid Card Holdings Inc. reported its board of directors and its majority shareholder approved the company's name change to **PrepaYd Inc.** to reflect the expansion of the company's business plan to provide additional prepaid products besides prepaid debit cards.

Qubee leverages WiMAX in Pakistan

Qubee, a broadband Internet service provider in Pakistan, launched new prepaid card services affiliated with wireless technology called WiMax, which allows computer users to access the Internet without phone-line connectivity. Qubee is providing scratch-card top-ups redeemable for Internet access.

TSYS client wins award

Prepaid card processor **Total Systems Services Inc.** recognized its client the Bank of Ireland, as well as the country's postal service, for winning the 2011 Card & Payments Best New Prepaid Card Product of the Year award for the Post Office Budget Card.

PARTNERSHIPS

AccountNow expands choice with Visa prepaid card

AccountNow Inc. collaborated with **The Bancorp Bank** to develop a Visa Inc. prepaid card program that provides an estimated 80 million financially under-served consumers with an alternative to traditional bank accounts in the form of the AccountNow Prepaid Visa Card.

Coinstar automates workforce management with Kronos

Coinstar Inc. selected **Kronos Inc.** to automate and standardize the workforce business processes of the Bellevue, Wash.-based coin exchange kiosk operator.

NetSpend taps Actiance for compliance, security

NetSpend Corp. chose social media security company **Actiance** for its Socialite platform, which provides "granular" control for social networking sites, including access management and content sharing, Actiance said.

SparkBase, Naratte to provide m-payments at POS

White-label loyalty and stored-value program provider **SparkBase** inked a deal with device-to-device communication technology company **Naratte Inc.** to integrate mobile connectivity into POS terminals and bypass the need for near field communication technology to be built into mobile phones, SparkBase said.

New teammates for disaster relief card

The Bancorp Bank Payment Solutions Group, a division of The Bancorp Bank, joined forces with **ACE Commercial Risk Services**, part of the ACE Group, to launch the Declared Disaster Plan Claim Prepaid MasterCard for ACE insurance customers impacted by natural disasters.

Vesta tasked for recharge functionality

Prepaid card processor **Vesta Corp.** integrated recharge services into the prepaid mobile products of Mexico-based telecommunication provider **Telcel**. The goal is to give Telcel customers the ability to recharge mobile phone accounts via interactive voice response systems and text messages, among other channels.

ACQUISITIONS

EB, Lighthouse1 unite for Evolution1

Evolution Benefits Inc. and **Lighthouse1 LLC** said they are merging to create **Evolution1** for the cloud-based administration of flexible spending, health savings and health reimbursement accounts, as well as wellness and transit plans.

APPOINTMENTS

Chevallier becomes COO

VendTek Systems Inc. appointed **Francois Chevallier** as its Chief Operating Officer to leverage his experience in telecommunications and business development.

Shifke hired to run Green Dot's new division

As it officially launched its new government division, Green Dot Corp. named **Mark Shifke** to the position of General Manager, Government Programs and Vice President, Special Projects.

MoneyGram names Zelinski VP of Sales

MoneyGram hired **George Zelinski** as Vice President of Sales in Central America, South America and the Caribbean regions, and tasked him to develop and direct sales strategies to grow MoneyGram's market position.

Features

China's prepaid market a different world

I t may come as a surprise to some that the size of the prepaid card market in China is second only to the U.S. market. Terry Xie, Director, International Advisory Service at Mercator Advisory Group Inc., sized the market in China at $241.5 billion (1,593.65 billion Chinese yuan) in 2010, while prepaid in the United States represented over $250 billion in 2009. But that is essentially where the similarities end.

In a webinar entitled *Prepaid Cards in China 2010*, Xie compared Mercator's extensive research on the U.S. prepaid card market to its recent investigations into China and found that the two markets exhibit remarkable differences. Other than the respective sizes of their closed-loop gift card segments (21 percent in the United States to 23 percent in China), China's pie graph is dominated by segments that are relatively small stateside.

Payroll and benefit cards (combined into one category) top the chart in China (28 percent), followed by phone cards (23 percent) and gas cards (14 percent). None of those categories register double digits in the United States.

"Different market dynamics and different financial services industry development, as well as the different market demand for prepaid card products in these two countries, actually make them look very different from each other," Xie said.

Benefit and gift cards

In China, employers make substantial use of benefit cards to reward employees, especially on major holidays and special occasions, such as Chinese New Year and the Mid-Autumn Festival. The cards are popular because employers can report them as business expenses for tax purposes, and employees do not have to report them on their taxes, according to Xie.

While the load volumes on retailer-specific gift cards are similar in the two markets, they are used differently. In the United States, gift card giving is family- and friendship-based; in China it's all about business, with professionals rewarding their business partners with the cards, Xie said. From a merchant perspective, where closed-loop gift

cards may represent only 3 to 5 percent of revenue for big-box retailers in the United States, in China such store-issued cards can account for upward of 30 percent of retailers' annual sales, Xie said. Because merchants do not have to report gift card proceeds to the government, they often reinvest the profits (including gift card left-over amounts known as breakage) into their businesses, he added.

Furthermore, gift cards in China are sold in higher denominations than in the United States, typically in the $30 to $40 equivalent range, Xie said, with merchants usually able to customize load amounts. In addition, with no load limits imposed on retailers, loads can go as high 100,000 yuan (roughly $15,000).

Phone and gas cards

China's telecommunications market is dominated by three mobile network operators: China Mobile Ltd., China Unicom Ltd. and China Telecom Corporation Ltd. Xie estimated 60 to 70 percent of all mobile phones in China are prepaid, with a broad distribution network of prepaid phone cards via newsstands, convenience and mom-and-pop stores, and retail stores run by the wireless operators.

As for gas cards, Xie called their utilization in China unique. Credit and debit cards are not widely accepted at gas stations in the nation because self-service gas pumps are not in great supply, he said. So China's two main gas station operators issue private-label gas cards for fuel and gas station convenience store purchases.

Innovative business models

Xie said open-loop cards are virtually nonexistent in China, which has given rise to semi-open card networks operated by private, third-party prepaid card issuers. These businesses issue their own cards, acquire their own merchants and charge them discount fees – anywhere from 0.4 percent of a transaction for shopping mall stores or supermarkets to 10 percent or higher for businesses like restaurants and golf courses.

Some issuers have created new business models. One example is an issuer that may strike a deal with a health club, Xie said. The issuer markets discounted prepaid gym usage cards to consumers to bring in new customers to the club. When cards are swiped at the club's POS, the issuer gets the transaction fee of perhaps $15. Then the issuer pays the health club $10, keeping $5 in profit per visit for itself, Xie said.

These issuers are often limited by government regulations to operating in single cities, he added. They are required by law to have at least 30 million yuan in registered capital to operate in one city or market and 100 million yuan (roughly $20 million) to operate in more than one city. Thus, entry by startups into China's prepaid card market is "difficult or nearly impossible," Xie said.

Prepaid's unique way in India

In a country of over 1.2 billion people, with a large percentage of them unbanked, India is perhaps the most varied emerging market for prepaid cards worldwide. Tony Craddock, Chief Executive Officer and founder of Global Prepaid Exchange, characterized prepaid in India as a potentially $9 billion market that, due to its complexity, takes time and dedication to understand and profit from.

"India is a kaleidoscope," Craddock said in his presentation at the 2011 Prepaid Expo held in Orlando, Fla. "It's a beautiful picture. You turn it slightly, you may look at it through a slightly different lens or you might explore it from a different perspective, or a different region. And this is so big and so complex, and actually it's quite tricky to get a consistent picture."

Global Prepaid Exchange and its partners, including American Express Co. and prepaid news outlet Paybefore, endeavored to bring that picture into focus in their joint report, *Prepaid the India Way: Mapping the Landscape of Opportunity*.

The research revealed that the 3-year-old prepaid card market is crystallizing around a popularity for gift, transit and general purpose reloadable cards; in all three categories, the population sample expressed a high level of awareness, above 75 percent of the over 1,350 Indian consumers surveyed.

Remittance and government benefit cards also scored highly in the survey, while lower numbers for payroll cards suggest that category is less likely to succeed with Indian consumers, Craddock stated.

With 650 million mobile handsets in circulation in India and upward of 85 percent of them being prepaid, the researchers asked whether the market would spurn plastic cards in favor of virtual ones, as has largely happened in Kenya with Safaricom's popular M-Pesa product.

"The answer is no," Craddock said. "Plastic and paper still have a role to play and will still be a very important part of it. And we think, ultimately, virtual and mobile distribution of payment will be no more than 20 percent in five years' time."

Cultural nuances

In his presentation, Craddock listed the following downsides of the Indian prepaid card market:

- Entry costs into the market are high.
- Volumes are also high, but margins are tight.
- The retail sector is fragmented and disorganized.

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- New commercial business models are lacking.
- Indians are positive by nature, but changing their behavior around payments will take time.

According to Craddock, foreign prepaid card providers cannot expect to conquer the Indian market in a year's time. "You have to be here in India for the long term," he said. "You have to do prepaid the Indian way."

One tricky aspect of the "Indian way" is the nuanced meanings around the word "yes." The cultural norm is for Indians to say "yes" to questions, rather than "I don't know," even if the latter is more accurate when viewed through a Western lens.

"And that's very important," Craddock said. "For example, if you are doing business in India, saying 'yes' does not necessarily mean 'yes.' It might mean, 'Yes, I understand,' or, 'Yes, I get it,' or, 'Yes, I'm interested.' It doesn't necessarily mean, 'Yes, I'm doing business [with you].'"

Another obstacle to doing business in India is the presence of a large and ingrained informal economy: cash-based, merchant-to-merchant transactions that take place outside of India's formal tax system, Craddock said.

It is one reason why the Reserve Bank of India is push-ing its financial inclusion initiative – to increase the tax base by enrolling more unbanked consumers with financial services products that can be tracked and taxed, Craddock added.

In prepaid's favor

Craddock outlined several aspects of India that benefit prepaid card adoption.

He said Indians have strong religious and cultural reasons for not using credit cards. At the same time, they exhibit sophisticated Western payment habits that the retail sector will eventually adopt.

On the regulatory front, RBI recently tweaked regulations to allow for the existence of program managers in the financial system, which Craddock said shows Indian regulators' ability to quickly modify its laws to spur innovation in the marketplace. With program managers now established, India's nascent prepaid card industry will be able to take advantage of the nation's intelligent, educated, industrious business class.

"If there was one place in the whole world where there's a flood of entrepreneurial potential, with the education to support it, it is in India," Craddock said. 🌏

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John Arato

**Vice President,
Business Unit Manager,
Retail POS Products
MagTek Inc.**

John Arato has been in the payments industry more than 25 years and at MagTek Inc. the last eight. Previously, he spent seven years selling transaction services at American Express Co. and 10 years at Hypercom Corp. heading up sales east of the Mississippi. But his current position at MagTek has been the most rewarding.

"It's a lot of fun," he said. "MagTek is really on the forefront of providing security technology to the industry, and a lot of that has moved over to mobile payments products. So we've taken what we've learned over the last five or six years in point of sale, and now we're incorporating that into mobile."

MagTek offers MagneSafe (technology that encrypts cardholder data directly at the POS terminal), MagnePrint (authentication technology that detects the unique mag stripe "fingerprint" of each payment card) and now QwickPAY, a downloadable mobile payment app that, combined with a reader that fits over mobile devices, transforms the devices into payment terminals that accept mag stripe cards.

With QwickPAY, a merchant downloads the free app to an Apple iPhone, iPad or iPod Touch, as well as Android smart phones, and purchases the "sleeve" from one of MagTek's approximately 100 ISO reseller partners. In the sleeve rests MagTek's four layers of security: encryption, authentication, tokenization and dynamic data.

Help for small businesses

"If you use our readers and you use our technology, the likelihood of you being out of PCI scope is very high," Arato said, adding that this should be of critical value, especially to smaller merchants. Fraud is migrating from Level 1 merchants to the Level 4 mom-and-pop retailers, and if a small merchant is breached, the card brands can levy fines that can put a business out of business, Arato said.

Arato believes MagTek's solution can help small businesses go beyond the requirements of the Payment Card Industry (PCI) Data Security Standard (DSS) and keep payment data safe. "Crooks are getting very smart," he said. "They know they can target somebody with a PC – let's just say a delicatessen who is doing their transaction through a PC. They could easily put malware on that PC and steal the data from that customer – very easy to do. It happens all the time."

Given that reduced costs have made state-of-the-art security technology available to even the smallest merchants and that those merchants are the most vulnerable to attack from fraudsters, one can see where Arato gets his passion for data security.

"Whether it's a large merchant accepting payments or a small mom-and-pop, they need to find a way to secure their data," he said. "PCI has certainly provided a role in helping the industry get along, but I just think there are other things in addition to PCI that customers can do."

News

Intuit's IMS ends agent program

Innovative Merchant Solutions, the payment processing arm of Intuit Inc., is terminating its agent program effective July 31, 2011, the end of its fiscal year. IMS National Sales Manager Jeff Broudy confirmed his company is ending its agent program.

"It's no longer a channel Intuit is focusing on," he said. "We are turning our attention to our core channels. We've just decided not to use our agent channel as one of our core channels."

Broudy noted that the revenue generated by agents has been falling over the years. "We really haven't been investing in the agent channel," he said. "For regular ISOs the agent channel is their bread and butter. We really didn't put enough resources and focus into our agent channel. There are so many opportunities in our business strategy. We are really different than the normal ISO because of our ecosystem."

Intuit is the manufacturer of popular small-business software systems such as Quickbooks, Quicken, and TurboTax. In 2003, Intuit acquired IMS to be its bankcard processor. IMS now has an annual processing volume of nearly $10 billion and more than 25 million customers. As many as 7,000 agents in 13 states could be impacted by the decision to terminate the agent program.

"I think big and small companies each have their own DNA," Broudy explained. "Some have DNA that is very good in certain sales channels. Typically, if you focus on a few, critical sales channels you get better. We found our agent channel is not one of the few critical channels we wanted to focus on."

Merchants might have caused headaches

Some industry insiders are speculating there is more to the IMS decision to terminate its agent program than IMS is letting on. US Merchant Services Chief Executive Officer Steve Norell believes merchants just got fed up with IMS' service and fees.

"I can only speculate, but I can tell you what I saw in person," he said. "When they opened their offices they were hiring people left and right. The people they hired started culling merchants and giving out erroneous information.

"The problem is a company like Intuit doesn't understand this business at a street level. I think they were probably hit hard over the years by a lot of angry merchants. I don't think their agent program was as successful as they thought it would be. I mean, why should they have street agents when they can just pay someone $10 an hour to sit at a desk and take orders?"

Norell made another observation. "They have three channels out there, and they are all competing with each other every day of the week," he said. "You just can't have that and have all three be successful."

Forum members gladly bid farewell to IMS

There was lots of chatter on GS Online's MLS Forum about the Intuit agent termination. None of it was flattering. A forum member who goes by **SLICK STREETMAN** commented, "Par for the course for a publicly held corporation. The greedy stockholders probably figured they could bleed a few more bucks into their pockets if they didn't have to pay residuals."

SDSORENSON added this to the forum discussion, "I think that's awesome! Innovative Merchant Services [Intuit] in my area is home of the 'no contract' processing – except for the $295 deconversion fee which is never disclosed. Also no mids, nons, ten-cent trans fee, unrealistic savings proposals, etc., etc., etc. … One less rotten apple in the barrel."

Another forum member, **HIPOINT**, agrees with Norell's assessment. "To my mind … Intuit enjoys a respectable reputation with their other products, Quickbooks et al.," he stated. "I'm thinking the number of merchant complaints Intuit had to deal with as a result of their … agent boardings is the reason they terminated the program."

CCGUY posted that he looked over an IMS statement for a merchant and "added a few lines together," and the merchant "almost fell off the chair" when he saw how much he was paying IMS for processing.

Indictment halts the action for poker sites, processors

Three of the largest online poker companies, their associates and payment processors were indicted in March 2011 on charges of fraud, illegal gambling and money laundering, the United States Attorney for the Southern District of New York revealed April 15.

Internet poker sites PokerStars and owners Isai Scheinberg and Paul Tate, Full Tilt Poker and owners Raymond Bitar and Nelson Burtnick, and Absolute Poker and owners Scott Tom and Brent Beckley, along with five alleged accomplices, were named in the indictment. PokerStars is ranked by some industry reviews as the top poker site worldwide, with a peak volume of 178,000 players.

The grand jury indictment states the poker sites turned to Elie for help again, despite the alleged theft, when the companies were desperate to find "transparent" processors that would process the charges without having to lie to the banks. According to the indictment, it was Elie's job to look for small, local, financially troubled banks that might be willing to work with the poker sites.

The government is seeking $3 billion from the companies in civil money laundering penalties and forfeiture. In addition, the feds placed restraining orders on 76 bank accounts allegedly controlled by the poker companies in 14 countries.

The charges were brought under the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA). The UIGEA made it a federal crime to knowingly process most Internet gambling payments. U.S. poker sites relocated offshore and began looking for ways around the new regulations soon after the act became law.

Multiple methods of deception

The grand jury indictment describes an array of scams designed to defraud or coerce banks into processing gamblers' poker payments for the Internet sites. They include:

- Using incorrect transaction codes to fool banks into believing they were processing payments for legitimate business categories

- Creating dozens of phony companies that supposedly sold items such as golf equipment, flowers and jewelry but were really gambling operations

- Having customers load debit, gift and even phone cards from their credit cards and use the prepaid cards to pay gambling debts without sending up gambling alerts to authorities

- Supplying false information to open bank accounts so they could process electronic-check (e-check) transactions through the automated clearing house.

The indictment names Ryan Lang, Bradley Franzen, Ira Rubin and Chad Elie as processors who helped the three poker companies hide the poker payments. According to the grand jury Lang and Franzen allegedly acted as liaisons between the poker sites and processors willing to handle poker e-checks.

The indictment accuses Rubin, who owns a California processing company known as E-Triton, of disguising poker site payments as payroll processing, affiliate marketing and online electronics merchants using such names as MyGolfLocation.com and OneShopCenter.com.

Franzen allegedly promoted a scheme to bill gambling debt to a phony business called Green2YourGreen that was supposed to be a direct sales business for people who want to buy environmentally friendly household products for resale. And Elie is charged with using false information to open U.S. bank accounts to receive gambling payments.

No more jackpots

The fees the processors received for handling these transactions were "substantially higher" than for legitimate processing, the indictment says.

The indictment mentions the poker companies continued to work with Elie even after the poker sites sued him for allegedly stealing more than $4 million. The companies claim Elie stole the money while processing for their sites.

The grand jury indictment states the poker sites turned to Elie for help again, despite the alleged theft, when the companies were desperate to find "transparent" processors that would process the charges without having to lie to the banks. According to the indictment, it was Elie's job to look for small, local, financially troubled banks that might be willing to work with the poker sites.

One of the banks Elie contacted, Utah's Sunfirst Bank, is named in the indictment. Sunfirst Vice Chairman of the Board and part owner John Campos is also named in the indictment. Campos allegedly agreed to process poker payments in return for a $10 million (30 percent) investment in the bank and a $20,000 bonus for "check and credit card processing consulting."

Processing for the poker sites, though often short-lived, proved lucrative for processors. The indictment indicates an Australian based processor, Intabill, processed $543 million in just over two years. It claims the poker sites stopped working with Intabill when it was determined the company owed the poker sites "tens of millions of dollars for past processing."

The indictment also claims an Arizona processor processed more than $100 million in a year before its accounts were seized, and Sunfirst processed more than $200 million in a year, earning more than $1.6 million in fees.

News

PayPal, Discover launch Money Messenger

PayPal Inc. entered into the person-to-person (P2P) product market in April 2011 when Discover Financial Services launched its new Discover Money Messenger Service, a free application that allows card customers to transfer money on Discover.com or by using a smart phone.

The Discover-PayPal partnership was announced in October at PayPal's Innovate 2010 conference in San Francisco. The launch moves PayPal into competition with companies such as Visa Inc., American Express Co., and the privately held Square Inc. in the market offering new payment services to replace cash or checks.

"Discover cardmembers can start sending money to any person using only the recipient's email address or mobile phone number," PayPal Senior Director, Corporate Strategy Dan Schatt wrote in a recent blog discussing the launch.

"The sender doesn't even need a PayPal account, and the recipient can open one up with just a few clicks if they don't already have one."

Schatt said he believes the future of the payments industry is driven by companies that offer people ways to send and receive money in any manner they choose, anywhere in the world.

How the service works

The new service is free; customers receive up to 0.25 percent cash back for every transaction up to the first $3,000 received.

"Discover cardmembers who need to send money to a child in college, want to split a check at dinner or otherwise send money to another person can easily do so directly using any web connected device," Schatt noted in his blog. "The amount sent is charged to their Discover card account just like a purchase."

However, to receive money the recipient must register for a free PayPal account. When money is transferred, PayPal sends an email to notify the recipient that the money is being held for him or her in a PayPal account.

Recipients must log in or register with PayPal to get their money. They can then transfer money to a bank or credit card from their PayPal account. PayPal does not charge for the transfer.

Money Messenger requires only a cell phone number or email address to transfer money from a smart phone to recipients in 60 countries. The new service uses PayPal's Adaptive Payments application program interface (API), a part of the PayPal X platform.

The Adaptive Payments API allows developers to build customized payment services. PayPal is currently at work developing this technology to use with ATMs in a way that will allow ATMs, among other things, to handle remittances.

Another alternative to cash

"Discover's work is a great example of how third-party developers can use PayPal X to create a new generation of payment options," Schatt said in a fall 2010 release. "PayPal X makes it possible for developers to monetize their great ideas by affording them security and connectivity through 27 financial networks and 15,000 local banks."

Market analysts see the Money Messenger launch as part of an industry move toward replacing cash transactions.

Industry analysts believe Money Messenger will impact not only PayPal's future but also eBay's since PayPal accounts for an estimated 20 percent of eBay's stock value. Because Money Messenger requires recipients to register with PayPal, the number of PayPal accounts and the frequency of payments processed per account should increase. However, analysts also noted Money Messenger is designed to replace small cash payments, making it likely the average amount per PayPal transaction may decrease.

Does certification without licensing make sense?

Regulation hovers over the payments industry like dark clouds on a spring day. It is easy to predict rain will come soon, but nobody can say if the rain will bring floods or flowers with it.

Payment processors are getting proactive on self-regulation. The industry is moving to head off more government regulation by setting up its own training and certification programs. Yet many in the industry worry that industry certification programs aren't enough. Some are calling for the kind of licensing programs states require for the insurance industry.

New industry certification programs

The industry emphasis on training is becoming pronounced in 2011 in the wake of legislation like the Durbin

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News

Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 that increase government regulation and oversight.

For instance, in April, Central Payment (CPAY), a San Rafael, Calif., company ranked by *Inc.* magazine at No. 18 on the list of financial services companies and named to Inc.'s 2010 lists of the fastest growing companies, announced it is immediately starting an in-house training and certification program for its more than 700 merchant level salespeople (MLSs).

This follows the Electronics Transactions Association's plan, announced in March, to launch the first industrywide professional certification testing program later this year. Successfully passing the 125-question ETA test will earn ISOs, MLSs and other payment professionals a Certified Payments Professional certificate.

Both CPAY and ETA certification programs target professionals with minimum experience in merchant level sales. Both organizations told *The Green Sheet* their certification process will demand basic knowledge of the industry.

Castle Worldwide is assembling the ETA testing program. The multiple choice test will be given twice a year in hundreds of testing centers around the country.

MLSs must have at least one year of industry experience and a degree (bachelor, associate or high school) or three years' industry experience to be eligible to test for ETA certification. Testing begins this fall.

CPAY elected to develop its own in-house education programming and testing. The program will have three courses, each with its own test. CPAY Director of Business Development Tommy Chang said his company's courses will cover basic merchant services information, rates and fees, and ethics.

CPAY hopes to have its first testing done before June 1, CPAY Managing Partner Matthew Hyman told *The Green Sheet*. Hyman said he hopes most of CPAY's agents will have at least passed the first course "by the time they sign their fifth to sixth account."

Industry insiders respond

While the industry is making this turn toward certifying agents, many payment professionals don't see the value in certification programs unless certification is accompanied by a state or federally regulated licensing program.

Bill Pirtle, a partner in Merchant Processing Consulting & Training LLC and a columnist for *The Green Sheet*, commented, "What I personally think is that the industry needs certification and registration.

We need to approach government agencies and get them to mandate training and licensing for merchant processors

like they have for the insurance industry. Certification is not going to do it. Certification has no teeth." Pirtle believes oversight of agents through licensing would bring real regulation to the industry because unethical behavior could result in the loss of the agent's license and his or her ability to work.

Hyman isn't so sure licensing is the way to go. "We didn't start [the certification program] as a marketing ploy," he said. "We started this program as an ethics play. We want our sales partners to be happy but we also want our merchants happy. When we certify our [MLSs] we are letting our merchants know we have high ethical standards.

"I can't go on the record and say yes or no to licensing right now. The industry as a whole has to do a better job of self policing. Our agents will get a nice plaque showing they are certified but what does it mean when we tell you they are certified?

"I'll be interested to see where this all ends up. Right now I tend to think 'no' when I think about licensing. But licensing is something that has been on my mind since I got into this business.

"I think licensing might slow down our process." Hyman added if, eventually, there is industrywide regulation that calls for all sales partners to be licensed, "we are going to have to adapt."

Nashville Attorney Kevin Kidd is Vice Chair of the ETA Government Relations Committee and has more than 10 years' experience in payment processing and financial transactions. He supports certification also but is cautious about legislating ethics.

"It is difficult to create ethical structures that apply to all areas of the industry," he said. "There are lots of people in this industry doing lots of different things.

The value of the certificate depends on what you are trying to accomplish. A lot of the industry sees the need for certification as long as it is not too expensive."

Kidd acknowledges much of the movement toward certification comes from the industry reacting to renewed government interest in regulation.

"If you have no certification program it's harder to show the industry is policing itself," he said. "It makes sense to have a general sales certification program that sets standards for salespeople. It makes sense for there to be a general ethical obligation for people to follow.

"Most merchants may not know the difference if someone is certified or not, but it does something for the industry because companies would rather hire people who have certification because they have some basic knowledge that saves on training costs."

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inventory, space and human resources. It is also a way to stay competitive as peers look to achieve the same goals."

Removing barriers

According to Rick Oglesby, Senior Analyst for Aite Group LLC, another potential threat to the existing structure is tunnel vision. "One of the weaknesses that I think the payment companies have is that they tend to focus so much on payment, and they leave a lot of the value delivery to third parties," he said. His concern is that payment companies with such a narrow focus could become background commodities moving data back and forth while the real value at the POS is being delivered by others.

"You're seeing a separation of those components," Oglesby said. "That separation has been there for some time, but I think it's getting magnified as POS hardware and software becomes more sophisticated.

"I'm not seeing a lot of in-house technology development around that space. It tends to be partnership agreements with third parties and they're doing a lot of white-labeling." (The practice of one company producing a product and allowing other companies to rebrand it as their own is known as white-labeling.)

According to Dale Laszig, Senior Vice President of U.S. Sales for Castles Technology Co. Ltd., proprietary policies could impede progress. "I think the right approach is not necessarily a proprietary approach," she said. "I think that the world is moving into a much more open source environment. I understand why certain ISOs would want to protect their domains, but I think the companies that have the vision for putting something out there that is truly open … a solution that any ISO can use … really differentiates them in the marketplace."

Taking the initiative

Two of the largest bankcard acquirers have made significant progress in expediting software integration and Payment Card Industry (PCI) Data Security Standard (DSS) compliance. Chase Paymentech Solutions LLC built Xpress Lab, an open application programming interface platform for e-commerce, retail, restaurant and MO/TO implementations. The lab's End-to-End Lifecycle Management process enables software developers to create and deliver PCI-compliant payment applications.

Fifth Third Processing Solutions LLC partnered earlier this year with cloud-computing payment platform developer, IP Commerce Inc., to launch its e-Similate open payments platform and workflow engine to facilitate rapid delivery of FTPS payment solutions to software developers.

"As a major processor/acquirer, we have fairly complex authorization systems," said Pat Moran, Senior Vice President, Product and Portfolio Management at FTPS. "From our largest clients down to our smallest, they con-

nect to us in a number of different ways, the most basic being the dialup terminal on the low end and then you have terminals at the large merchants, but they really connect to us through either host-to-host connections or switches that come in and execute transactions with us.

Moran believes the industry is shifting from the basic terminal to software-based solutions. "It could be the Domino's delivery guy who's working off some kind of handheld device," he said.

"Lots of different software solutions are being developed to serve the payments market. We think our business partners, whether they're merchants or ISOs, or other third parties, will come up with the creative ideas and this is just the tool to help them capitalize on it."

With both acquirers the integration services, tools, modules and support are provided free to the software development community. The expenses associated with operating these open platforms are recovered when a merchant selects an integrated POS solution that is linked to the acquirer and begins processing payments.

Freeing up the possibilities

"I think that this whole phenomenon of weaving together in real time, no matter where we happen to be physically on the planet, has given us the greatest opportunity that we've ever had in the electronic transactions space, because we finally have a chance to become an integral part of the ongoing live conversation," Laszig said. "We're no longer that little POS device sitting in a corner that people have to physically want to interrupt their lives by swiping a card."

One company that has become known for thinking beyond the basic terminal is United Bank Card Inc. In January 2011, UBC President Jared Isaacman released a web video message stating the company would begin offering its fully integrated POS systems free to qualifying merchants. Before that, UBC had leased or sold its flagship Harbortouch POS systems to restaurants and retailers.

"At a time when many small and mid-sized businesses are struggling, we are providing these benefits that many business owners may not have previously been able to afford," Isaacman said. "In addition to speeding up payment transactions, POS systems automate many aspects of day-to-day business including employee management, thus streamlining a merchant's overall operations and allowing them to focus on keeping their customers satisfied and spending."

Being the first to deliver a free POS system, though risky, appears to have paid off for UBC. "We're doing over 800 Harbortouch POS Systems a month right now," Isaacman said. "I think our objective of making a free POS system that can replace the dinosaur credit card terminals out

there is working out extremely well. A credit card terminal just runs a credit card sale. A POS system runs all functions of the business electronically."

However, not all software is equal. "You have to be careful how much you try and simplify the offering, because businesses are complicated, and they need flexibility," Isaacman said. "The concept of having super-simplified solutions out there is great, but the reality is that what we've learned is that there is a balancing act. You do need to have a lot of functionality in it. Some complexity will have to exist in order to accommodate the vast majority of potential merchants for the product."

Even with the best-laid plans, growing pains are inevitable. "The POS space is nothing like the credit card terminal space where you just put in a merchant number and go," Isaacman noted. "It is programming intense. Our programmers spend four hours minimum with every system in programming it to the exact merchant specifications."

Another consideration when switching to providing integrated POS systems is tech support time. "If you get a phone call in tech support on a broken credit card terminal, the average call is maybe 8 to 12 minutes," Isaacman said. "The average time on a POS system call is probably 17 to 35 minutes. We're realizing that we need a lot more people to get the job done." UBC plans to move to a larger facility to house its expanding operations.

Bringing it under one roof

According to Bryan Daughtry, Vice President Sales and Marketing for UP Solution Inc., merchants with POS systems have previously had to deal with at least three providers: a hardware provider, a software provider and a merchant credit card processing provider. And working with multiple vendors often made it difficult for merchants to determine who was liable when a problem with the system occurred.

"We founded UP Solution based on years of requests from our customers for a one-stop shop," Daughtry said. "A merchant can come to us and get their hardware, software and credit card processing, and if there ever is a problem or opportunity at the POS, they have one phone call to make."

Daughtry said one of the advantages of selling an integrated POS system is that "when looking at a traditional POS account from a revenue generation standpoint versus a traditional mom-and-pop using a credit card dial-up terminal, there is typically 30 to 50 percent more volume processed at these locations. So we've now positioned these agents to win bigger, more profitable accounts."

He also believes the market for POS hardware and software has become saturated, which means merchant level salespeople (MLSs) can be more selective. He urges MLSs to form alliances with providers that can manage all of the technical aspects of the sale, including software configuration, installation, training and ongoing support.

Considering merchants' options

For most merchants, one of the core decisions will be whether to purchase, rent, lease or sign up for a free POS system. Many POS system providers today offer a combination of upfront fees for the equipment with ongoing fees for system maintenance and support. For MLSs who may be straddling the field of choices, industry expert Ken Musante, President of Eureka Payments LLC, recommends taking a long-term approach.

"The system that I find to be generally the best for both the merchant and the integrated POS system provider is one that has an ongoing fee, because inevitably the ones where they just buy the

system, there is going to be an expensive upgrade at some point down the road," Musante said. "The merchant never wants to pay that, and the integrated POS system provider doesn't commit to upgrading it unless [the merchant has] purchased the upgrade."

A problem Musante pointed out is that merchants typically must use a POS system's most current version to be PCI compliant. Thus, merchants unwilling to pay for upgrades fall out of compliance, which increases their exposure to security risks.

Since upgrades are an inevitable part of the product lifecycle, Musante feels web-based software-as-a-service solutions offer merchants better service in

that automatic upgrades are built into the monthly fees.

Musante warned MLSs that some POS system vendors prefer to work exclusively with one processor. "Even if you can integrate to them, they're going to steer them to another provider," he said. "I've seen that, whether it's beneficial to the merchant or not. In fact, I've seen it happen where it's detrimental to the merchant." On the other hand, he said certain components, like the electronic cash register, are more flexible because they're not necessarily acquirer-specific.

Sizing up the opportunities

From a bird's-eye view, the integrated POS market appears split between hospitality and retail. "There are obviously large SIC codes where somebody can truly dominate," Oglesby said.

"When you look at restaurant software, there's Aloha and Micros. These guys have done a pretty good job of gathering significant share. But if you want to talk about the merchant landscape as a whole, I think you're still going to have lots of VARs [value-added resellers]. It's a great opportunity for entrepreneurial activity."

UBC's Isaacman agrees that the advantages and the efficiency gains for a business are substantially more for hospitality. Restaurants, for example, he said can speed up table-turn to serve more customers, calculate orders more quickly, or even communicate with chefs, all thanks to the functionality of today's integrated POS systems. In the retail space, he said the advantages come more from inventory control, rewards management and payroll management.

However, as with all technologies, there is clearly a size where having an advanced POS system doesn't make sense. Smaller merchants with limited inventory or sporadic sales may not require an advanced system to manage their business. "There is definitely a floor where just having a simple credit card machine makes sense," Isaacman said. "But once you're above that the market is just massive."

ISOMetrics

Technology in the hospitality world

The National Restaurant Association's *2011 Restaurant Industry Forecast* projected total industry revenues will reach $604.2 billion in 2011, marking the first time the sector's sales will eclipse $600 billion. And in this burgeoning market, technology plays a critical role.

Hospitality Technology magazine studies the restaurant industry's technology trends and recently released *2011 Restaurant Technology Study*: An Industry on the Upswing. Twenty-two percent of those surveyed for the study said they plan to replace their POS systems within two years; 48 percent indicated they would do so within three to six years. Following are further highlights from the study concerning technology drivers, POS system functions and POS peripherals. The left-hand column indicates areas respondents were asked to rate; the percentages in the right-hand column indicate the percentage of respondents who rated the item as important.

Top five restaurant industry technology drivers

Productivity and efficiency	58%
Cost-saving measures	52%
Infrastructure and security	41%
Enhanced guest service	35%
Revenue-generating opportunities	32%

Top five restaurant industry POS system functions

Accounting/financials	79%
Labor management	72%
Enterprise management	63%
Business intelligence	58%
Customer relationship management	46%

Top five restaurant industry POS peripherals

Credit card swipe	91%
Touchscreen	86%
Gift card integration	81%
Kitchen printer	74%
Kitchen display system	67%

Source: 2011 Restaurant Technology Study published by Hospitality Technology magazine. For more details, visit www.htmagazine.com/reports.

Education

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Let's reform our industry's education and training

By Bill Pirtle
MPCT Publishing Co.

In March of 2004, I answered an ad on Monster.com to become a credit card processing agent for a California-based company. Training consisted of weekly conference calls, and I was given the number of my "manager." I was told not to let my lack of industry knowledge stop me from signing merchants, as my manager would be available to help me from noon to 8:30 p.m. Eastern time.

As a new merchant level salesperson (MLS), I joined a towing association and asked the members many towing-related questions to learn about their industry. I soon began signing towing companies because I gained their trust.

Under the advice and consent of my processor's management team, I lined out areas of the contract that were not agreed to by my customers, and I received permission to make pricing adjustments as long as I properly filled out the "Special Directions" area of the contract.

My first inkling that I was not properly trained by this company came when I was pricing card services for a cemetery. I was told by the prospect that the company was paying 0.75 percent on everything, but the statement had carryover charges from the previous month.

My manager and her team could not decipher the statements. It took me four hours with a pen, paper and calculator, but I found a way to calculate all but $5 in fees out of almost $2,000 in charges.

I had to fight through three layers of management on the phone until I heard, "You're right; I've never seen this

before." Unknown to me, I had found my first EBB statement; it was another year before I knew that EBB stands for Enhanced BillBack.

I left the company when I discovered its representatives were ignoring the changes I was making to the contracts (which they had authorized) and then telling merchants I was not allowed to make those changes.

Today, MLSs are still signed up with no experience and tossed to the streets with nothing but a phone number. Most get frustrated and quit. Others quit because they give their word to merchants who are then cheated by the processor.

As **JDECKARD** said on GS Online's MLS Forum, "I believe that for the most part people are genuine and honest ... and won't knowingly take advantage of their fellow human beings. The only way to get them to do so is to train them with false information. Eventually, they figure it out ... and either leave the industry or find a more reputable company to work with ... but by then the damage is already done."

The second processor I worked for, the processor for LaSalle Bank, was the polar opposite of the first. For two weeks straight, I drove 60 miles each way to Saginaw,

> *MLSs looking for help on sales can read Paul H. Green's books,* Good Selling *and* Good Selling 2, *as well as Marc Beauchamp's* Survive and Thrive in the Merchant Services Industry.

Mich., for eight hours of classroom training before I ever saw a customer.

The field guide was extensive and detailed. It was written by Rod Katzfey, now an industry consultant and on the Advisory Board of the *The Green Sheet*. There was not much leeway: the rates were specific to whether the customer banked with LaSalle, and fees like the application fee could not be waived.

I was, however, grateful to have been taught thoroughly in that system. This education was the foundation I am still building upon. When I asked MLS Forum members for their thoughts on education in the industry, **CLEARENT** said, "Knowledge is important. But first build a sound foundation. Build it on one premise; 'If I don't know the exact answer, who do I call to get that answer?'

"Follow some basic rules:

1. Don't translate information. If you're not 100 percent sure, tell the merchant and get the answer.

2. Take time to learn the basics like: What is interchange? How do merchants get charged? What key areas happen with every merchant? … There are others, but these are where I would start.

3. Find someone to act as your trusted adviser. Your ISO partner should be that person, as it benefits both of you. But make sure they follow rule number 1.

4. Be prepared to say, 'I don't know,' even if you think you do. Merchants will respect you for that. Just get the answer.

5. Last but not least, don't try to know everything. It can paralyze your sales efforts, and it's not necessary.

"We are in a very complex industry," he added. "Knowing everything isn't truly possible, because we are evolving almost daily. You must learn as you go along. Retain the information that is valuable to you and your efforts. But don't think you have to know everything to be successful."

MTY MSI agreed, "To reiterate some of what Jeff [**CLEARENT**] said to me, the two most important things about industry knowledge (after learning the basics) are:

1. Knowing when you don't know the answer to a question

2. Having someone who can answer the question

"And those people for me are my ISO/MSP partners and the many knowledgeable members of this forum."

The need for reference materials

My idea on education in this industry is replacing the need to have "someone who can answer the question" with "have something that can answer the question." In other words, it is critical to create reference materials.

I wrote *Navigating Through the Risks of Credit Card Processing* to help educate merchants on credit card processing. Many MLSs use the book not only to educate themselves, but also to win merchants.

MLSs looking for help on sales can read Paul H. Green's books, *Good Selling* and *Good Selling 2*, as well as Marc Beauchamp's *Survive and Thrive in the Merchant Services Industry*. To increase referrals, I recommend Bob Burg's *Endless Referrals* and Tim R. Green's *Set 4 Life*, which I discussed in "Referrals: Do you play the numbers game," *The Green Sheet*, Feb. 28, 2011, issue 11:02:02.

Other authors worth looking at for sales or management guidance include Brian Tracy, Zig Ziglar, Tony Robbins and Dale Carnegie. Carnegie's company also has a famous sales training course that many have used successfully.

The preceding are good reference materials, along with *The Green Sheet* archives. But are these enough?

JOHN GALT?'s post speaks to the question. "As an agent burning gas and shoes on the street, I'd say everything helps," he said. "[The] problem I've seen is if you're new, you don't get enough of what you need and too much of what you don't. Any and all sales tips are invaluable, but no one wants to give up their 'secrets.'

Even partners are hesitant to give away secrets. But sometimes you get too much technical information, which leads to speaking a different language than the prospective merchant. KISS."

One of the topics he'd like covered is interchange. "[Y]es, I know the rate charts are online, but [they do not say] what type of merchant qualifies for which rate," he wrote. "What is the difference between CPS Retail and CPS Retail 2? What is SIRF and EIRF and why would a trans[action] go there? What is the best way to

> *Educational materials provided by independent sources carry more weight. ISOs should approach chambers of commerce to set up training for merchants on proper card procedures and to answer merchant questions on processing costs.*

explain PIN-debit costs to a merchant (and usually by the time you explain it, the rates have changed again)."

Merchant University (*www.merchantuniversity.org*) is pursuing writers and contributors for educational materials. My publishing company is also interested in creating an extensive training program.

What would it take to have some of the foremost experts in this industry collaborate to use their specialized talents to create components of a standard educational vehicle? We can't completely train individuals in every capacity with this tool, but we can create a guide to help MLSs in the field, allowing them to quickly find the right answer to a question.

My editor recently had a great idea. She asked, "Wouldn't it be nice to be able to create a phone app with all kinds of tools and formulas to help agents in the field?" Sure it

would, but it would take several specialized apps, and I don't know of anyone who creates them. (Perhaps a reader of this article does.)

Even with the most comprehensive guide possible, ISOs will want to customize certain areas, if not write them from scratch. These will include applications, underwriting, customer service and unique selling propositions or points (USPs) – meaning explain why your ISO is better than others.

Additional vital components are other income opportunities for agents and specific merchant issues. Other income opportunities include gift card programs, check acceptance, phone cards, ATMs, leasing, etc. Specific merchant issues include business type, e-commerce, POS systems and common questions merchants pose. Another vital area to cover is fraud, whether merchant or consumer based.

An optional section would be on how to successfully establish your own ISO. This part alone could be a full book, covering areas from phone setups to risk to paying your agents.

The question of merchant education

Merchant education is a different thing entirely. Merchants don't trust our industry and will not simply accept what we say. Have you watched the commercial about how sugar is sugar with no difference to our bodies whether from corn or cane?

That commercial was paid for by corn refiners. If you believe there is a difference between corn and cane sugar, the commercial will not sway you because of its source.

Educational materials provided by independent sources carry more weight. ISOs should approach chambers of commerce to set up training for merchants on proper card procedures and to answer merchant questions on processing costs.

Sen. Richard Durbin, D-Ill., although not a merchant, exemplifies the need for merchant education. Merchants mistakenly believe that what they pay for processing credit cards is interchange. They asked Congress for help, and Durbin suggested capping interchange, thinking it would help everyone.

Since interchange is known by the industry to simply be a component of the fees, the card brands and the proces-

sors, for the most part, threw the banks under the bus and said, "Fine, cap interchange." If the cap goes through, the card brands will go untouched, and most ISOs will get a huge raise if they are pricing on tiered rates. That is, until consumer costs spike and we drop into a deeper recession.

JDECKARD was right when he posted, "[I]f you're actively trying to educate yourself about this industry, it's going to take several years for everything to gel. And about the time the pieces start to fit together, something new comes along that changes the game ... so you have to learn all you can about that ... it's a never-ending process."

This is the reason to start now. It could be at least a year before my company starts publishing training materials; the compiling process and locating the many experts to work on the project is ongoing.

Some ISOs and MLSs are opposed to standard training or education of agents. Some prefer hiring inexperienced MLSs; others consider a lack of training to be a competitive advantage.

However, standardized training can benefit the industry as follows:

- Scams used by uneducated or new agents will be reduced

- Fewer agents will leave over frustration with the learning curve

- ISOs will focus more time and energy to support agents by customizing materials instead of creating new pieces from scratch

- Agents will find answers to questions quicker

- Agents will specialize more

Some payment professionals will vigorously oppose a standardized method of training: either a certification program or a registration program. However, a uniform, industrywide training or education process developed for ISOs and MLSs is critical for the success of a certification or registration program. Without standardization, the certifying

or registration body would have to develop training to help people pass the test it creates.

Regardless of what form our industry's education and training ultimately adopts, we need to take action now. Remember, what you do today defines your tomorrow.

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What tokenization is and isn't

By Tim Cranny

Panoptic Security Inc.

Tokenization is a heavily promoted technology in the Payment Card Industry (PCI) Data Security Standard (DSS) space. Vendor claims range from stating that tokenization helps reduce the scope of PCI to insisting that it makes PCI compliance problems go away. The first claim is fairly accurate; the second is false.

When a solution is caught in a wave of hype and fashion it can be hard to separate fact from fiction. Hopefully, this article will clarify what tokenization can do.

What does tokenization do?

First, tokenization is not snake oil. It is an example of good security principles put into practice. People go wrong when they exaggerate its effect until it becomes likened to a "magic pill."

The principle behind tokenization is simple. The best way to handle security concerns, such as the theft of stored data, is to avoid the problem altogether. By far the best way to protect cardholder data that you store is to stop storing it. No one can steal what you don't store.

That's fine in principle, but for many merchants there's a downside to not storing cardholder data like primary account numbers (PANs): their businesses need that information on hand so they can do things like recurrent billing.

Tokenization gives merchants the benefits of storing data, without the security costs. The benefit of storing PANs and other sensitive information is that merchants can then reuse the cardholder data for subsequent transactions by passing it back up to the gateway or processor.

But since we're talking about subsequent transactions, the gateway or processor has already handled the same cardholder data before. If the gateway or processor stores the details, what it needs from the merchant isn't the sensitive information itself, but rather a suitable reminder so it can pull the information out of its database.

In effect, instead of the merchant storing and then resending sensitive information like the cardholder's name, card number and expiration date, the merchant can just identify the customer, provide the amount of the new transaction and ask the processor to look up the account details.

How does it work?

In practice, the processor and the merchant agree to label a particular customer with a unique "token" (typically a 16-digit number), and all the merchant needs to store is the token, not the PAN and other identifying information.

The merchant then reuses the token every time he or she would otherwise have reused the sensitive information. The processor knows that when the merchant sends up that token, it needs to go look up and load that particular customer's details.

A few things to note:

- Tokenization naturally works at the account level, not the transaction level, since transactions are not perfect repeats of earlier ones (especially when you take into account things like time-stamps).

  That isn't a problem, because the details of how much to charge, etc., are simply not that sensitive.

- It is critical that the token not be a disguised PAN: it needs to be essentially a random nonsense number that's only useful as a label.

  That way, if the merchant gets hacked and the tokens are stolen, it isn't anywhere near as much of a problem as having the PANs stolen, because the attackers can't possibly extract the PAN from the data they've stolen.

- Tokenization relies on the real information being stored at the gateway or processor, so it shifts the burden of security from the merchant to the gateway or processor.

  The idea is that these entities have the size and sophistication to do a superior job of protecting that sensitive data.

- The idea of using a 16-digit token is so that it can be treated like a PAN in a merchant's existing computer system.

  Thus the merchant doesn't have to undertake a significant system upgrade. The real meaning of the token only comes into play once it hits the gateway or processor.

It is critical to note that tokenization does not eliminate PCI responsibilities for merchants. Merchants are still accepting payment cards and must continue to comply with the PCI DSS. This becomes obvious when you think about it, because tokenization doesn't replace the need to get the cardholder data into the system in the first place.

How will merchants benefit?

There are very real benefits from tokenization, though, for most merchants. These include:

- Merchants and their customers enjoy a substantial improvement in security when tokenization is employed.

- Tokenization simplifies PCI compliance for the average merchant. It does this by reducing the scope of PCI because merchants can now (hopefully) answer no to the question "Do you store cardholder data?" This also means that merchants can either answer "not applicable" to a range of messy questions about cardholder data security or avoid the questions altogether by qualifying for a simpler version of the Self-Assessment Questionnaire.

This last point should make it clear that tokenization doesn't do much for merchants if, for different reasons, they continue to store PANs in systems other than those set up for payments.

The payoff from tokenization is being able to stop storing sensitive cardholder data. There is only a tiny benefit in storing the data in one place instead of two; 99 percent of the payoff comes from going from one storage place to none.

I recommend that merchants (or the ISOs, merchant level salespeople and banks acting on their behalf) keep the following points in mind when evaluating companies that provide tokenization:

- Look for a solution provider who understands that tokenization shifts a big part of the data security burden to the provider but does not eliminate merchants' responsibilities in this regard.

- Don't trust a vendor who says tokenization makes PCI go away. Anyone who says that is willing to put you at risk and misinform you just to make a sale.

With these simple guidelines in place, merchants, ISOs and others have an opportunity to use tokenization to simplify and secure an important part of their businesses. 🖼

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

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Ask, don't sell

By Jeff Fortney
Clearent LLC

In improvisational comedy there is a game called Questions. The goal is to speak only in questions, and the first person that responds with a statement, rather than a question, is out. It's amusing to watch players as they struggle to respond with a question. This game may sound easy, but it's actually quite challenging.

In sales, we often talk about the art of questioning. However, if you look back at some of your recent conversations with merchants, you will probably find more often than not that you'd be the first one "out." I can recall many times when I would have been.

Those who master the art of questioning find selling easier; they get decisions faster and are more successful. So my question to you is, what prevents you from mastering this art?

The answer is found in two areas: excitement and the desire to be an expert.

Excitement

It happens all too often. You ask your normal opening questions, and the merchant is comfortable sharing concerns about his or her current processor. For example, a merchant may say, "My statements are too confusing. Plus my processor doesn't help me when I have questions, but I wish they would."

This sounds like an opening for you to demonstrate your expertise and move the sale along, right? The merchant appears to be interested, and if you've had a slow response day, your excitement to respond may be hard to hold back.

You immediately say, "Our statements are easy to read, and we have a great help desk. We work hard to answer the phones quickly and give you real world answers to your questions." You pull out a sample statement and prepare to proceed with the application because, obviously, you are the merchant's best choice – or maybe you're not.

In your excitement you forget to ask, "What kind of questions do you have that your processor isn't helping you with?" If you had asked this important

question, you would have found out that the merchant just received a number of chargebacks and felt that the reasons for them were invalid.

Or you may have found out that the merchant was concerned about data security and his or her processor wasn't providing easily understandable information.

By jumping right to the solution, you are missing the opportunity to learn about some very important issues. If you had asked one more question, you could have addressed the merchant's data security question or reviewed a chargeback concern.

However, your excitement prevented you from differentiating yourself from the last salesperson who engaged the merchant, and that difference would have gotten you the deal instead of just a noncommittal maybe.

So, if a merchant voices a concern, take a deep breath, fight your urge to respond with a statement, and ask that one extra question. The lesson learned is that you can't assume the first issue the merchant raises is the real issue. Always ask at least one follow-up question before offering a solution.

> *By jumping right to the solution, you are missing the opportunity to learn about some very important issues. If you had asked one more question, you could have addressed the merchant's data security question or reviewed a chargeback concern.*

Expertise

Everyone wants to work with an industry expert, and all merchant level salespeople (MLSs) want to know as much as possible about our chosen profession. However, in sales there is a major difference between having knowledge and using it effectively. Dangers lie in how the feet on the street use their expertise.

In some cases, MLSs attempt to apply their knowledge about a particular situation to a different set of circumstances. This usually happens because of the complexity of our industry, and often a correct answer to a problem may seem to fit another situation. But, in reality, it doesn't.

When you translate your knowledge to a new situation, you run the risk that your proposed solution may not work. This means you will likely lose the merchant's business along with all future business he or she could have sent your way through referrals. And worse, you will have damaged your reputation.

Another danger lies in how knowledge is shared. All too

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Education

often MLSs have the correct answer but explain it in industry jargon or in terms that are too complicated for the merchant to understand. Doing so can be detrimental to your career, as merchants may start to feel inferior to you because they don't quite understand what you're saying.

When this happens – no matter how brilliant your solution is – merchants probably won't do business with you. In both cases, less is more. Before demonstrating your knowledge, ask one more question: "What has your current processor done about that?"

For example, a merchant mentions being tired of the fact that some of the cards he or she accepts are resulting in either nonqualified transactions or higher interchange costs. Rather than going into lecture mode about how interchange works, ask the follow-up question I just mentioned. But don't be surprised if the merchant says, "My processor hasn't done anything about it. They say they don't know why it's happening."

Your response should be, "That really surprises me. I always tell my merchants to do everything the terminal asks them to do. What types of cards are causing these higher costs? Are you being asked for certain information when you run the card?"

If the answer is no, explain what may be missing, but make sure to do so in terms the merchant can understand. Again, express surprise that the merchant's current provider hasn't offered to help.

Instead of using information to demonstrate your expertise, use basic industry knowledge to address the merchant's concerns. The lessons learned:

- Use industry knowledge only when it fits a specific situation.
- Be sure to use words the merchant will understand.
- Find a way to relate your solution to the merchant's point of view.

Practice makes profits

The only way to master the art of questioning is to practice. Use your family or friends, and see how long you can hold a conversation by responding only with questions. It may frustrate them, but you will soon learn how to prevent your excitement and expertise from getting in the way of a sale.

After a while, you'll find that you're asking more questions than you're answering, which is a good thing. 🔲

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

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How to use direct mail to build your business

By Peggy Bekavac Olson

Strategic Marketing

A frequent request I receive from ISOs and merchant level salespeople (MLSs) is for help with lead generation direct mail campaigns. They've either tried them in the past with limited success, or they just want to get their feet wet and don't know where to begin. This article focuses on direct mail marketing with the hope that you will use this effective sales tactic to help grow your payments business.

Direct mail overview

Direct mail takes printed promotional material and delivers it directly to prospective buyers of your products and services. The goal is to motivate them to respond to a call to action; in other words, take some kind of action toward making a purchase.

One of the benefits of direct mail is its ability to communicate information to almost any conceivable target group for a relatively low cost. It can create awareness and interest in your company, as well as your products and services, and be useful in generating leads outside your usual customer base or geographic area.

Printed promotional material used for direct mail typically fits into one of five formats: letter-sized envelope, postcard, oversized envelope, dimensional mailer and catalog. Delivery options include using the postal service or one of the large private shipping companies.

Direct mail typically contains a special offer, discount or incentive to entice prospects to take action. A call to action can be as simple as asking the recipient to pick up the telephone or visit a website to obtain further information about your company and its products and services, schedule a sales call, see a demonstration or even apply for a merchant account.

As a marketing tactic, direct mail can be your company's sole lead generation activity, or it can be combined with other efforts such as advertising, public relations, events, social media, web marketing, email marketing, telemarketing and more.

Ultimately, the goal of direct mail and other marketing tactics is to fill your sales funnel, or pipeline, with enough leads so that when moved though the sales process, some prospects become your customers.

Response rates and frequency

Direct mail response rates can vary greatly and are dependent on brand recognition, the product or service being offered, mailer appearance, the offer and the way it's presented, the mailing list used, time of year, general economic conditions, mood of the recipient – the list goes on. In general, over half the battle for a good response rate depends on the quality of the list you use; the other major success criterion is the ability of your promotional material to spur action.

Although response rates are difficult to estimate without specific context around a particular direct mail campaign, benchmarking statistics are available. The Direct Marketing Association's *2010 Response Trends Report* disclosed these findings:

- Response rates for direct mail have held steady over the past four years.

- The average response rate for direct mail across the 10 industries and markets surveyed was 2.61 percent.

- Letter-size envelopes achieved a response rate of 3.42 percent for a house list (developed internally by a company) and 1.38 percent for a prospect list (purchased or rented from a list broker).

- Nearly 60 percent of direct mail campaigns in financial services aimed to produce a direct sale; the other approximately 40 percent intended to further the sales process.

- Financial services response rates were comparatively low, averaging 2.66 percent for a house list and 1.01 percent for a prospect list.

- Business-to-business campaigns yielded greater success than business-to-consumer campaigns for financial services companies.

In my business, the response rates I've experienced using "cold" prospect mailing lists hover between 0.5 and 2 percent. With a highly targeted house list, an attractive mailer and a compelling offer, I've seen much better response rates, sometimes as high as 10 percent or more.

So why are response rates important? They matter because they help determine whether a campaign will be cost effective. The first step involves figuring out the break-even response rate. This can be done by calculating the number of leads that will need to be generated by the direct mail piece and funneled through the sales cycle before the campaign pays for itself.

If your break-even response rate is too high, you might want to consider less expensive lead generation methods such as email marketing, pay-per-click advertising, events and so on. If the break-even rate seems feasible, streamline direct mail costs by obtaining competitive bids for

> *Regarding frequency, it's more effective to hit a small, targeted list repetitively than it is to send to a large list only once. The marketing rule of thumb is that it can take up to seven touches, or contacts, involving a buyer and seller to make the sale.*

printing, production and fulfillment. Also examine ways to reduce postage and shipping expenses.

When your promotional material is ready to mail, start with a small campaign to test its response rate. You don't want to continue investing in a bad campaign if the response rate is low. Also try to make improvements to your campaign to increase its effectiveness, perhaps by tweaking your call to action or making your offer more attractive.

Once the response rate is acceptable, increase the number of direct mail pieces you send out. Remember to keep your expectations reasonable. It's better to be conservative and exceed expectations than to forecast tremendous success and be disappointed.

Regarding frequency, it's more effective to hit a small, targeted list repetitively than it is to send to a large list only once. The marketing rule of thumb is that it can take up to seven touches, or contacts, involving a buyer and seller to make the sale.

Sending repeatedly to the same list not only increases brand recognition and establishes credibility, but it also improves the odds of reaching prospects when they are ready to buy. Failure on an initial campaign may just mean that you have to reach out a few more times to achieve success.

Six steps to success

To ensure the best results with your direct mail campaign, make sure you:

1. **Target the right audience:** Who you mail to is the most important aspect of a direct mail campaign. It's all about the list; it will make or break your mailing. Target potential prospects based on the characteristics of your best and most profitable customers (standard industrial classification code, location, revenue, years in business, credit worthiness, etc.). If you target businesses that aren't interested in what you are offering, it doesn't matter how wonderful your campaign is, it won't produce the results desired. You must reach the right audience who has the need you're addressing.

2. **Choose your words wisely:** Write to the recipient of your mailer and don't overdo the text. Be clear about what you are promoting and the message you are sending. Sell benefits, not features. Communicate effectively and appeal to your intended recipients, so they understand what you can do to help them and why they should act. Don't forget to include your company's phone number and website address.

3. **Develop an enticing offer:** Don't forget the call to action. Make an irresistible offer. Entice response by offering valuable content such as payment processing tip sheets or secrets on how to increase sales. You might want to offer a free gift, a discount or even a rebate on processing fees for those who become customers.

4. **Create an attractive mailer:** Make sure the creative design fits your audience and your offer. Develop a colorful, professional mailer that reflects your corporate brand identity and sends the right message to potential customers. Don't use boring corporate stationary.

5. **Test and analyze your results:** Learn from your campaigns. Which campaigns produce the best return on investment? Sometimes the campaigns with the highest response rates aren't the most successful. Examine response rates, average sale and costs to determine what works best so that you can make adjustments and improvements.

6. **Repeat and follow up.** Remember the seven touches marketing rule of thumb. Touch your list multiple times with direct mail, or use an integrated approach with a combination of direct mail and other marketing tactics such as email marketing, telemarketing and advertising.

Hopefully, you now know enough about direct mail marketing and how it can benefit your company to give it a try. Your sales pipeline should swell with the results.

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.

Global opportunities mean global strategies

By Carrie Hometh

RocketPay LLC

An increasing number of ISOs and acquirers are asking RocketPay LLC what it takes to build an international payments strategy. I thought an article in which I share some thoughts on the subject would be of interest.

Great opportunity

I'll begin by looking at the opportunity. Global e-commerce volume is projected to be $963 billion by 2013. RocketPay projects an approximate 9 percent e-commerce growth for the U.S. market, an 18 percent e-commerce rise for the European market and a 27 percent growth for e-commerce in the Asia Pacific market this year. Most importantly, 43 percent of e-commerce merchants who are not currently selling internationally have indicated they plan to begin international e-commerce sales this year.

It's obvious the global opportunity is significant. To exploit it, a payment business must adapt its technology. Here are two important factors to consider in this regard:

1. Card-not-present transactions come in a variety of technology flavors that are commonly called e-commerce (Internet), v-commerce (virtual POS), m-commerce (mobile device) and s-commerce (social media).

2. Internet gateways must be multiple currency, have multiple language support, and have connectivity to acquirers worldwide and country-specific payments. Gateways should also have fraud tools, robust reporting and reconciliation, and short message service/email alerts.

International acquirers

Next, a payment business must choose an international acquirer. This selection depends on what region or regions you (and your merchants) want to expand into. It also depends on the kinds of merchants you target. More and more, international acquirers are interested in working only with partners who will bring a balanced portfolio, not just high-risk accounts they want to dump "off shore."

When you work in e-commerce internationally, employ a weighted fraud offering that addresses "friendly" fraud. Use a good chargeback management system that recognizes international acquirers will probably want to work with your merchants directly. And be sure you have chargeback insurance. All of these costs can be charged directly back to merchants.

Additionally, your internal staff, external agents and value-added partners will need training and collateral that will assist in selling new technologies and payment types. Your marketing team will need to alter your websites, social media, presentations and proposals to adapt to new markets. The underwriting and risk team will need to be prepared to assess merchant applications from different parts of the world. And remember that your personnel will have a new process to deal with.

As an industry, we are accustomed to seizing the kind of dynamic new opportunity now evident in international payments. This is what makes us strong and relevant now and will continue to do so in the future. 🖼

Caroline (Carrie) Hometh is the Executive Vice President, Sales for RocketPay LLC. She can be reached via email at chometh@rocket-pay.com; via office phone at 978-255-3109, wireless at 978-807-5047 and direct at 978-462-3459; via the web at www.rocket-pay.com.

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NewProduct

Tapping the government and education markets

Product: ConvenuPAY

Company: Electronic Merchant Systems

With budgetary cutbacks an ongoing concern, many public agencies and educational institutions want to trim costs and, until now, accepting card payments online was cost-prohibitive for most such organizations. ConvenuPAY by Electronic Merchant Systems offers a Payment Card Industry (PCI) Data Security Standard (DSS)-compliant, web-based credit card payment application that enables agencies to process card transactions in real time and mitigate costs with a convenience fee.

According to EMS President Dan Neistadt, card acceptance in this space has been minimal. "Quite often, they are not accepting cards or they accepted cards in the past," he said. "Especially in a municipality situation, they stopped taking cards. They didn't think it was fair passing that cost across all constituents, including ones that don't pay by credit card. So [ConvenuPay] gives them the ability to charge a fee for the convenience of using that plastic card for payment."

While card company rules vary, a provision exists whereby public agencies and educational institutions can charge a convenience fee to cardholders who have chosen to opt in. Neistadt said the fee is set to cover interchange and service costs; in the case of ConvenuPAY, these include a licensing fee for each account activated. Agencies are then able to integrate an unlimited number of individuals on multiple levels at no additional cost.

How it works

ConvenuPAY's Virtual Point of Sale program features a virtual terminal interface for processing face-to-face or back-office transactions. A unique identifier function permits clients to update internal and external billing systems. The navigation tools direct office personnel to a secure payment page that integrates with existing websites. The fill-in form on the customer-facing payment page includes the required cardholder opt-in and calculates convenience fees automatically.

According to EMS, a city government can implement the program across all city departments that accept credit card payments. Clients can control which departments employees have access to and define user roles. ConvenuPAY allows each department to maintain compliance with card brand convenience-fee requirements

Features of ConvenuPAY include:

- Web-based, self-service payment option improves cash flow

- Adaptable user-identification interface simplifies payment tracking

- Customer opt-in and convenience fee calculation is fully automated

- Web-based PCI DSS Level 1 hosting environment provides security

regardless of merchant category code, acceptance environment or card types accepted.

The ISO appeal

After extensive research, EMS determined the time was ripe to enter these virtually untapped institutional markets, but it had to eliminate cost and regulation as barriers to card acceptance. EMS was also convinced that payment volume in these markets is more stable than in the traditional merchant sphere and could ultimately lead to steady, long-term revenue for merchant level salespeople.

As to what the sales cycles are for these entities, Merrell Sheehan, Vice President of Product Development for EMS, said, "In a small entity, we're seeing 30 to 60 days; larger entities take longer. It all depends on where you start and where they are in their budget cycle. We have found that this is somewhat of a specialized sale. We're here to help our agents and direct salespeople relative to the sale, but we do need somebody that has sold in this space before."

According to Sheehan, finance directors typically make purchasing decisions for educational institutions, but this is not the case for government agencies. Depending on the size of the city or municipality, buying decisions can be made by a mayor, an executive director or a department head, he said.

For ISOs interested in creating a service bureau-type of payment offering, ConvenuPAY's aggregator can centralize payment processing with an unlimited number of institutions. The company offers a web-based, on-demand training program for agents and prospective clients. 🔳

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One cost effective way to raise industry awareness about your business is through the corporate press release. Hiring a new vice president, reaching a corporate milestone, introducing a new product or service, or signing an agreement with another company are all occasions that merit a press release.

Once the release has been composed, you can send it in an email to media outlets like *The Green Sheet* (*press@greensheet.com*) or pay a fee to have a newswire service distribute it for you. Whatever works best for you, the goal is to get your name out to your targeted market and circulating in the media ecosystem on a regular basis.

The main benefits are threefold. First, the occasional press release affords your business instant name recognition. Even if individuals can't quite remember where they saw your name online, it will register when you hand out your business card at the next tradeshow. And this is far better than handing cards to people who haven't heard of you before.

Second, news organizations often get story ideas from press releases. For example, if you announce you have just topped a certain processing volume in a particular niche market, it may catch the attention of a news department and result in a call from a reporter for more information about how you conquered that market. To have your company mentioned, and company representatives quoted, in articles raises the prestige of your business.

Third, your colleagues and competitors read press releases, too. Your legitimacy as a player in the industry, no matter how small you may be, is therefore enhanced when your company news finds its way into the news feed along with Visa Inc. and First Data Corp.

Here are a few things to keep in mind as you compose press releases:

- Pay attention to grammar and punctuation, as a poorly written press release can reflect negatively on the professionalism of your business.
- Be concise and straightforward since the attention span of readers online is famously short.
- Supply datelines and contact information for the media. 🖼

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10 years ago in The Green Sheet

The Green Sheet was 36 pages.

Self-checkout hits chain stores

NCR Corp. shipped more than 1,000 of its self-checkout units to stores including Albertson's LLC, Wakefern Food Corp. and Kmart. The terminals allowed shoppers to scan, bag and pay for items. NCR reported customer usage in stores where the units were deployed to be as high as 37 percent of in-store transactions.

Wachovia and First Union to merge

Wachovia National Bank and First Union Corp. penned a merger agreement combining both companies under the Wachovia Corp. name. About a week before the merger, Bank One Corp. agreed to buy the $8 billion credit card portfolio of Wachovia, moving 2.8 million customer accounts to First USA, Bank One's credit card unit.

Checks dominate online orders

E-Procurement Trends at Mid-Sized Companies, a study conducted by Bruskin Research on behalf of American Express Corporate Services, found that 40 percent of midsize companies in the United States were making purchases online. Of those, 44 percent paid by check, and 43 percent used a credit or company purchasing card.

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Industry Events

SourceMedia and American Banker
Mobile Banking & Emerging Applications Summit

Highlights: The event covers a range of topics, from the basics of mobile banking and payments to emerging applications that will take financial institutions into the next phase of mobile financial services.

It brings together the various constituencies in the mobile financial services value chain, including banks, payment networks and processors, manufacturers, retailers, mobile vendors and service providers, who will be sharing perspectives and experiences.

Workshops will cover the mobile marketing channel, mobile devices as a payment tool, security and fraud management, content and application development, mobile commerce, and other topics.

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5th Prepaid Cards and Mobile Payments Conference

The world of prepaid cards is undergoing continuous change, particularly in terms of government regulations, emerging technologies and improved methodologies. This conference promises to help attendees learn how to effectively capitalize on the dynamic shifts within the industry.

With a dual focus on prepaid cards and mobile commerce, the slated sessions include:The Next Level in Prepaid Cards – Integrating Card Benefits into E-Commerce and Mobile Platforms; Staying Ahead of the Game – Understanding Prepaid Regulatory & Compliance Trends to Advance Prepaid Card Strategy and Development; Maximizing the Value of Prepaid Cards through Integrated Merchandising; and What's Next in Payments? Insight into Driving Payment Innovation through Mobile Solutions.

When: June 20 – 22, 2011
Where: Denver (venue to be determined)
Registration: *https://secure.iqpc.com/srs2k.dll/ chooseregistration*

2011 Calendar of events

To submit your event to this calendar, email a press release to press@greensheet.com. Please include the name, date and location of the event, as well as highlights of planned activities and registration contact information.

2011 Event	Date	Location	Web site
W.net, 2011 Super UNC	May 9	San Diego	w-net.biz/pagedisplay.asp?p1=7834
ETA 2011 Annual Meeting & Expo	May 10 – 12	San Diego	www.electran.org/content/category/6/35/118
Glenbrook Partners, Payments Boot Camp	May 18 – 19	San Francisco	www.glenbrook.com/bootcamp-merchant.html
Federal Reserve Bank of Chicago, Annual Payments Conference	May 19 – 20	Chicago	www.chicagofed.org/webpages/events5th Annual Mobile
Banking & Emerging Applications Summit	June 5 – 7	New Orleans	www.americanbanker.com/conferences/mobile11
NACHA, Global Payments Strategies Conference	June 7 – 8	San Francisco	www.nacha.org
CSFI, 6th Annual Underbanked Financial Services Forum	June 8 – 10	New Orleans	http://cfsinnovation.com/events/article/440652
W.net, UNC Northern California	June 14	San Mateo, CA	http://w-net.biz/PageDisplay.asp?p1=7965
IQPC, 5th Prepaid Cards and Mobile Payments Conference	June 20 – 22	Denver	www.prepaidcardsevent.com/Event.aspx?id=482550
ACI, 4th Annual Forum on Prepaid Card Compliance	June 23 – 24	Washington	www.americanconference.com
MWAA 9th Annual Conference	July 27 – 29	Oak Brook, IL	www.midwestacquirers.com/latest_news.php
W.net, Career & Leadership Summit	Sept. 12 – 13	Atlanta	http://w-net.biz/PageDisplay.asp?p1=8607
WSAA 2011 Annual Conference	Sept. 21 – 22	Burlingame, CA	www.westernstatesacquirers.com
GACHA, Solutions 2011	Sept. 21 – 23	Atlanta	www.gachasolutions.org
BAI Retail Delivery	Oct. 11 – 13	Chicago	www.bai.org
Payments Authority, Concepts 2011	Oct. 12 – 14	Mt. Pleasant, MI	www.paymentssource.com/conferences/atmdebit/Epcor
Epcor Payments Conference, Fall 2011	Oct. 25 – 27	Kansas City, MO	www.epcor.org/imis15/epcor
Payments Source, 19th Annual ATM, Debit & Prepaid Forum	Nov. 2 – 4	Las Vegas	www.sourcemedia.com/events
AFP Annual Conference	Nov. 6 – 9	Boston	www.tradeshowregistrar.com/regsystem18/?event=AFP2011

ETA
May 10 - 12

NACHA
The Electronic Payments Association™
June 7 - 8

MWAA
MidWest Acquirers Association™
July 27 - 29

Inspiration

"Victorious warriors win first and then go to war, while defeated warriors go to war first and then seek to win."
– Sun Tzu

Learn to make use of conflict

When you are an ISO or merchant level salesperson (MLS), conflict is part of your working life. Going to war with competitors is just part of the business. It is important to keep in mind conflict is a process not a result.

In *The Art of War*, the revered ancient Chinese military strategist Sun Tzu reminds his students, "The supreme art of war is to subdue the enemy without fighting." When you are making a sales call it is critical to prepare yourself like a warrior, honing your skills, developing your strategies and understanding your objectives. Most important, you need to carry a right attitude, that is, confidence and enthusiasm, into your sales meetings.

Conflict is normal

Sales professionals know conflict is a normal and constructive part of doing business. Many relish competition and conflict as an opportunity to demonstrate their knowledge of the business, solution skills and problem solving against those of their competitors.

The best sales professionals carry themselves with self-confidence and have the courage to tackle any situation or objection that stands in the way of making their sale.

Often, a winning attitude results in ideas and strategies that produce win-win negotiations where both sides come away with value-added packages. A sales call is no place for passive-aggressive behavior. Conflict is a fact of business and avoiding it is not the path to sales success.

What to remember

Here are some things to remember when conflict arises:
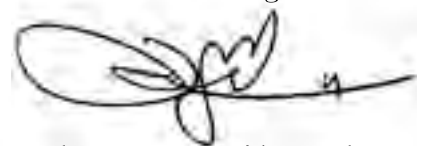
- If a customer questions prices, products or services, look at this as an opportunity to differentiate your products from your competitors' and a chance to highlight where your products out perform the competition.

- It takes two people to have a conflict, and it takes two people to resolve it. Be ready to talk about differences and find solutions. To resolve the conflict, you will have to consider the needs of the other person. Compromise is not weakness. When good solutions are reached good relationships are formed.

- When you don't win an account, find out why, and use the experience as an opportunity to take a second look at your opinions, ideas and perceptions. Conflict can result in better solutions.

- Make notes after your sales calls. Competition stimulates thinking and sharpens judgment.

Trust and conflict can coexist

Finally, do not let conflict undermine trust. MLSs and their customers have different issues. Those differences can result in conflict but they don't have to result in a lack of trust.

After a dispute is resolved, follow up with a note, a phone call or another way for the merchant to offer feedback. Giving your customers the last word can go a long way toward winning trust and forming lasting, profitable relationships.

Good Selling!SM

Paul H. Green, President and CEO
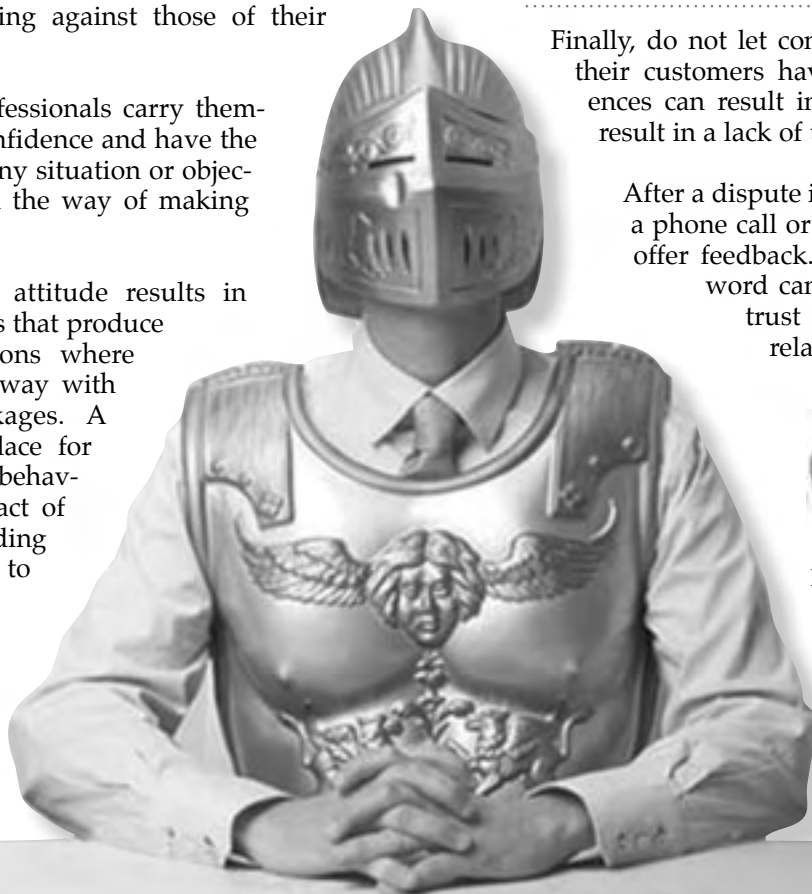
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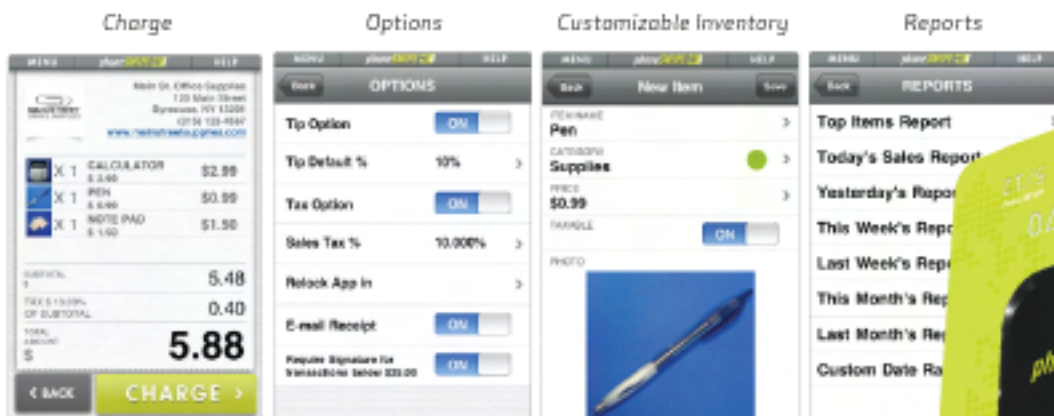
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