The Green Sheet

June 27, 2011 • Issue 11:06:02

Mobile privacy hot topic in Washington

Rapid adoption of mobile payments against a backdrop of major data security breaches has renewed concerns in Congress about efforts to protect consumers against the misuse or theft of private information, such as account numbers or shopping habits. During hearings held in both the House and the Senate in May 2011, lawmakers put businesses on notice that they are closely monitoring these dual situations and that they intend to legislate protective remedies if pressed.

"Consumers continue to lose more control over their personal information, and smart phones are part of this trend as they become more versatile," Sen. Mark Pryor, D-Ariz., said during a May 19 hearing before the Senate Committee on Commerce, Science and Transportation Subcommittee on Consumer Protection, Product Safety and Insurance.

"Until there are basic parameters and best practices in place, I have a real concern this problem will only get worse."

In addition to general consumer privacy concerns, lawmakers have said they are concerned about the use of geo-tagging, which uses Global Positioning System coordinates to pinpoint and store information about where people go with their smart phones. Recent reports suggest several of these devices can be used to collect such information without users' knowledge or consent.

"Like many Americans, I am deeply concerned about the recent reports that the Apple iPhone, Google Android Phone and other mobile applications may be collecting, storing and tracking user location data without the user's consent," Sen. Patrick Leahy, D-Vt., and Chairman of the Senate Judiciary Committee, said at the start of a May 10 hearing before that panel's Subcommittee on Privacy, Technology and the Law. "I am also concerned about reports that this sensitive location information may be maintained in an unencrypted format, making the information vulnerable to cyber thieves and other criminals."

In early June, Leahy introduced the Personal Data Privacy and Security Act, a bill he has introduced in three previous sessions of Congress. The bill proposes strict data protection requirements on businesses that collect and store sensitive personal information about consumers, and standards for national data breach notification, among other things. Leahy said recent reports of data breaches, in both government and the private sector, "are clear evidence that developing a comprehensive national strategy to protect data privacy and security is one of the most challenging and important issues facing our country."

Franken leading effort to protect privacy

Meanwhile, Sen. Al Franken, D-Minn., Chairman of the Judiciary Committee's Subcommittee on Privacy, Technology, and the Law, wants Apple Inc. and

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NotableQuote

Just as the phone evolved from a rotary dial apparatus into a small, portable, personal digital assistant with its own set of accessories, today's credit card terminal is compact and configurable, with multiple communications options and the ability to support an array of ancillary, nonpayment applications.

Inside this issue:
CONTINUED

WINNER **41 Awards in 9 years**

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Forum

An ISO with an offer

We love *The Green Sheet*, and now that we are looking to hire a merchant services customer support specialist, we'd love to see if there is a way to share that opportunity with *The Green Sheet* community. Could you please let me know who I could talk to about that?

Alexia Marcous
Dharma Merchant Services

Alexia,

We have the perfect resource for you. It's a spot where companies such as yours can post job openings online. First, you'll need to register on our website. To do so, go to our home page, www.greensheet.com. Click "Register Today!" in the upper right-hand corner and follow the prompts. After registration is complete, click on the "Forums" link just below our masthead, and then click on "General Information – New Users Look Here." (The link is to the right of a flashing red light, so it's easy to spot.) There you'll find out how to join a user group and post to our "ISO Staff Positions Needed" forum.

Editor

A note of gratitude

We received the following note from Mike Morris in response to "Getting off to the right start," in the Forum section of *The Green Sheet*, June 13, 2011, issue 11:06:11. The entry contained advice from Jason Felts on how to embark upon a career in the payments industry:

Thank you so much for the information. I didn't think someone of Jason Felts' stature would respond to me personally, but I will heed his advice and absorb from every source all I can to shore up my resolve to do this position well.

I look forward to reading the future *Green Sheet* magazines. This past week I read Paul H. Green's books, *Good Selling!*[SM] and *Good Selling!*[SM] 2. They really explained the salesperson process extremely well. I look forward to reading them again to glean even more. The cartoons and especially the quotes from so many sources are truly encouraging. I would think that these books would be a "must read" for anyone entering or needing encouragement to continue in this endeavor.

I continually recall Green's mention of SWSWSWN (Some Will, Some Won't, So What, Next"), as it deflects rejection as a personal item and makes me dust off my shoes and move on.

Mike,

It looks like you are indeed getting off to a fine start in the payments industry. I hope you check in with us from time to time to let us know how your career is unfolding. Best of luck to you.

Editor

Correction
Wowed by Paycloud

In "ETA annual docks in San Diego," *The Green Sheet*, June 13, 2011, issue 11:06:01, we listed several Electronic Transactions Association award winners honored at the association's 2011 Annual Meeting & Expo in May.

We regret the article did not mention that SparkBase won the ETA's 2011 Technology Innovation Award for Paycloud, a smart phone-enabled mobile wallet for loyalty and gift card programs. In a press release about the award, SparkBase noted that Paycloud securely integrates with merchants' existing credit card terminals.

SparkBase Chief Executive Officer Doug Hardman added, "We are thrilled to receive this highly coveted award. For years, consumers have been forced to carry around rubber bands full of gift and loyalty cards to save money at their favorite stores. Paycloud provides an alternative that is perfect for those people who rely on their smart phones for nearly everything."

We mentioned Paycloud's win in issue 11:06:01's SellingPrepaid section but should also have included it in the article about the ETA. Congratulations to you, SparkBase, for this achievement.

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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50

News

PCI DSS effectiveness questioned

A Federal Reserve blog post questioned the viability of the Payment Card Industry (PCI) Data Security Standard as a long-term solution to data security in the United States. Is the ultimate solution switching from mag stripe to chip and PIN technology? Data security experts weigh in.

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Education

Street Smarts℠: Timely tips for MLSs

GS Online's MLS Forum is a treasure trove of useful information and advice for sales agents. In the tough business of merchant processing, merchant level salespeople (MLSs) have come up with creative selling strategies to generate business, such as making the Durbin Amendment a sales tool or creating turnkey gift card marketing packages.

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News

Bling Nation may rise again

The promise of Bling Nation as a challenger to the dominance of the major card brands has been derailed by the May 2011 news that the mobile payment firm was retooling. Bling Nation reportedly developed problems earlier this year when merchants balked at the way the company rolled out its FanConnect marketing software.

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Education

Will POS control solve merchant attrition?

In this hyper competitive industry, ISOs that partner with POS vendors may have an edge. ISOs can leverage these proprietary POS systems to make merchants more sticky. Alliances with POS vendors might prove to be one of the best ways ISOs can secure their futures.

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Industry**Update**

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NEWS

Square unveils new POS features for iPad

A new **Square Inc.** application for the iPad, called Square Register, works like a cash register with checkout and sales tracking capabilities. The Square Register also has added communication features with a new mobile wallet application, Card Case, which allows consumers to search local businesses, view menus, track and store digital receipts, and open digital tabs to make purchases on iPhone or Android devices.

Square is a mobile payment startup founded by the co-creator of Twitter, Jack Dorsey. Square technology – both the software and credit card reader – is free.

"Cash registers and credit card terminals are relics of an expensive, complicated and impersonal commercial transaction system," Dorsey stated in a press release.

"We revolutionized the payment industry with the Square card reader which makes it possible for anyone to accept credit cards on their phone. Now with Square Register, we're reinventing point of sale with a beautiful, intuitive iPad app. Card Case goes beyond point of sale to transform the entire buyer-seller relationship."

The Square Register allows businesses to manage sales using touch technology, check daily transactions, update pricing, automate checkout, generate digital receipts and maintain virtual storefronts.

First NFC forum set

The **Smart Card Alliance** and the **NFC Forum** plan to co-sponsor a conference on near field communication (NFC) technology in 2012.

This will be the first forum held in the United States dedicated to discussing facets of NFC technology, such as devices and add-ons, support, development, implementation, and use. Additional topics to be covered include a discussion on different use cases for NFC-enabled applications (including those involving payments and advertising) and how businesses can expand NFC markets.

Smart Card Alliance Executive Director Randy Vanderhoof said, "As the diversity of announcements and partnerships has developed over the last year it shows us there are lots of different approaches to NFC technology."

In addition, Vanderhoof told *The Green Sheet*, "This conference will showcase some of the approaches likely to impact the market. We have so many [different NFC players] in our organization already, we felt it is time to focus on bringing everyone together with the technology partners in the NFC Forum, creating the next generation of technology for NFC leaders."

Vanderhoof said his best guess is the conference will be held in May or June 2012. The location is not yet determined. "It may be on the East Coast," he added. "We just need to find the right size venue that is available at the right time."

More than 150,000 merchants are now capable of processing NFC transactions, and researchers forecast one in six smart phone users will have an NFC-enabled phone by 2014.

Revenues from NFC-aided services are predicted to reach $47 billion in the United States by 2016. Some researchers predict NFC technology will soon be the most widely used mobile payment method.

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

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

- An **American Express Co.** *Spending & Saving Tracker* survey revealed more Americans intend to travel this summer, 59 percent compared with 51 percent in 2010. Also, 70 percent of respondents are planning family vacations in 2011, compared with 45 percent last year.

- According to an **Equity Research** survey, retail capital spending is expected to increase to $42.5 billion in 2011, up 16 percent from 2010. All subsegments, with the exception of mass merchants at 9 percent, are projecting double-digit percent spending increases.

- More than 100 million guests are expected to attend weddings this summer. Based on a wedding registry study conducted by **WeddingChannel.com**, engaged couples typically expect friends to spend $79 and family members $146 on wedding gifts.

IndustryUpdate

MPCT Publishing, Merchant University agent training

California-based **Merchant University** and Michigan-based **MPCT Publishing Co.** are offering education and training for merchant level salespeople (MLSs). Merchant University was already creating online and e-learning courses for ISOs and MLSs when MPCT began asking experts to write course materials to help the publishing company create a menu of training classes from which ISOs and agents may pick and choose.

The two companies believe this merger of resources will result in the creation of a "flagship learning resource for the credit card industry."

MPCT President Bill Pirtle is the author of *Navigating Through the Risks of Credit Card Processing*. He is also a merchant level salesperson and the current author of *The Green Sheet*'s Street Smarts℠ column.

Merchant University Chief Executive Officer Theodore Svoronos has held payments industry jobs in executive management where his responsibilities included managing business development, education, training, regulatory compliance, strategic partnerships and ISO relationships.

He has served on advisory boards, contributed to industry publications, and he is a member of over 10 industry and security organizations.

ANNOUNCEMENTS

Cachet engineers RDC for iPad

Remote deposit capture (RDC) provider **Cachet Financial Solutions** has made its mobile deposit solution, Select Mobile, available on portable tablet devices. Cachet cited research that said consumers are adopting the iPad at a rate that will make the tablet computer the fourth largest consumer electronics category, behind TVs, smart phones and laptops. Thus, having RDC solutions available on tablet computers is key to RDC's long-term success, Cachet said.

Charge Anywhere wins mobile solutions award

Bankers and executives attending the *Bank Technology News*' 5th Annual Mobile Banking and Emerging Application Summit, held in June 2011 in New Orleans, voted **Charge Anywhere LLC** Mobile Solutions Provider of the Year. The award was presented following a live 20-minute Charge Anywhere demonstration.

Charge Anywhere software operates on smart phones and tablets and allows merchants to accept credit, debit, check, automated clearing house (ACH), prepaid and gift card payments, while at the same time managing and tracking business at the POS.

Next-day funding service

Clearent LLC recently launched its Express Merchant Funding service that gives merchants next-day funding for credit and debit card processing. The solution increases merchant cash flow by cutting in half the standard funding cycle, according to Clearent.

ETA seeks first CPP candidates

The **Electronic Transactions Association** will start accepting applications for its new Certified Payments Professional (CPP) Program beginning Sept.1, 2011.

The association will make a presentation on the topic at the Midwest Acquirers Association meeting July 26 to 28 in Oakbrook, Ill. Information about the program can be found at *www.electran.org/CPP*.

BBVA selects Hypercom terminals

Hypercom Corp. disclosed that Mexico's largest bank, **BBVA Bancomer**, will deploy more than 10,000 of its Optimum M4230 mobile payment systems to BBVA merchant customers. The M4230 reportedly was selected in head-to-head competition with other global payment providers' products.

Industry Update

EPI expands to Florida

Long Island-based ISO **Electronic Payments Inc.** is opening a new branch location in Boca Raton, Fla., to increase its presence in key growth markets and support its national growth strategy.

The company reported the new facility has 15,000 square feet of office space and showcases a state-of-the-art data center, a large suite of private offices and ample space to accommodate future growth. The new facility will be Electronic Payments' second commercial location and bring the company's total square footage to more than 30,000 square feet.

MerchantService.com offers educational video

MerchantService.com, a provider of credit card processing services, released a new video, *Online Credit Card Processing Software and Merchant Services*, on its website.

The company said the video focuses on the online merchant transaction process, the benefit of real-time merchant services, the advantages of having a credit vendor as a merchant profit maximization partner, and the importance of great customer service.

Heartland's South honored

John South, Chief Security Officer at **Heartland Payment Systems Inc.**, received the Information Security Executive Central 2011 Award from Tech Exec Networks Inc., a national technology and information security executive networking organization. The ISE Central Awards recognize outstanding achievements in risk management, data asset protection, compliance and privacy and network security, Heartland reported.

ROAM Data extends mobile wallet and checkout

Mobile commerce platform provider **ROAM Data Inc.** unveiled the ROAMwallet mobile checkout solution designed to turn the mobile marketing channel into a mobile sales channel. It is both a patent pending mobile checkout application program interface and a mobile wallet that stores payment options, receipts and other data, ROAM Data said.

USA ePay launches website, hires ThreatMetrix

USA ePay went live with a new website for its PaySaber products. The website, designed to be more user friendly for merchants and resellers, features PaySaber's newest product, PaySaber Clip, a credit card payment device compatible with the iPad, iPod Touch and iPhone.

In other company news, USA ePay hired **ThreatMetrix Inc.**, a cloud-based computing security firm, to help secure the USA ePay system against online fraud and abuse.

Wellington provides eWise $14 million

A group led by venture capital firm Wellington Partners provided $14 million in financing to payment technology provider **eWise**.

The money will be used to build on the success of eWise's Secure Vault Payments joint venture with NACHA – The Electronic Payments Association. Venture capitalists Balderton Capital, TTV Capital and Patagorang also participated in the financing.

PARTNERSHIPS

NHFA picks CrossCheck for processing

Check approval and guarantee company **CrossCheck Inc.** was chosen as a preferred vendor for the **National Home Furnishings Association**, a retail association representing more than 5,000 home furnishing stores across the United States. CrossCheck will offer NHFA members special group pricing on payment services, including standard guarantee, electronic check processing and collections.

IndustryUpdate

EPX, Sprint continue co-marketing

Electronic Payments Exchange, a credit card, debit card and electronic check processor, and **Sprint Nextel Corp.**, a telecommunications provider, heralded the extension of their co-marketing deal. The two companies have partnered since 2009 to encourage wireless payments at third-party-branded DVD rental kiosks. The new deal will allow Sprint customers to receive payment acceptance technology and payment processing services through the Nationwide Sprint Network.

Monitise, Visa collaborate

Monitise PLC, a mobile payment processor, and **Visa Inc.** signed a new five-year deal. The agreement guarantees that Monitise annual revenues will exceed $10 million in the first three years of the new contract. Greater revenues are anticipated in years four and five of the contract if certain benchmarks are achieved. The deal will allow Visa customers to make payments on smart phones and through e-commerce stores.

Nvinium tags Virtual Piggy for game payments

Moggle Inc., provider of the Virtual Piggy payment platform for social gaming, reported that **Nvinium**

Games Inc. will implement the platform on its social entertainment game network that includes MMOFury.com, Unforgivenwar.com and MafiaChaos.com. Virtual Piggy will enable children to transact on Nvinium's social entertainment game network under parental supervision, Moggle said.

Brooklyn chamber taps Paymint

Paymint Associates, a provider of credit card processing, restaurant computer systems, check services, cash advance products, and ATM sales and placements, formed an alliance with the **Brooklyn Hispanic Chamber of Commerce** through which Paymint's services will be available to chamber members.

"It is our goal to provide the lowest cost structure, along with the best possible processing equipment to the chamber's members," said Paymint CEO Steve Feldshuh. "Being a local, Brooklyn-based company will allow us to provide superb customer service and training on all of our products."

TransEngen, iStream team for RDC and ACH

TransEngen Inc., a processor focusing on the health care industry, and **iStream Financial Services Inc.** created a strategic partnership that will have TransEngen certifying iStream's RDC and ACH payment platform. The partnership is expected to provide enhanced payment management

Verizon Wireless, Payfone unite for m-payments

Verizon Wireless and mobile payment processor **Payfone** revealed they are working together to bring a new mobile payment system to Verizon customers. The service will allow Verizon customers to make online purchases from smart phones, tablets and PCs using numerous payment methods, including charging purchases to monthly wireless statements or using traditional payment methods.

ACQUISITIONS

Finint SRL goes to Western Union

The Western Union Co. will purchase one of Europe's leading money transfer network agents, **Finint SRL**. Western Union already owns 30 percent of the company. Finint manages more than 10,000 Western Union sub-agent locations in Italy, Spain and the United Kingdom. The deal is expected to close by year's end.

TSYS takes TermNet

Total Systems Services Inc. (TSYS) purchased **TermNet Merchant Services Inc.** in May 2011.

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IndustryUpdate

TermNet will now operate as TSYS and will be fully a part of TSYS Merchant Solutions. The acquisition means TSYS will serve more than 327,000 U.S. merchant locations, the company reported.

Visa acquires Fundamo

Visa reported it has acquired **Fundamo Ltd.**, a South African mobile financial services platform for mobile network operators and financial institutions in developing economies. Fundamo is used in 40 countries worldwide.

APPOINTMENTS

Arsdale, Woynerowski named First Annapolis partners

Joel Van Arsdale and **David Woynerowski** were named Partners at First Annapolis Consulting Inc., a consultancy focusing on payment-related products, services and delivery in the financial services industry. Arsdale reportedly is a leader in the merchant acquiring business and helped to launch First Annapolis' European office. Woynerowski works in card issuing and oversees the firm's Canadian card issuing business.

Beck named 3Delta Senior VP

Gary Beck was appointed a Senior Vice President for 3Delta Systems Inc. Beck will be responsible for growing U.S. and global business for 3DSI payment processing platform, Payment WorkSuite and other services. Beck held executive sales jobs with Visa prior to joining 3DSI.

Smith to support ISOs for First Data

First Data Corp. confirmed that **Stacia Smith** signed on as Regional Sales Director for the Northeast United States. It will be Smith's job to help ISOs and agents expand the use of First Data products, as well as grow the company's revenue. Smith comes to First Data from Seiko Epson America Corp.

Viadero named Alternet CFO

Alternet Systems Inc., a mobile commerce and communications security company, named **Michael T. Viadero** its Chief Financial Officer.

Viadero has previously held positions with MasterCard Worldwide, W.R. Grace & Co., and First Chicago Bank and Trust Corp. Viadero will supervise Alternet's financial operations and regulatory compliance.

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Data breaches renew privacy concerns

By Patti Murphy
The Takoma Group

A few years ago, Citigroup Inc. ran a series of advertisements proclaiming "Citi never sleeps." Now, I'm not a marketing guru, but I'm willing to bet the intended message was that Citi is a safe place to do business: that no one there falls asleep on the job, so to speak.

Images of those ads ran through my head as I read in June 2011 that Citi had been hacked, compromising information on at least 200,000 credit cardholders.

It wasn't just a sense of irony that triggered those images. It was the rude reminder that securing personal customer information (especially credit and debit card numbers) is like playing a game of whack-a-mole: hackers never go away; they just keep popping up in other places. And these days, those other places include some really big companies.

Breaches becoming commonplace

News of the Citi hack followed reports in late March that hackers had gained access to millions of email addresses at Epsilon Data Management LLC (which is used by some of the largest banks and retailers for email marketing blasts) and in April about a breach at Sony Corp. that compromised information on more than 100 million users of that company's PlayStation online game network.

Also, RSA Security Inc., a data security firm used by many of the largest banks and other companies revealed this spring it was breached by hackers (for more information, see "Payment fraud, rising to the challenge," by Patti Murphy, *The Green Sheet*, April 11, 2011, issue 11:04:01).

Experts tell us many of the most egregious data breaches to date have been the work of organized criminals working from boiler rooms in some of the darkest corners of Europe and Asia. Some are said to be advancing political agendas, but most are in it for money and other material rewards.

From the victims' perspectives the consequential costs of being hacked loom large. The Ponemon Institute, a Michigan-based think tank, estimates data breaches cost U.S. companies about $214 per compromised record. Not included in that figure are indirect costs, like diminution of trust and customer churn.

Among corporate victims of data fraud surveyed last year by Information Security Media Group, 18 percent experienced customer churn.

Meanwhile, Javelin Strategy & Research reported financial institutions have lost more than $590 million in small business clients and revenue opportunities, alone, over the last five years as a result of data frauds and identity thefts involving those clients. Data and identity thefts are costing consumers more, too: $631 per incident in 2010 compared with $387 in 2009, Javelin noted.

Privacy expectations declining

What troubles me most about this situation are the psychological implications. It's as though we've become anesthetized to looming threats of data piracy. No one seems to pay much attention to news of data breaches. And many of us seem to accept frequent card replacements. (One of my cards has been replaced twice in the past year due to possible compromises.)

Remember the hoopla when Heartland Payment Systems Inc. was hacked? Some folks predicted Heartland would be sunk by that incident, yet I don't hear anybody today suggesting Sony or Citi might suffer such a fate.

Growing up in the 1960s, I was made keenly aware of the need to protect individual privacy against encroaching technologies and Big Brother. And one of my first journalism jobs (in the early 1980s) was writing a financial privacy newsletter.

So I was surprised a recent AARP survey found only 36 percent of folks 65 and older who participate on social networking sites use those sites' privacy settings. Some of that can be attributed to ignorance, but I also fear many folks may have given up the ghost of privacy protection.

We live in a world today where information about our individual purchasing habits, online browsing, even our physical whereabouts can be collected, analyzed and used with split-second precision, often without our direct knowledge. Even when we have the opportunity to assess how companies protect our private information, we oftentimes don't.
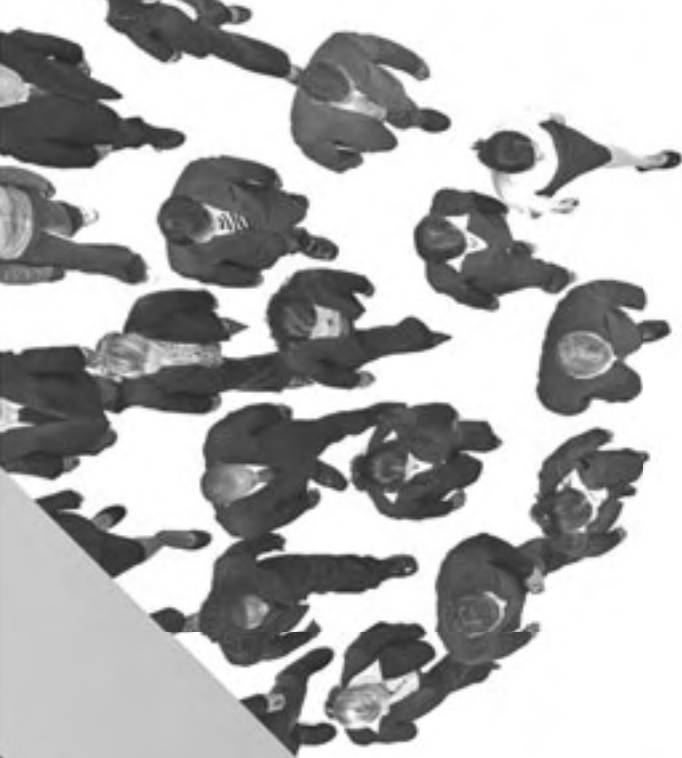
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View

According to a 2008 survey by the Consumer Privacy Awareness Project, fewer than a third (32 percent) of consumers read carefully the privacy policies of Internet service providers; 30 percent read online retailers' policies and a mere 18 percent read search engine privacy policies. I wonder what percentage of consumers today, if asked, would say they read mobile carriers' privacy policies.

Legislators stepping in

I like the notion of mobile payments. But I have concerns about the security of mobile payments, especially from the merchant acquiring perspective, and the implications that has for individual expectations of privacy. And I'm not alone. In May, two separate U.S. Senate committees held hearings to address privacy concerns raised by mobile technologies.

"The mobile marketplace is so new and technology is moving so quickly that many consumers do not understand the privacy implications of their actions," Sen. John D. Rockefeller, D-W.Va., said at a hearing before the Senate Commerce Committee Subcommittee on Consumer Protection, Product Safety and Insurance.

Rockefeller introduced legislation – the Do-Not-Track Online Act of 2011 – that would empower the Federal Trade Commission to establish procedures consumers can use to stop online tracking of personal information.

In June, Sen. Patrick Leahy, D-Vt., reintroduced an online privacy bill that languished in past sessions of Congress. The Personal Data Privacy and Security Act proposes tough new data security routines for companies that collect and store sensitive consumer information. It also includes a national data breach notification standard, among other things. The Senate Judiciary Committee, which is chaired by Leahy, approved this legislation in each of the last three sessions of Congress.

"The many recent and troubling data breaches in the private sector and in our government are clear evidence that developing a comprehensive national strategy to protect data privacy and security is one of the most challenging and important issues facing our country," Leahy said in a statement.

Indeed. But let's not forget the issue at hand is personal privacy. As individuals, we have critical roles to play in securing the privacy of our personal information. Mandates and disclosure requirements are meaningless without consumer buy in. 🖼

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

Feature

An interview with Trent Voigt

By Ken Musante
Eureka Payments LLC

This month's pillar of processing is Trent Voigt, Chief Executive Officer of JetPay LLC. I have known Trent for a decade and found him to be opinionated and engaging. I trust you will agree Trent's tenure and experience make him an ideal candidate for this column.

Q: Briefly describe your business.

A: JetPay is both a front-end and back-end processor. Many people in the industry think of JetPay as a gateway, but actually we are a full processor. JetPay can use and support the major front-ends like Paymentech, FDC and TSYS; however, we do not need to employ them in routing a transaction. The only major processor we are not compatible with is Global.

Q: Does JetPay have distinct departments or divisions?

A: JetPay has three divisions:

1. JetPay, the processor, where we outsource and sell our front-end and back-end solutions. These can be offered individually or as a package. Combined, we had over $22 billion processed through this division in 2010, which employs approximately 40 people.

2. JetPay Merchant Services is a direct sales force targeting midsize to large merchants. Typical businesses we pursue include Expedia, WOOT and DFW Airport, as well as other large, sophisticated merchants. This division employs 12 people and processed in excess of $4.5 billion in 2010.

3. JetPay ISO Services was established in 2005. As the name implies, it supports the ISO sales force. In 2010, we served 35,000 merchants through this division and employed 10 people.

ISO services is our fastest growing segment. We fill the niche between the largest players, like FDC and the very smallest. ISOs often come to us as a secondary provider, but after utilizing our services, migrate to us as their primary processor.

The unique aspect of JetPay is we are an engineering shop first and a processor second. We engineer solutions for the merchant.

We are not a big-box, pure play processor; we are a boutique engineering processor that gives top support to our customers. We have tremendous flexibility, which allows us to customize our services. The downside of this approach is, because we spend time working on customizations, we do not have hundreds of applications for each terminal type.

However, JetPay supports the standard dial-up applications for retail, restaurant and lodging on the standard brands like VeriFone and Hypercom. JetPay has great terminal applications for the IP market, but as a last resort, JetPay relies on other front-ends to support the myriad of dial-up terminals available and just handles the settlement on JetPay's own back-end.

Q: When and how did you enter the payments industry?

A: I began in the industry in the late 80s. A computer engineer by schooling, I was hired by 7-11 – which owned Ticketmaster at the time – to assist in placing ATMs in 7-11s to sell concert and event tickets.

Although I advised them to accept debit and credit at these machines, they only took cash. Through my interaction with 7-11, I learned transaction processing and learned the transaction routing business very well.

I was then hired by National Business Services as Director of Engineering in the United States. They designed and sold the Taltek 727 terminals, a proprietary terminal that served petroleum resellers and money order companies. I worked there for four years, but because they were Canada-based, they closed their U.S. division and consolidated operations in Canada while I was interim President.

This background and experience served me well and gave me the opportunity to open a new business. I launched Triumphant Enterprises in 1990 and continued servicing the same niche I served while at NBS: high-end POS systems, large petroleum resellers and money order companies that needed complex, integrated solutions.

We then developed a deep niche with casinos because we had a money order dispensing solution and working knowledge of their unique needs. We brought our own propriety front-end online in 1994 and continued growing the business. In 1999, at the height of Internet boom,

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I sold Triumphant Enterprises to a hedge fund, Hicks, Muse, Tate and Furst, which was consolidating companies within the Internet space.

They were the owners of the Dallas Stars and were also the owners of the Texas Rangers. Since the Internet boom crashed in 2000, we obviously picked an ideal time to sell, and the buyout was very lucrative.

Q: You sold your business and then bought it back. How did that come about? What was the sale price and repurchase price?

A: My company was consolidated into a company named Vectrix. It was a

part of Vectrix from 1999 until 2001. I worked for Vectrix from the time of the acquisition until 2000, when they installed the former CEO of Jamba Juice to run my division. His inflexibility lost many long-time and large customers and drove the company into bankruptcy.

I bought what was my former company out of bankruptcy court; at the time, the company was losing $380,000 per month. While the purchase price was not disclosed, I purchased it for a fraction of what I sold it for, and after 11 months, the company was again making money under its new name and banner, JetPay.

Q: How is your company owned?

A: As of June 4, 2010, I am sole owner.

Q: What is the most difficult aspect or threat to your business?

A: Dealing with all the unique personalities within this industry. ISOs are unique entrepreneurs and their requests can be numerous and diametrically opposite from one another. One ISO may want to use us for statement preparation but not for mailing.

This industry never ceases to amaze me in terms of creativity and revenue assessments, and my system must keep up with these diverse requests. Also, having to understand everyone else's business for risk reasons is fascinating.

Q: What is your biggest challenge?

A: The banking industry: ensuring we have sponsor banks through the banking crisis to support our customers and provide ongoing stability. There are just not enough banks in the acquiring space, so we are always looking for a new bank player that wants to make money.

Q: What is your company's greatest competitive advantage and why?

A: Flexibility. You can connect to our front-end without a gateway. This allows for a unique solution for

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Feature

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Our new Orange Label Solution allows ISOs to get into processing by licensing our front-end technology. This allows them to control their destiny and significantly raise the value of their portfolio.

Q: What do you consider your greatest success?

A: Turning around JetPay after the bankruptcy to a top 10 player within this industry.

Q: What was your biggest failure and what did you learn?

A: I built a terminal and trademarked the name "Cardswipe." The terminal was shaped like a pill and could fit in your shirt pocket. It ran off the power from a phone line. It was meant for mobile merchants – plumbers, electricians, home party merchants and other tradesmen – and could have revolutionized our industry, but I did a crappy job of marketing. I learned I should have hired a good marketer to sell this product.

Q: How will the Durbin Amendment impact JetPay?

A: There is a ton of uncertainty around this amendment. Although most of our pricing is interchange-plus and we should not have significant impact, it will really hurt issuers.

Because our ISO division is the fastest growing, we will have some impact because of the regulation and complexity, but it won't be an overall killer to our business. I am hoping the regulators pause and better consider how this will impact our industry, along with the reporting we must provide to the IRS, because the reporting is based on gross and not net, which is likely not helpful for the IRS.

I remain interested in a niche approach to markets. Acquirers can essentially focus on price, technology, service and/or underwriting. Risk management is the ante needed to even participate.

In the end, we all provide transaction processing; each of us selects inputs to determine pricing and service outputs to offer our customers. Clearly, Trent and JetPay are technology focused.

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NEWS

Google Wallet infused with prepaid

Google Inc. has made prepaid card functionality central to its mobile wallet pilot program for near field communication-enabled mobile contactless payments. On its website, the search engine giant said its mobile wallet will support the Google Prepaid Card and private-label gift cards offered by participating merchants, as well as Citibank's MasterCard Worldwide-branded credit card called the Citi Platinum Select MasterCard.

Google said the virtual Google Prepaid Card is an option for consumers who do not have a Citi MasterCard. Once consumers activate the Google Prepaid Card in Google Wallet, Google loads a courtesy amount of $10 onto the card. When consumers reload the virtual card, they pay no fees for at least until the end of 2011, Google noted.

Bank executive supports prepaid regulation

Jim Tingey, President of First California Bank's Electronic Payment Services Division, said he welcomes regulation of the prepaid debit card industry.

In a keynote address delivered June 2 at the 2011 American Payroll Association Annual Congress in Salt Lake City, Tingey said, "We believe increased regulation will help deliver a safe and sound product into the market and bring the prepaid debit card industry into the mainstream."

Law firms target prepaid

Following the Attorney General of Florida office's May 19, 2011, declaration that it had subpoenaed five prepaid card providers, charging them with possibly engaging in deceptive and unfair business practices, law firms have begun investigating the business practices of the prepaid card industry.

Seattle-based **Hagens Berman Sobol Shapiro LLP** said it is probing whether such practices are being employed by companies in states other than Florida. And New York-based **Bronstein, Gewirtz & Grossman LLC** is examining whether NetSpend Holdings Inc., in particular, violated federal securities laws.

ANNOUNCEMENTS

Rikers Island gets prepaid card kiosks

Continental Prison Systems Inc., doing business as EZ Card and Kiosk, landed a 10-year contract with Rikers Island prison in New York City. The country's second largest prison, with a reported inmate population of 14,000, will implement kiosks that issue prepaid cards during the booking and inmate releasing processes.

Rebates return $8 billion to U.S. households

According to rebate card program provider **Parago Inc.**, corporate-funded rebates were estimated at over $8 billion returned to U.S. households in 2010. Parago said the typical U.S. household saves approximately $150 annually in rebates.

Patent-pending technology extends ReCash

Prepaid card provider **SelectCore Ltd.** said its new patent-pending technology for its ReCash network will allow merchants nationwide to become ReCash agents with no capital or hardware investments necessary. Transactions can be processed using existing POS devices over a traditional debit payment network, the company added.

SparkBase accelerates development

White-label reward program and gift card processor **SparkBase** said it closed on over $3 million in Series A funding led by the North Coast Angel Fund, the Ohio TechAngels, and Blue Olive Partners. The funding will be used to accelerate the development and deployment of SparkBase's technology platform and mobile innovations.

PARTNERSHIPS

AmEx to provide prepaid to AAA members

Through **American Express Co.**'s pact with Providence-based auto club **AAA Southern New England**, the card brand will deliver a co-branded reloadable prepaid membership card to over 2.8 million members in Massachusetts, Connecticut and Rhode Island. Upon renewal of annual memberships, AAA members will receive the cards and will be given the option of activating the prepaid card functionality.

E-commerce players partner

E-commerce fraud management company **CashRun**

SellingPrepaid

inked a deal with **paysafecard**, a European prepaid card provider for e-commerce merchants. The partnership is designed to help e-merchants gain access to the unbanked and underbanked, which will result in an increase in website foot traffic and revenue, the companies said.

InComm enters Japan's discount market

Atlanta-based **InComm** inked a deal with **Don Quijote**, Japan's largest discount store chain, for the distribution of prepaid cards in Japan. The discount retailer will use Incomm's POS activation technology, Fastcard, at all of its retail locations, Incomm said.

ACQUISITIONS

Investment firm taps Mint

In a commentary, **Ubika Research** said an investment firm acquired a "significant interest" in **Mint Technology Corp.**, a payroll processing and prepaid financial products and services provider that is rapidly growing with nearly 200,000 prepaid cards in circulation in the United Arab Emirates.

APPOINTMENTS

DirectCash Payments hires new CFO

DirectCash Payments Inc., an ATM and prepaid card provider in Canada, appointed **Brian Kathol** as its Chief Financial Officer. Kathol brings to his new position over 25 years of experience in accounting, corporate finance, financial management and business analysis.

Features

Prepaid scores in stadiums internationally

By David Parker
Polymath Consulting Ltd.

The movement away from cash payments at sports venues is accelerating. The cash replacement mechanism is the prepaid card that sports fans load with value and use at events to pay for tickets and concessions. As more sports ventures worldwide transition to prepaid card solutions to speed up checkout lines and increase revenues, the only question is whether the programs will be closed- or open-loop.

The Wichita Wingnuts, a minor league baseball team in the American Association of Independent Professional Baseball league, went completely cashless at the beginning of the 2008 season. Fans pay for concession items at the Wingnut's home park, Lawrence-Dumont Stadium, using the Wingnut's proprietary, closed-loop card or with credit cards.

Total Venue Control LLC implemented the solution that delivered over 42,000 Wingnut's card transactions in the first three weeks of operation alone. Additionally, the axiom that consumers buy more when they pay with plastic holds true with this implementation. The average per person spending increased over 30 percent from what baseball fans forked over per person in 2007, when the Wingnut's ballpark was still cash only.

Closed-loop for kicks

Another closed-loop prepaid card installation occurred at Amsterdam Arena, a soccer (football) and entertainment venue in Amsterdam, The Netherlands. The 52,000-seat domed stadium has been using the ArenA card since the late 1990s. Event attendees are required to buy the cards from arena staff or via kiosks. Cash and credit cards are not accepted for payment at the venue. The cards have given the arena the twin benefits of real-time reporting and additional income from money leftover on the cards (breakage).

At the Allianz Arena in Munich, Germany, parking must also be paid using prepaid ArenaCards. But the stadium allows leftover amounts on the cards to be cashed in when attendees leave the venue. Furthermore, card balances can be consolidated onto new cards.

New closed-loop prepaid card implementations are proliferating across Europe. Brighton and Hove Albion Football Club's new stadium in the southeast English village of Falmer will be cashless, with entrance fees and concessions being transacted via smart cards modeled on the London Underground's Oyster card. Stadiums in Ukraine, Switzerland, France and Germany, among others, are moving to closed-loop smart card systems.

Goals made in open-loop

Stadiums across Europe are also transitioning to open-loop, network-branded prepaid card solutions. The main benefit of open-loop systems is that anyone with a MasterCard Worldwide- or Visa Inc.-branded credit, debit or prepaid card can pay for event admission and concession purchases.

In March 2008, the Manchester City Football Club partnered with MasterCard and issuer MBNA Corp. to pilot the Seasoncard. The chip and PIN card functions as an identification card for Manchester City Stadium admis-

sion, as well as a payment card with loyalty and membership components. The manager of the project said the stadium has seen a 30 percent increase in concession purchases since Seasoncard was implemented. On game days, 86 percent of pilot participants attended stadium events and used the new cards at the stadium.

Another open-loop program is the Saimo Noi card issued by Banca Popolare do Milano for the Milan, Italy-based football team FC Internazionale. The card program, which went live in 2009, originated out of an Italian law that required the bank to develop the product. The cards are contactless, issued free to season ticketholders and come with a five-year expiration date. There were over 100,000 active cards by the end of 2010.

In addition, Gospodarcy Bank Wielkopolski launched the MasterCard-branded prepaid Fan Card for KKS Lech Poznan, one of the best known football clubs in Poland. The card doubles as a travel card and a parking pass. First Data Corp. processes Fan Card payments and manages the program.

Open or closed?

The economics of a move to cashless stadiums using closed-loop prepaid card programs is obvious. Arenas can achieve an average spend increase of about 30 percent. But the economics for moving to open-loop systems

is harder to quantify given the ongoing costs of running such programs.

Visa Inc. predicts that 20 million Visa contactless cards will be in circulation in the U.K. by the end of 2011. With that sort of scale in a single market, open-loop systems can potentially make sense. But for markets where contactless technology has yet to achieve the same degree of penetration, the economics can be more challenging. Even the larger venues in markets where contactless payments have yet to really take off may therefore opt to deploy closed-loop solutions.

David Parker is the Chief Executive Officer at U.K.-based consulting and research firm Polymath Consulting Ltd. He can be reached at davidparker@polymathconsulting.com.

Paying bills with gift cards

Innovations in financial services are designed to add convenience and choice for consumers. At the same time, technological advancements tear down barriers that hinder consumer participation in financial services. Bill pay is one such area, where new ways to pay bills simultaneously remove limitations to how consumers can fulfill their financial obligations.

At FinovateSpring 2011, Plastic Jungle Inc. and ChargeSmart Inc. demonstrated a new solution that allows consumers to use unredeemed gift cards to make utility, car, mortgage and student loan payments, with up to 92 percent of gift card value going toward paying those bills. The service, which is scheduled for commercial availability by the end of the second quarter of 2011, integrates Plastic Jungle's gift card exchange platform with ChargeSmart's online bill pay portal.

Most U.S. consumers have gift cards they are not planning to use, according to Bruce Bower, Chief Executive Officer at Plastic Jungle. "It's a perfect opportunity to tap that liquidity for something that has real practical value for you – paying for your everyday expenses," he said.

Billions for bills

Plastic Jungle puts the secondary gift card market – where unused, discarded or disregarded gift cards are bought, sold and traded – at $30 billion. Bower said U.S. households have on average $300 in unused gift cards lying around. "But that's an average," he added. "There are households who have thousands of dollars of gift cards lying around." As an example Bower gave teachers who might have more than that average, as they are frequently rewarded by the parents of their students with gift cards that go unused – money that can go to paying off debts.

"And it allows them to say, 'Well, listen, if you have this

available to you, why not use it here?'" Bower said. "It's something that's sitting idle and you can't just quite get value out of them. You can use it. It has immediate value to you and what could be more valuable than paying your electric bill?"

Bower said the idea originated from calls Plastic Jungle received from customers who were selling gift cards and wanted to speed up transactions. When Plastic Jungle representatives asked why, consumers routinely answered that they needed the money to pay off monthly utility bills, Bower noted. Plastic Jungle then took this new use-case for its gift card exchange to ChargeSmart.

"It allows us to take the value proposition that Plastic Jungle represents and push into a context where it has an immediate value right then," Bower said. "So the impact value of that is extremely high. Not that it isn't high when people come to our website, but when you're fixed with paying a bill or … even if it's not an issue – I've got plenty of money in my bank account, but boy I would like to pay out of my sock drawer."

Bills to bucks

Since *SellingPrepaid* profiled Plastic Jungle ("King of the 'plastic' jungle," *SellingPrepaid E-Magazine*, issue Aug. 31, 2010, 10:08:B), the company reported gift card value sold on its website in 2010 exceeded $10 million, a five-fold increase over 2009. Comparing holiday season gift card sales volume, Plastic Jungle saw a six-fold increase in 2010 over 2009. Additionally, the gift card exchange said registered users of its site nearly doubled in the fourth quarter of 2010.

A hurdle Plastic Jungle had to overcome was the perception by some retailers that the gift card exchange was unfairly profiting from their private-label gift cards. But a Plastic Jungle survey released in May 2011 concluded that merchants are increasingly recognizing the benefits of the secondary gift card market: greater brand awareness and favorability, as well as an increase in consumer spending. The new bill pay feature will only extend that positivity, Bower said.

"What we've found is the consumer actually has a net very positive impression about that brand after they've found that they can use [the gift card] for something else," Bower noted. "The reason is that they attribute that mechanism to the brand and they say, using Macy's as an example, 'Hey, Macy's is allowing me to trade this out and to take care of something.'"

Bower also pointed out that it will resell the gift cards traded in to pay bills, just as it does with all the other gift cards it processes on its exchange. Thus, branded gift cards sold at a discount on the Plastic Jungle platform settle in the hands of people eager to shop at those brands.

Company**Profile**

eProcessing Network LLC

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Fax: 713-880-0330
Website: *www.eprocessingnetwork.com*

ISO/MLS benefits:
- Platform-as-a-service integration of brick-and-mortar, mobile and e-commerce POS systems
- Seamless integration of various plug-ins, including billing, invoice, account management, and gift and loyalty
- Integration facilitated with multiple processors, depending on merchant's needs
- Products sold exclusively through ISOs and other resale channels
- Manifold revenue opportunities for resellers

Integrating diverse POS channels and plug-ins

As more and more merchants broaden their horizons by expanding into multiple payment channels, the juggling of different platforms, revenue streams and data repositories has become increasingly difficult and problematic. That is especially true for small and mid-size merchants (SMEs) who lack the resources to hire personnel or to buy high-tech software to do the work for them.

Specializing in the SME space, eProcessing Network LLC (ePN) helps these businesses to seamlessly integrate multiple POS channels and expanded pieces of functionality into one software-based interface, according to Bruce Shirey, Head of Business Development for the company.

Shirey noted that this allows them to conduct payments, oversee accounts, conduct billing and establish security protocols for each of these channels within a single platform. This leads to enhanced convenience both by enabling different information streams to interface, as well as by transferring the burden of managing various logistical tasks away from merchants.

"I'd like to think of our online computer sales system as part of a wave of change," Shirey said.

"If you take Nordstrom versus a small retailer, they're not competing on the same level at the point of sale. The [big company] has a very sophisticated point of sale [system], while the small merchants don't have anything close to that.

"We're giving these guys some level of parity with all of these tools – inventory management, processing, accounting integration, invoicing and billing – as a feature-rich system at a very low cost."

No competition with resellers

At the heart of ePN's gateway is its platform-as-a-service technology, which integrates various databases for businesses using multipronged payment acceptance – meaning some combination of brick-and-mortar, e-commerce and mobile payment acceptance.

In addition, ePN's products are marketed exclusively through ISOs and other resellers. "What makes the company unique is the fact that it works only with resellers and never competes with its sales channels," Shirey said. "Secondly, it offers a suite of business solutions via a single platform that allows these resellers to provide value into the community. And ePN's pricing setup allows the reseller to earn variable and recurring margins, depending on the sales opportunity."

John Gagne, an agent with First Data Independent Sales Atlantic – which sells ePN products – said ePN's pricing system allows the feet on the street working with the company to expand their revenue sources.

"We get revenue – there's a buy rate and revenue [stream], whether it's transactions or monthly fees – and we can get revenue through First Data Independent Sales but it's also nice to have revenue from [ePN]," Gagne said.

Segmentation eliminated

Many SMEs with multiple POS configurations operate in a segmented environment, where they are forced to manage each operating system separately.

Shirley pointed out that this segmentation means managing everything from revenue streams to payment accounts to billing and recurring billing to transaction records in a separate space for each medium used. It also commonly requires the enlistment of multiple processors, each one designed to support a particular platform.

"Gateways out there, all a lot of them talk about is Internet processing card management," Shirey said. "They're in no other markets addressing mobile or retail. It's two different animals; one is card-not-present. And dealing with card present, there are varying levels of risk with card present in the brick-and-mortar space, card present on mobile, or card-not-present on the Internet."

Shirey added that in the early years of e-commerce, "everything was Internet-based, but over the last year-and-a-half, the shift has been to focus on the mobile markets, and now there's been the introduction to the online [brick-and-mortar] retail point of sale."

With ePN's software POS product, merchants are spared the hassle of figuring out the technical side of adapting to the complexities these new developments bring, Shirey said. For starters, the cloud component involved in transactions allows all payment data to flow immediately and directly to ePN's own network, keeping it completely out of a merchant's environment.

No card data in merchants' systems

Shirey pointed out that even brick-and-mortar merchants using conventional terminals can replace them with ePN's computer-based POS system. This is complemented by a plug-in swipe device that connects to a computer's USB port, so that these merchants can still conduct swipe transactions.

The system routes transactions directly to ePN's cloud platform, so the data never exists in the merchant's environment. This differs from many hardware terminal-based POS systems, which do not always encrypt right at the point of swipe, and thus leave payment data temporarily exposed. Shirey added that the company also offers encrypting swipe pieces that attach to mobile devices for merchants conducting mobile payments.

"If you're a retailer using our API, you're pretty much getting that [PCI] compliance feature from the API, which eliminates a lot of headache," Shirey said. "All the transactions are on our network and never on their network." He added that ePN uses both high-end encryption schemes and tokenization to protect transaction data going through the company's network.

Versatility through plug-ins

In addition, merchants do not need to manage separate accounts based on different POS systems because all of their data is contained in one place.

This makes everything from account management to billing significantly less burdensome, Shirey said. He also noted that merchants who want to incorporate various value-added features into their POS systems can do so seamlessly with the company's various plug-ins.

"It fits right in with so many mobile businesses and others that can't afford $10,000 cash registers," Gagne said.

"First Data has a lot of products that are really good, but this kind of adds to it. … Basically they have one basic product, but you can add anything to that – shopping, the mobile program,

the POS program, inventory control. It does a lot and is just a good overall solution."

According to Shirey, ePN's plug-ins encompass a range of features and functions, including:

- Accounting
- Bill payment
- Invoicing
- Receipt printing
- Fraud management
- Cash drawers
- Gift and loyalty programs
- Recurring billing
- Mobile swipe acceptance (with Androids, BlackBerrys and iPhones)
- Check processing
- Barcode scanning
- Online shopping carts (from a third-party provider or from ePN, which offers its own customizable cart)
- Inventory management programs

Shirey said a popular inventory management feature warns merchants via email that the inventory on a particular item or items is running low. Merchants can calibrate the software as they wish, Shirey said. For example, they can ask it to send an email alert when inventory items get down to, say, 10, 20 or 50 in number – whatever applies.

He noted that the accounting software is also in high demand. "One of the more popular features we offer is … accounting software as a plug-in that gives them the ability to run their inventory, sell things and tie it back to their accounting program," he said. "If it's not seamless like that, it's just creating another layer of frustration and more pain for the merchant.

"You're a merchant and you have QuickBooks on your PC; you have a cash register, you have a credit card terminal and you have inventory in a book," he said.

"So you've got four different things, and none of it's integrated. So you have to manually figure it all out and do some kind of reconciliation. With ePN's services, you're automating this process."

Processor agnostic

Yet another benefit for merchants of being able to seamlessly integrate different plug-ins is the avoidance of being chained to a single processor, Shirey added.

"The way software works is software is designed to operate with different processors, so if we take a check, we're going to run it through our gateway and drop it off at a processor's doorstep," he said. "The difference is, if you have a POS solution, when you look at buying [different solutions] those are certified to different processing networks – so they do the same thing but cost a lot more

money – or typically you're using one processor for all the services.

"With us you can mix and match, and it can be a matter of preference, price or availability. They could come to us, have a credit card going to processor A, a check going to processor B and gift and loyalty to processor C."

Founded in 1996 by its current Chief Executive Officer, Steve Sotis, ePN is located in Houston. The company is relatively small; it has about 50 employees. But its clientele are many: thousands of resellers and tens of thousands of merchants, Shirey said.

He pointed out that the company is organized to support individual thinking and innovation. "It's a comfortable workplace where people are allowed to stretch their goals and grow with their job and the company," he said, adding that the company's support is top-notch because of the longevity and experience of its employees.

Shirey sees ePN as a versatile ingredient that can make merchants' lives immeasurably easier. "We're a switch and we'll connect to anybody," he said. "We don't run these programs; we just facilitate. … We're in the middle of a transaction; we just say, 'What is it you want to do, and where do you want it to be delivered?'"

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Company**Profile**

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Conquering North America, one merchant at a time

Moneris Solutions Inc. may flourish under the radar, but don't let its relative anonymity fool you. Moneris processes more than 3 billion card, Internet and POS transactions annually for nearly 400,000 merchant locations across North America. Additionally, Moneris designs and deploys proprietary turnkey solutions for retail, business-to-business, and business-to-government merchants.

The majority of those merchants are located in Canada, where Moneris has a sizeable stake: its market share is reportedly between 40 to 48 percent, making it the largest processor in that country. In the United States, where its footprint is much smaller at about 50,000 merchants, the company has seen steady growth over the past decade.

Moneris was established in December 2000 as a joint investment between two Canadian financial behemoths, RBC Financial Group and BMO Financial Group, which is the parent company of Chicago-based Harris Bank.

"We've been around the U.S. for about 10 years under the Moneris brand," said Joe Garza, Vice President, Direct Sales for Moneris. "Before Moneris was actually branded as Moneris in the U.S., we used to be part of what was formerly called Harris Bank Merchant Services/The Charge-It System. From a payment processing standpoint, we've been around roughly 25 years, but under the Moneris brand, it's been the last 10."

A focused partner strategy

North of the border, merchant acquisition for Moneris has been driven largely by its Canadian bank counterparts.

To illustrate the magnitude of this powerful alignment, RBC has an estimated 12 million clients in over 30 nations, while BMO has more than 7 million personal and commercial accountholders throughout Canada and the United States.

Because Moneris doesn't have the same coverage in the United States that it has in Canada, its primary focus in the States has been to form strategic alliances with ISOs in select vertical market segments, such as health care and education.

"We've had to become a little more aggressive, build programs around ISOs, strategic alliances, integrators. We don't have that luxury that we do in Canada," Garza noted.

Garza said Moneris is segment specific in the United States. "We don't try to cast a wide net," he added. "Moneris has been very successful in staying under the radar. But when we get behind the ISOs and MSPs [Member Service Providers] and partners in a segment, we tend to build technology for them and create a specialized process to support that segment or industry."

He said when considering a strategic alliance in a particular vertical market, Moneris asks potential partners such questions as, "What do you need as an ISO or MSP to grow

in the segment, because you obviously have the expertise?" or "What are the one or two elements you don't have?"

Garza said that by focusing on specific vertical markets, Moneris has gained proficiency and expertise in those segments. "So the solution is all driven around that industry," he said. "When you call into us, [the customer service reps] know everything about the software. It's almost like you have your own expert team. From a capability standpoint, I think our capabilities are above our competitors in those segments that we specialize in."

Xavier Ayala, Vice President, Director of U.S. Sales for Moneris, added,

"We want to be the processor that is known in this handful of segments we've selected, with the addition of also offering specialized solutions for those segments."

New offerings rolling out

As with all successful payment businesses, Moneris has a number of new products and services in various stages of development. According to Ayala and Garza, Moneris plans to launch several key programs this year, including the following:

- **Online signatureless merchant application:** According to Ayala, this feature will allow sales offices to submit merchant applications without a signature. ISOs can post a link to the application on their company websites, which merchants are able to complete and submit online. Applications then upload to Moneris for processing. ISOs can track the progress of all applications they've submitted online.

- **Expansion of Ernex gift and loyalty programs:** Since 2003, the company's electronic loyalty and stored-value gift programs have supported small to nationwide merchants in Canada. Starting in June, Moneris plans to expand the program to U.S. merchants. Unlike the Canadian model, in which Moneris charges monthly, transaction and reloading fees, the U.S. version will be pared of transaction fees, Garza said.

- **New mobile solutions:** Moneris is also stepping up its mobile payment offerings. "We've been asked by our sales offices to go out and offer mobile solutions that work with the iPhone or mobile solutions that can be integrated with a gateway solution for gateway reporting," Ayala said. "So you can go online and take a look at a copy of the receipt; as well as solutions that can integrate with the gateway, the virtual terminal."

Garza noted that Moneris is working with multiple third-party ven-

dors, including VeriFone Inc., Charge Anywhere LLC and Apriva to deliver mobile payment solutions. "We believe everybody should have that included in their account instead of saying, 'Here is the solution and you have to buy this additional mobile piece, the online piece and the retail piece.' We believe that should accompany the accounts," he said.

- **Proprietary electronic payment niche solution:** With this online billing and payment vertical market solution, targeted merchant groups will be able to accept and process all types of electronic payments, including credit and debit cards, electronic checks, and automatic checking or savings account withdrawals where recurring payments are applicable.

- **POS rental program:** Until now, this program has been offered exclusively to Canadian merchants, but Ayala said the POS terminal rental program will soon be available to merchants in the United States.

A higher level of support

Ayala said that in the past, when merchants became insolvent and chargebacks started rolling in, processors and ISOs typically had to share the liability burden, but with the economic volatility of recent years forcing a number of merchants to close their doors, Moneris has taken on an even greater role in such situations.

"What we've done is we've taken an extra step with our program to the ISO – because it could be devastating to any office to take virtually any amount of loss, let alone a catastrophic loss," Ayala explained. "So we're saying to our partner, 'Look, we're doing the back-end processing, the fraud scrubbing, the monitoring and the risk management on these accounts. We'll take full liability if this were to occur.'"

Ayala believes this level of commitment to the ISO-processor relationship creates a better sense of security for anyone who chooses to partner with the company. "We've just taken that worry away from that ISO," he said. "It's possible because of the risk management process we have in place to manage and review accounts on a daily basis."

Many options for merchants

Among its core offerings, Moneris delivers credit, debit, wireless and online payment services. The company's value-added payment products include auto-debit/automated clearing house processing, check conversion, multicurrency processing, cross-border payment acceptance, unattended online payment and interactive voice response telephone solutions, among others. Moneris also offers POS hardware and business management solutions, as well as electronic loyalty and stored-value gift programs.

Moneris owns and operates its own proprietary payment processing and technology development platforms, in addition to maintaining processing relationships with First Data Corp. and Total System Services Inc. (TSYS) in the United States

Thus, ISOs partnering with Moneris can board merchants on several processing platforms: Base 24, the company's proprietary platform; the TSYS platform; and First Data's North and Nashville platforms. Merchants boarded through Moneris' proprietary Internet payment gateway, eSelect Plus, also gain access to the company's latest wireless solutions.

A greener business plan

Earning kudos on environmental issues, Moneris has a long history of eco-friendly initiatives. For example, since launching its Paper Reduction Challenge back in 2008, the organization said it has managed to reduce its paper usage by over 4 million sheets. To encourage merchant participation as well, anyone who signs with Moneris can choose to opt-out of receiving printed monthly statements and use its online Merchant Direct statement tool instead.

And in 2011, Moneris became Canada's first payment processor to rely exclusively on clean energy, signing with Bullfrog Power to provide 100 percent clean, green electricity to its Toronto training facility.

Washington getting serious about cyber privacy

The bipartisanship of the cyber security bills proposed in Washington demonstrates the move to tighten security on the Internet is gaining momentum. Separate bills addressing cyber security concerns were introduced in June 2011 by Sen. Patrick Leahy, D-Vt.; Sen. Al Franken, D-Minn.; Sen. Ron Wyden, D-Ore.; Rep. Jason Chaffetz, R-Utah; and Rep. Mary Bono Mack, R-Calif.

Location Privacy Protection Act

Sen. Franken, Chairman of the Senate Judiciary Subcommittee on Privacy, Technology, and the Law, recently introduced the Location Privacy Protection Act of 20l1. The bill would require consumers to be informed as to what location information is being gathered about them and it would give consumers the option to not share that information.

"Geolocation technology gives us incredible benefits, but the same information that allows emergency responders to locate us when we're in trouble is not necessarily information all of us want to share with the rest of the world," Franken said in a statement about the bill. "This legislation would give people the right to know what geolocation data is being collected about them and ensure they give their consent before it's shared with others."

GPS Act

The Geolocation Privacy and Surveillance Act (GPS Act) introduced by Sen. Wyden and Rep. Chaffetz is "designed to give government agencies, commercial entities and private citizens clear guidelines for when and how geolocation information can be accessed and used." The bill would require the government to obtain a warrant before tapping into the geolocation data of a U.S. citizen.

"All tools and tactics require rules and right now, when it comes to geolocation information, the rules aren't clear," Wyden said. "Congressman Chaffetz and I have worked to establish rules that we believe will foster the effective use of geolocation data while protecting the privacy rights of law-abiding American citizens."

Data Privacy and Security Act

Sen. Leahy, the Senate Judiciary Chairman, introduced the Data Privacy and Security Act of 2011 in June. This legislation is modeled on bills Sen. Leahy introduced into the last three sessions of Congress. It imposes criminal penalties on hackers and requires businesses that store custom-ers' personal and credit card information and do business with the government to have adequate data privacy and security programs. This bill would also set a mandatory national data breach notification standard.

"The many recent and troubling data breaches in the private sector and in our government are clear evidence that developing a comprehensive national strategy to protect data privacy and security is one of the most challenging and important issues facing our country," Leahy said in his statement heralding his fourth attempt to get cyber security legislation passed.

SAFE Data Act

Rep. Bono Mack, Chairwoman of the House Energy and Commerce Subcommittee on Commerce, Manufacturing, and Trade, held a hearing on her discussion draft of cyber security legislation she titled the Secure and Fortify Data Act (SAFE Data Act). Similar to Leahy's bill, the discussion draft would set uniform national standards for data security and data breach notification.

"The Federal Trade Commission estimates that nearly nine million Americans fall victim to identity theft every year, costing consumers and businesses billions of dollars annually. And the problem is only getting worse as these online attacks increase in frequency, sophistication and boldness," Bono Mack said in her opening remarks at the hearing. "E-commerce is a vital and growing part of our economy. We should take steps to embrace and protect it – and that starts with robust cyber security. Most importantly, consumers have a right to know when their personal information has been compromised, and companies and organizations have an overriding responsibility to promptly alert them."

Follow cyber security legislation by using Legislative Roundup found on the Resource page of *The Green Sheet* website, *www.greensheet.com.*

PCI DSS effectiveness questioned

In a May 31, 2011, blog post, Federal Reserve Bank of Atlanta official Cindy Merritt questioned the long-term effectiveness of the Payment Card Industry (PCI) Data Security Standard (DSS).

The requirements wouldn't be necessary if the United States would do what Europe and most of the world have already done: switch from mag stripe to chip and PIN technology, according to Merritt.

Merritt, Assistant Director of the bank's Retail Payments

Risk Forum, wrote in her blog, "PCI guidelines are necessary, unfortunately, because of cards that use mag stripe technology instead of the more secure chip and PIN technology.

"As schemes become increasingly sophisticated, however, these guidelines will likely be less and less effective – a possibility that should give the industry pause to reconsider the value of PCI compliance guidance in light of risk mitigation alternatives, such as a migration to chip and PIN card technology."

Merritt believes the situation can only get worse in the United States as long as its payment system continues to use mag stripe technology. "The vulnerabilities inherent in mag stripe technology are expected to contribute to ongoing skimming attacks in the future, not to mention the associated credit and debit card losses," she wrote.

In Canada and Europe, the move to the Europay/MasterCard/Visa (EMV) security standard for chip and PIN technology has resulted in reduced fraud, according to Merritt. "As more countries employ EMV, skimming in the United States is expected to rise," she added.

The Michaels difference

The vulnerability of retailers to card skimming was demonstrated in the Michaels Stores Inc. data theft. The theft was discovered in early May 2011 after thieves had been quietly downloading credit card information for months on 90 fake terminals they swapped for 90 PIN pads in Michaels' stores.

The terminal swaps were spread out in Michaels' locations in 20 states. The fake terminals relayed customer information directly to the fraudsters, presumably without interrupting transactions. The data theft forced Michaels to replace approximately 7,200 PIN pads.

The culprits managed to sort stolen cards by BIN (bank identification number), which allowed the thieves to target a single bank with multiple fraud charges before moving on to another bank for more charges. This technique may be why hackers were able to hide their theft from Feb. 8 to May 6, 2011, when the breach was finally uncovered. Michaels did not reply to a request for comment. But Avivah Litan, a Security Analyst for the technology research firm Gartner Inc., confirmed the Michaels' thieves used new tactics. By taking advantage of BINs, fraudsters bypassed normal, network-level fraud monitoring, Litan said.

"Also the fraudsters avoided the heat and microscopic attention generated via communications among banks and the card networks that takes place when a breach affects a larger group of card issuers at once," she added. Litan said Gartner research shows retailers in the United States will spend an average of $1.7 million each over 2.4 years to become PCI compliant.

"The U.S. card industry will likely figure out that it's cheaper to move away from inherently insecure magnetic stripe payment card technology to more secure chip cards than it is to spend billions on PCI compliance and millions on recovering from breaches like this one," she said.

Device management

The PCI Security Standards Council (PCI SSC) promulgates all security requirements affecting PIN entry devices (PEDs) through the PIN Transaction Security (PTS) DSS.

According to the council, enforcement of PED mandates is the responsibility of the card brands. However, PCI SSC General Manager Bob Russo told *The Green Sheet* in a statement that the PTS requires PIN pads to include "technology that makes the device resistant to tampering.

While the council does not have any insight into this specific breach, what we've read indicates in this case that the devices themselves were switched out and replaced with fraudulent ones." Russo feels the Michaels data theft points out the need for more vigilant security. "Point of sale continues to be a security hotspot," he said.

"Not only must organizations ensure they are PCI compliant by implementing the controls mandated by the standards for the protection of devices and data at the point of

News

sale, but also they must be vigilant in reviewing all transaction equipment and payment terminals to ensure that all seals are intact and no tampering is evident. We always talk about how technology is not enough when it comes to security – people and processes are critical." Russo also noted the PCI DSS website at *www.pcisecuritystandards.org* contains a guide on how to stop skimming.

The other argument

Getting the card industry to move to chip technology on its own may not happen, though. "No country has moved to chip and PIN unless the government mandated the change," said Chris Noel, a Senior Vice President with ANXeBusiness Corp. "It's a stretch to say PCI would not be needed if we went to chip and PIN, but it would lessen the need."

Not every expert agrees new chip and PIN technology is needed or warranted. Mark Rasch, Director of Cybersecurity and Privacy Consulting for Computer Sciences Corp., said the Michaels theft may not be "a breach of PCI standards. A data loss is not necessarily a breach. This is a technical definition but a meaningful one. If the thieves are putting fake POS terminals out there, then the store terminals may be functioning correctly, but the thieves just added something to them." Rasch added it's not possible to write contractual requirements to pre-

vent every possible security problem and noted the PCI DSS has had many revisions in its history. "The store is not intended to be Fort Knox," he said. "PCI is a contractual requirement, not a statutory or regulatory requirement."

A comprehensive approach

Rasch believes chip and PIN technology is moderately more secure than mag stripe, but it has disadvantages, too. "If people can swap terminals and capture mag stripe information, they can swap terminals and capture chip and PIN information, too," Rasch said. "There's no difference." Another disadvantage Rasch noted is that the introduction of chip and PIN would be expensive, requiring new cards and readers at every card-accepting retail location.

Rasch encourages merchants to take a holistic, comprehensive approach to cyber security. "PCI compliance is not the end of security, it's the beginning," he said. "Merchants need to think about security from the moment the customer takes their card out of their wallet to the moment the sale is completed and the information stored. They need to start thinking like hackers."

He added that the PCI DSS should be continually updated to reflect new threats. "The whole point of the security standards is not to prevent fraud but to bring fraud down to where we get acceptable levels of loss," he said.

Bling Nation may rise again

Bling Nation, the upstart mobile payment firm created to challenge the major credit card companies' hold on the payments industry's near field communication (NFC) market, suspended service in May 2011 pending a retooling of the company. Most of the sales team has reportedly left the company.

Bling Nation was started in 2008 by two Brazilians, Wences Casares and Meyer Malka, who founded Patagon, the largest online brokerage in Latin America. The company developed an integrated acquiring and processing platform for local and regional banks.

Bling Nation's objective was to get customers to allow payment stickers – in reality, NFC form factors – on the back of their cell phones to make contactless payments. After payment, a customer receives a phone message confirming the transaction and giving the new account balance. Bling Nation receives a percentage of processing costs and claims it saves merchants up to 50 percent in processing fees. Bling Nation payments can be processed by PayPal Inc. and through banks.

Bling Nation's sticker, dubbed "Bling tag," also allows con-

sumers to carry out several functions on the Facebook and Foursquare social networking sites. Merchants can connect with customers through Facebook and Foursquare using Bling Nation technology.

Retooling

Bling Nation will neither confirm nor deny reports that it is reassessing its business. It talks about what it is doing in vague and general terms. When asked by *The Green Sheet* for clarification of its status, the company issued the following statement:

"Bling Nation has completed its initial deployment phase of its FanConnect and PayConnect products and is working hard to take all of the great learning and insights on the economics of the mobile, local and social areas that we've received from our merchants, consumers, banks and partners to build out the next generation of Bling Nation. The Bling Nation leadership team remains excited about this space and feels they have a winning combination that will dominate these areas in the long term."

PayConnect is the Bling Nation term for its NFC sticker technology. FanConnect is email based marketing software that allows merchants to create, send and track email advertising campaigns. Bling Nation reportedly encountered trouble after it introduced FanConnect in February 2011. Problems with the program reportedly arose when the company tried to force its merchants to accept the FanConnect service. Merchants balked.

Bling Nation ultimately generated some excitement from bankers but didn't win much acceptance from merchants or consumers. Industry watchers reported Bling Nation raised more than $33 million from investors prior to its suspension of activities, so the company is not likely to disappear, but some analysts believe the company may be rebranded.

Industry analysis

To get an industry perspective on Bling Nation's status *The Green Sheet* asked Mocapay Inc. President Doug Dwyre to comment. Mocapay markets a mobile payment platform that allows merchants to offer loyalty and gift card programs. Mocapay founder, Rod Stambaugh, serves on Bling Nation's board.

Looking at the FanConnect marketing strategy that many speculate caused Bling Nation's recent difficulties, Dwyre said, "I'm a big believer when it comes to those kinds of platforms that all constituents need to be included – the merchants, the consumers and the issuers. If you don't take these constituents into consideration, you will fall short somewhere. If you don't give anyone any reason to use [your product] you are going to fail."

Dwyre said he suspects Bling Nation, with $33 million in venture capital available, is ripe for a restart. "From

the outside looking in that's what I'd do," he said. "I'd look at new technology. They have tried the sticker-based technology with a stand-beside point-of-sale versus integrated solution."

When asked how it is possible for a new company to compete against the major card brands or PayPal, Dwyre noted that the hurdle for entering the market as a card company is getting merchants and consumers to adapt. "PayPal, for instance, worked because it was well aligned because of the early partnership with eBay as an exchange network between buyer and seller," he said, adding that unless Bling Nation finds the right partnership, it's hard to see how the company will continue its old business model.

The Green Sheet gets resourceful

In its mission to educate the payments industry and provide actionable intelligence for ISOs and merchant level salespeople, *The Green Sheet* has added new resources to its award-winning magazine and website. Among the new features are a buyers guide and an up-to-date outline of current state and federal legislation that targets the industry.

News

GSQ Buyers Guide

The *GSQ* Buyers Guide is a one-stop resource for payment professionals. "People have been asking us for a buyers guide for ages," said Kate Rodriguez, Chief Operating Officer and General Manager of *The Green Sheet*. "In answer to this demand we developed the Buyers Guide as a 'go to' resource."

Rodriquez noted the guide offers new opportunities for advertisers as well. "We feel this gives readers one place to look for services they might require," she said. "It also gives some of the small companies a chance to advertise at a very reasonable rate. So now we can give smaller companies a chance to get their names out there to our readers."

The inaugural *GSQ* Buyers Guide was published in May 2011, prior to the Electronic Transactions Association's Annual Meeting & Expo. The guide will continue to be published annually in time for the ETA event. Copies are available free to subscribers of *The Green Sheet*. The guide can also be accessed online at *www.greensheet.com/gs_gsq. php* (click on Publications, then GSQ - Current Issue).

Legislative Roundup

Also new on *The Green Sheet* website is Legislative Roundup, a compilation of pending legislation that keeps readers up to date on state and federal initiatives designed to regulate the industry. The information is presented so that readers can easily discover who introduced a particular piece of legislation, what it says and its current status.
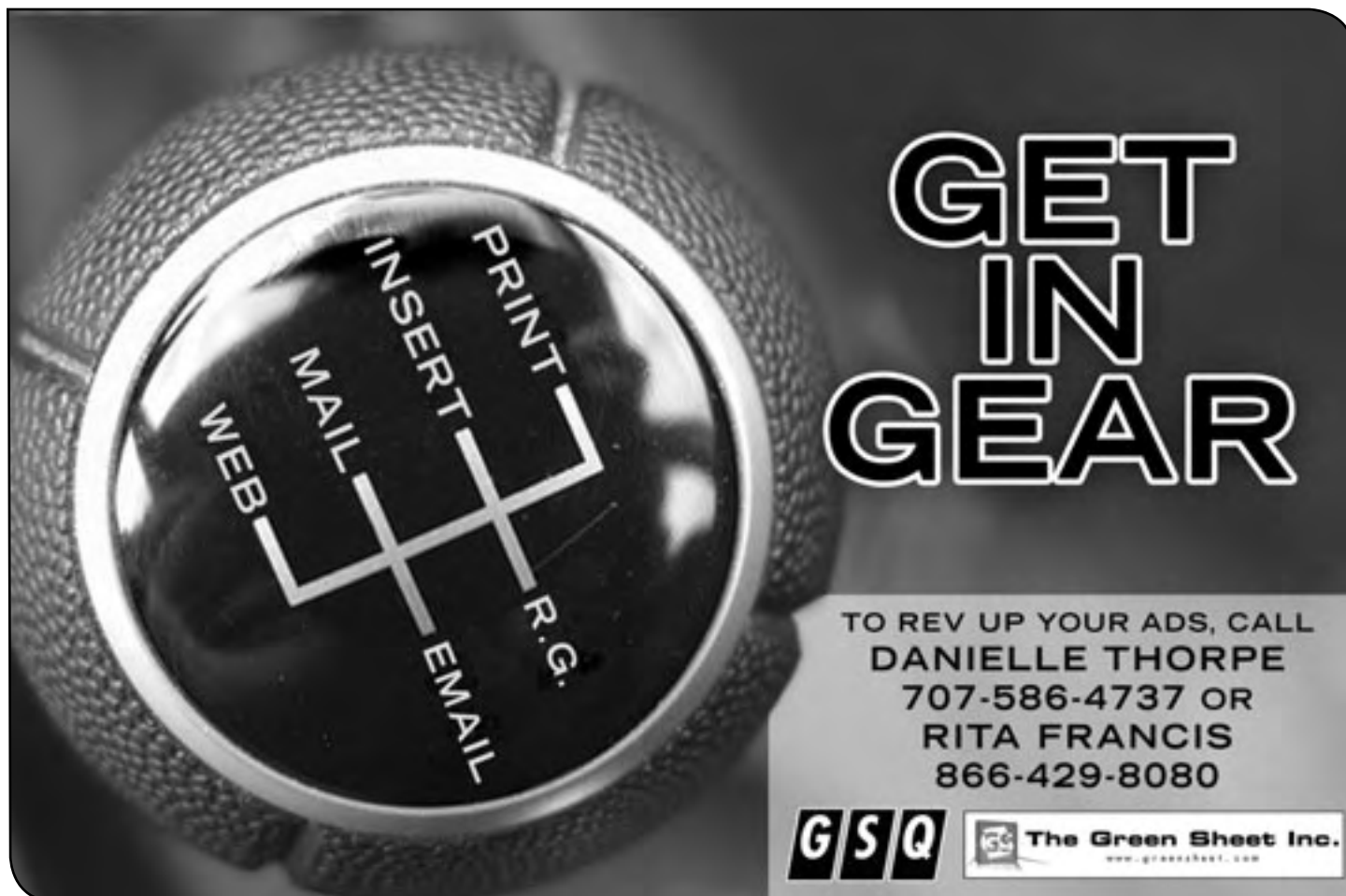
"There is so much legislation out there it is difficult to follow all of it," Rodriquez said. "This is a way for readers to go to one place to see what is going on with the government with up-to-date information."

The Legislative Roundup listing can be accessed at *www.greensheet.com/legislation.php* (click on Resources, then Legislative Roundup).

More news

In addition to posting press releases containing industry news throughout the day at News from the Wire, *The Green Sheet* is also publishing more news stories under Breaking Industry News & Information.

While this accelerated news gathering results in more news stories than can be included in the semimonthly magazine, all breaking news is archived on the website and can be accessed by clicking on Read the Entire Story under Breaking Industry News & Information and scrolling down.

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Protecting consumer data in a mobile world

Since ISOs and merchant level salespeople (MLSs) have direct relationships with merchants, they play an important role in ensuring consumer payment data remains secure.

"Merchants really do need someone in their ecosystem to give them expert assistance and guidance and real-time support," said Tim Cranny, CEO at Panoptic Security Inc. "And the bottom line is either the ISOs need to do that themselves or they need to partner with someone who can do that for them on their behalf."

The default scenario for the industry has become ISOs partnering with third-party data security providers, according to Cranny. But that doesn't absolve ISOs from keeping abreast of data security concerns and educating merchants on the topic. "

We've seen from a long history that the best results are where the ISOs or MLSs don't disengage," he said.

Cranny noted that, from a Payment Card Industry Data Security Standard perspective, securing mobile payments has much in common with how e-commerce systems are secured.

"It does have some unique characteristics," he said. "So it is definitely new. It is definitely important. But it's not com-

pletely unheard of and revolutionary. It's just a variation on a theme."

Cranny added that it is important for ISOs and MLSs to be exposed to the spectrum of data security and mobile POS solutions available.

"You can't dictate a single or a small number of solutions to ISOs because that would limit their traction with merchants," he said.

"So part of the story has to be – whatever the merchant comes to the table with, we need to help and give insight and guidance. So rather than make them into a square peg, we provide all the different shapes to provide for all the different eventualities."

Google Inc. to require clear and understandable privacy policies for all mobile phone applications. He also wants Facebook to halt plans to permit application providers to access users' home addresses and phone numbers. And he has asked the Department of Justice for an official clarification of the DOJ interpretation of federal laws protecting personal data.

"Requiring that each app in your stores have a clear, understandable privacy policy would not resolve most of the privacy concerns in the mobile market," Franken wrote in letters to Apple Chief Executive Officer Steve Jobs and Google CEO Larry Page. "But it would be a simple first step that would provide users, privacy advocates and federal consumer protection authorities a minimum of information about what information an app will access and how that app will share that information with third parties."

Franken told the technology executives that, at minimum, all location-aware applications for smart phones should be bound by privacy policies that tell consumers what kind of location information is being gathered, how that information is used and how the information is shared.

"Apple and Google have each said time and again that they are committed to protecting users' privacy," Franken wrote. "This is an easy opportunity for your companies to put that commitment into action."

Commerce Committee input

Sen. John (Jay) Rockefeller, D-W. Va., turned up the heat on mobile companies during a May 19 hearing before the Senate Commerce Committee Subcommittee

on Consumer Protection, Product Safety and Insurance. "The question of whether private information – known only to the person holding this device – is being col-

Privacy in legislative spotlight

Congress has debated issues involving consumer privacy, generally, and financial privacy, in particular, for generations. Debate has intensified in recent years, however, because rapidly evolving technologies – such as the Internet and mobile communications – are creating new vulnerabilities.

Today, more than a dozen bills are pending in the House and the Senate that address data security and breaches. Here's a list of some of the pending legislation.

You can keep track of these bills, along with other legislation of concern to the payments industry's feet on the street, on *The Green Sheet*'s Legislative Roundup page found under the Resources tab at *www.greensheet.com*.

- **S. 799, The Commercial Privacy Bill of Rights Act of 2011**,
  Introduced by Senator John Kerry, D-Mass.

- **S. 890, Fighting Fraud to Protect Taxpayers Act of 2011**,
  Introduced by Senator Patrick Leahy, D-Vt.

- **H.R. 102, Photo Identification Security Act**,
  Sponsored by Rep. Marsha Blackburn, R-Tenn.

- **H.R. 653, Financial Information Privacy Act of 2011**,
  Sponsored by Rep. Jackie Speier, D-Calif.

- **H.R. 654, Do Not Track Me Online Act,**
  Also introduced by Rep. Speier

- **H.R. 1081 Consumers Payment System Protection Act,**
  Introduced by Shelley Moore Capito, R-W. Va.

- **H.R. 1707, Data Accountability and Trust Act**,
  Sponsored by Rep. Bobby Rush, D-Ill.

- **H.R. 1528, Consumer Privacy Protection Act of 2011**,
  Sponsored by Rep. Cliff Stearns, R-Fla.

- **H.R. 1841**, **Data Accountability and Trust Act**,
  Also introduced by Rep Stearns – shares a name with H.R. 1707.

lected or shared with others is critical. I think anyone who uses a mobile device has an expectation of privacy, and sadly that expectation is not always being met," said Rockefeller, Commerce Committee Chairman. "The mobile marketplace is so new and technology is moving so quickly that many consumers do not understand the privacy implications of their actions. But one thing is clear – consumers want to understand and have control of their personal information."

To executives of Facebook, Google and Apple, who had been called to testify at the hearing, Rockefeller said, "You can't simply say 'it is not my problem.' I ask you to work with application developers, both large and small, to create better privacy notices and controls that work in the mobile world. This effort should make strong privacy policies and practices for mobile apps the norm, not the exception."

Rockefeller has authored legislation, the Do-Not-Track Online Act of 2011, that would authorize the Federal Trade Commission to allow consumers to stop online tracking of their personal information.

Mobile operators: it's not just us

In response to the subcommittee's probing, executives from Facebook, Google and Apple said they were committed to protecting consumer privacy and described efforts that are under way to enhance privacy protections. But they cautioned lawmakers against limiting their investigative and legislative efforts to the mobile market.

Google Director of Public Policy Alan Davidson said any comprehensive approach to a privacy policy must include even-handed application to all personal data regardless of the source or the means of collection. He also urged lawmakers to consider the costs and benefits of regulations that might result from legislation, including any actual

harm to users and compliance costs. Witnesses reminded legislators that while privacy issues remain a legitimate concern, location information and smart phone identifications are useful and popular consumer tools.

Morgan Reed, Executive Director of the Association for Competitive Technology, said, "The use of location information and smart phone IDs are providing immense value to consumers. Banning the collection of location data would essentially outlaw these beloved consumer apps while doing nothing to address the big questions about data collection and how that data is used. We need to outlaw bad behavior, not good technology."

Facebook Chief Technology Officer Bret Taylor also testified. "Facebook is fundamentally about sharing, and adopting overly restrictive policies will prevent our social features from functioning in the way that individuals expect and demand," he said. "We not only need to innovate to create new protections for individuals' information; we also need to innovate to ensure that new protections do not interfere with people's freedom to share and connect."

David Vladeck, Director of the FTC's Bureau of Consumer Protection, was also called to testify and assured the panel that protecting consumer privacy remains an FTC priority.

Bono-Mack's committee

Meanwhile, on the other side of Capitol Hill, the House Energy and Commerce Committee Subcommittee on Commerce, Manufacturing and Trade, launched an investigation into the recent breach at Sony Corp., which compromised the personal information of more than 100 million Sony PlayStation users.

Congresswoman Mary Bono-Mack, Subcommittee Chairman, fired off a letter to Sony demanding answers to concerns raised by the breach. But the company declined to elaborate.

"We are very reluctant to release certain investigative information publicly because it is the subject of an ongoing criminal investigation, and because its disclosure could jeopardize the security of other network systems, not just our own," Sony Computer Entertainment America Chairman Kazuo Hirai wrote in response.

"But just as individuals and businesses have come to rely on multiple law enforcement agencies for physical protection, we believe the private sector will need the assistance and support of government and law enforcement to help secure e-commerce and IT systems to stay ahead of and curtail the activity of cyber criminals and cyber terrorists," Hirai stated.

Subcommittee member Rep. Greg Walden, R-Ore., agreed there is ample blame to share. "There is concern that Americans don't have adequate understanding or control over how information about them is collected, used and disseminated in the web, especially as the web migrates to smart phones and tablets," he said.

"Whatever approach we ultimately take, we will strive to create a competitively and technologically neutral approach that both affords consumers protection and preserves innovation."

Sony Network Entertainment International President Tim Schaaff pointed out that any legislative remedies need to balance public information requirements with the need not to so overwhelm consumers with false alarms that the warnings are ignored.

"Laws – and common sense – provide for companies to investigate breaches, gather the facts, and then report data losses publicly," Schaaff said. "If you reverse that order - issuing vague or speculative statements before you have specific and reliable information – you either confuse and panic people without giving them useful facts, or you bombard them with so many announcements that they become background noise."

Chairman Bono-Mack indicated she is working on legislation setting forth federal data security and data breach notification requirements.

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Timely tips for MLSs

By Bill Pirtle
MPCT Publishing Co.

The idea for this article came from "Credit Card Processing Information for Business Owners" by Jared Sparr of Java Payment Services, which Sparr posted on my LinkedIn group. He discussed how the new IRS reporting requirements might catch businesses that engage in factoring.

I responded, "I would expect that hair salon owners who lease chairs to independents will be prime targets for audits because it will appear as though they are grossly under-reporting income."

Merchant level salespeople (MLSs) prospecting hair salons now can use two related approaches. If a hair salon uses a single merchant account, the business owner might want to know he or she may be audited for reporting lower sales than those reflected in the processor's 1099 reporting.

Another potential result from an audit provides MLSs ammunition for signing more accounts. This is because the IRS could determine a salon's "independent operators" or "lessees" are, in fact, salon employees.

This would likely be a hardship for the salon, as fees and penalties could be severe. To help avoid this determination, an MLS could sign each independent operator to his or her own account, separate the banking and instruct them to write checks for the lease.

Make use of new regulations

MLS Forum member **JOHN GALT?** posted that he uses the Durbin Amendment as a sales tool. He asks merchants, "'Have you heard about the Durbin Amendment in the Financial Reform Bill that may lower IC [interchange] on debit by more than half? Yes, it will cut IC on debit drasti-

cally. … Are you on an IC plus or a flat/tiered rate? If you have your statement, I can tell.' The trick is not to give too much detail so they don't just run to their current ISO and ask to switch to IC plus. Also, you still have to sell value and trust in yourself. This won't close deals, but it will open doors."

Value and trust are big selling points for ISOs and MLSs. One of the worst tools to use is one of the most common: the practice of reducing rates or fees upon the first objection.

Low price doesn't foster loyalty

There is a scene from Touchstone Picture's 1986 movie, *Ruthless People*, which I, as a salesperson, enjoy watching. Danny DeVito's character, Sam Stone, is discussing his business values with a policeman and says, "A bad salesman will automatically drop his price. Bad salesmen make me sick."

Right on cue, Judge Reinhold's character, Ken Kessler, calls and offers a reduced ransom, asking, "Well, what about … less?" Stone lowers the phone, covering the mouthpiece long enough to say, "You make me sick." He then gets the original $1 million ransom reduced to $10,000.

Stone's objection was never about the price. He was glad his wife was kidnapped and had no intention of paying

Agents who simply walk in the door and offer rock-bottom rates should heed this: lowest costs will not generate loyalty. By boasting that you offer the lowest costs, you are inviting merchants to switch to the first MLS who beats your rate. No matter how little you charge, someone will be willing to take less.

anything for her release. Ultimately, Kessler developed a plan to extract every dollar Stone could produce, leaving Stone broke by the end of the movie.

This plot drives home what happens when you think merchants want your product and their objections center on price. In the movie, Stone's refusal to pay ransom for his wife was thought to be due to a lack of funds. By dropping the price he was willing to accept, Kessler was exposed as an amateur.

However, once Kessler realized Stone didn't want his wife returned and was now under investigation for his wife's disappearance, Kessler changed tactics. Being under police scrutiny, Stone was more willing to pay the ransom.

So Kessler worked with Mrs. Stone to find Stone's complete net worth, maximizing the ransom amount because Kessler knew he would have no problem getting it from Stone.

The lesson is that MLSs need to find ways to discern the causes of merchant objections without dropping prices.

Agents who simply walk in the door and offer rock-bottom rates should heed this: lowest costs will not generate loyalty. By boasting that you offer the lowest costs, you are inviting merchants to switch to the first MLS who beats your rate.

No matter how little you charge, someone will be willing to take less. If you only tout your rates, how do you expect to retain merchants when a competitor offers a lower one?

Get creative with value-adds

Like most MLSs, I do not want to gouge merchants; I only want to offer great products and service for a fair cost. One thing I need to improve upon is the use of other tools, like gift cards. Last week, my insurance agent contacted me about a business in which he is a minority partner. I decided to open my discussion with information on gift cards.

I had an idea of what this new business (a coffeehouse and purveyor of gourmet chocolate) was spending before even opening its doors, and I wanted to present a product that could help. For a package that includes 1,000 gift

cards, one of my partners offers six hours of design time to create the cards.

The package also includes two large posters with the same design, which is ideal for the large windows in this storefront. To seal the deal, I offered a suggestion for the gift cards' use: on opening day, have a bowl with 100 cards of random value that purchasers may select from at checkout.

Later, while volunteering at a client's seminar, I met Jean Chapdelaine, who specializes in direct marketing at Ready Set Mail. She suggested dropping off the new business's gift cards at surrounding stores. She also suggested holding drawings on opening day every 30 minutes to an

Many agents walk down Main Street, visiting every retailer; some cultivate relationships with referral partners. How about targeting business types that other MLSs overlook? The real estate industry, for example, has several segments underserved by our industry: office complexes, apartments, rental homes, real estate appraisers and ReMax brokers.

hour for higher-value gift cards to build loyalty cards into the mix.

Also, with drawings comes a growing customer database, which allows for further contact with customers. The merchant will be able to send email or text messages to customers who are in the vicinity (with customer permission) of the shop, offering coupons and special deals to draw in clients when sales are slow.

Chapdelaine also suggested using "cause marketing," which consists of the business finding a powerful local cause and creating a plan to incorporate it in its marketing to access members of that cause.

A good example would be to partner a brand new business with a local food bank. The food bank sends the word out to contributors, and the business gets free media coverage. For instance, the food bank is offered 5 percent of sales on opening day, customers also donate food and receive gift cards in return, and the business gets off to a strong start.

Take the vertical less traveled

All MLSs seek new clients, but where do you find them? Many agents walk down Main Street, visiting every retailer; some cultivate relationships with referral partners. How about targeting business types that other MLSs overlook? The real estate industry, for example, has several segments underserved by our industry: office complexes, apartments, rental homes, real estate appraisers and ReMax brokers.

Office and apartment complexes and landlords with several rental homes have a need to accept credit cards to keep renters paying on time. A yardstick I use is to suggest they only offer renters who pay more than $1,000 per month the ability to pay with credit cards because they would be more likely to use rewards cards and pay the balances off each month.

For lower-priced rentals it's best to continue taking cash rather than cause renters to run up balances that may result in forced eviction. Owners of multiple complexes need to decide which complexes get the credit card option, since within a complex you cannot offer the option to some renters and not others.

Many appraisers do not accept credit cards. Imagine the extra business the ones that do offer card acceptance get. Suggest to appraisers you sign that they mark up their prices $35 to $50 to increase their profit and cover the processing fees. The hook to landing appraisers is a service called a "drive by" appraisal, which is usually requested by out-of-state clients.

The practice involves multiple phone calls and invoicing the clients. When the appraiser utilizes a website with a gateway, out-of-state clients can place orders and prepay with credit cards, greatly reducing work and increasing sales by making his or her service easier to use than his competitors'.

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Be open to new possibilities

When I was first approached several years ago by a ReMax broker, I wondered how card processing could be done. Real estate deposits done with credit cards would be insane, and they represent a huge chargeback risk. But I learned that ReMax brokers differ from other real estate offices. ReMax office owners (the brokers) charge rents of close to $1,000 a month to agents who occupy space in their offices.

Brokers can raise office fees by 5 percent and have agents pay rent by entering their own credit card numbers through a website using a gateway that allows customer entry of recurring fees. Brokers are thus spared time wasted chasing down agents for rent. Further, agents could use a single rewards card for all business expenses to simplify quarterly taxes and earn miles or points for vacations. As you can see, real estate makes a nice vertical market for MLSs.

Some feet on the street choose to specialize in helping auto repair and towing companies. I encounter a lot of authors, speakers and crafters. Most speakers offer books and CDs at their events, and many take checks or accept payment forms that violate brand rules (retaining the CVV2) and create Payment Card Industry Data Security

Standard compliance nightmares, not to mention that they have no way to verify cards before they hand their products to customers

Crafters also need a technology boost. A device that connects with an iPhone, which has a scanner attached with inventory software, could greatly help crafters and give you a chance to sell two accounts: one for sales in the field and one for an online store.

Find one crafter to use your system, and others will notice and ask your client who set him or her up. One device I have found that will do this is USA ePay's PaySaber, which can be equipped with an optional bar code scanner. (In a future article, I hope to discuss participating MLS Forum members' thoughts about equipment.)

Resources are available

JDECKARD posted a more general sales tip on the forum. "[T]he best 'sales tips' I ever got have served me well for over 30 years. Here they are: 1. Talk less; 2. Listen more; 3. Ask for the sale. Master those three, and you can be successful selling just about anything." It is amazing how many salespeople forget to ask for the sale.

CLEARENT also provided some good pointers for MLSs: "Don't spill your candy," he posted. "You are not an unpaid consultant – so don't work for free. Be prepared to walk away before you even walk in. If you feel desperate, you will appear desperate. Merchants can smell desperation. If they don't talk 60 percent of the time or more, you're talking too much. Don't [consider] a 'no' as a failure. A decision is success. You can't make them buy; you can only make them make a decision. A 'no' is a decision."

For general sales tips, excellent books by sales experts are available. I've read books by Zig Ziglar and Brian Tracy and highly recommend them. Authors Stephan Schiffman and Jeffrey Gitomer, whose books are available on Amazon, have also been recommended to me as prime resources.

If you have ever tried a business networking group and were unsuccessful, or if you are just looking for new ideas, please take a look at my next article. I will be interviewing the founder of BNI and The Referral Institute, Dr. Ivan Misner, who will explore ways for MLSs to be more successful with networking groups.

What you do today determines your tomorrow. 🖼

Bill Pirtle is the President of MPCT Publishing Co. and author of Navigating Through the Risks of Credit Card Processing. *He is also a merchant level salesperson for Clearent LLC, Electronic Payments Inc. and Electronic Merchant Systems Inc. Bill's website is* www.creditcardprocessingbook.com, *and his email address is* billpirtle@yahoo.com. *He welcomes all connections on Facebook and LinkedIn.*

Will POS control solve merchant attrition?

By Jerry Cibley

United Bank Card Inc.

It has happened to all of us. A customer with a monthly processing volume of over $120,000 unexpectedly drops off the residual report. Suddenly a second, and then a third, active client fall off as well. Concerned, you jump in your car to do a quick drive by. Expecting to see a closed sign on the door, you see cars, patrons and a flurry of activity. The business, a restaurant, is alive and well, but processing with someone else.

You know you provided great service, competitive rates and even brought in a loaner terminal on a snowy Christmas day when the owner called in a panic. What happened to the great relationship you thought you had with this merchant?

Meet and greet

Frustrated, you walk in the door and look for the owner, Mary. She greets you with her usual big smile and says, "Let me buy you a drink and show you my new POS

You know you provided great service, competitive rates and even brought in a loaner terminal on a snowy Christmas day when the owner called in a panic. What happened to the great relationship you thought you had with this merchant?

system. Isn't it beautiful?" You look, and there it is – a brand-new system gleaming under the spotlights at the head of the bar.

You say, "Nice to see you and your new system, but why did you change your credit card processor? I thought you were happy with our rates and service. Was there a problem that I was not aware of?"

"Oh no," Mary says. "We loved your service. As a matter of fact, your rates were better than what we are paying today, but our new POS vendor suggested that we go with his processor because the new POS system was designed to integrate seamlessly with his processor. It has worked just fine since the day we went live, and we are very happy with it."

As the conversation continues, you tell her your processor integrates with her new POS system in the same way her new processor does and, of course, you can still deliver better rates and the high-level customer service she has come to expect. "Oh, that's great!" Mary says. "Let's do that. I'm thrilled that we can continue to do business together."

Payments hardball

You call the POS company, and they inform you it is not a problem to change Mary's processor. There are just a few housekeeping procedures they need to take care of. There is a $350 early termination fee (you can somehow absorb that) and a charge to reprogram the POS system. You ask, "How much for the reprogramming of the POS system?" The answer is swift, cutting and shocking – $1,200 – which has to be paid in full prior to the switch-over. Great, so now what do you do?

Can a POS company really charge these kinds of rates? Would you? You would if it ensured that your competitors would not be able to take away your business with a quick stroke of the pen. Your competitor says, "Sign here, sir," to your customer, and your residual is a memory. How many more of these can you afford to lose?

In today's economy, you cannot afford to lose any customers, and now you have lost three this month alone. You see your retirement diminish in front of your eyes; the rosy future you counted on is not looking so rosy anymore.

You drive home and wrestle with this issue all night long. Then the stark reality of the payments industry hits you – the POS vendor has become the tail wagging the dog. POS hardware providers are now so tightly intertwined with the card brands that you wonder if there is still room for independent ISOs who are not in the POS game. It seems that you have to be on a POS vendor's team in order to secure your future.

ISO-POS vendor symbiosis

Today's successful card-accepting merchants are working with POS companies to help them locate deals and potential opportunities. I do not think that ISOs and merchant level salespeople (MLSs) necessarily want to become POS dealers, but a great deal can be accomplished by developing symbiotic relationships with POS hardware providers.

Plenty of POS dealers are looking for worthy ISO partners. Not every POS vendor is in the credit card processing business. Partnering with a consolidated credit card processor/POS company offers many opportunities for ISOs and MLSs.

These companies can provide you support to sell the product, support for your customers, marketing solutions, and assistance with learning how to increase business and ultimately your residual stream.

Choose carefully, and you may be in a win-win situation for yourself and your customers. Partnering with POS vendors might be the way to secure your future.

Jerry Cibley is a 25-year veteran of the POS industry and, during that time, founded three POS dealerships serving New England. Today, Jerry is the National Sales Trainer for United Bank Card's Harbortouch POS division. As such, his role is to train UBC sales partners on the intricacies of the POS business so they can become POS experts themselves, ensuring their success with the free Harbortouch POS program. Jerry has been known throughout the industry as the "POS Man" and can be reached at jcibley@harbortouch.com.

Fraud, the conversation starter

Nicholas P. Cucci
Network Merchants Inc.

Living in this age of technology means personal financial information is increasingly vulnerable to fraudsters. According to a study by the Bureau of Justice Statistics, 23 percent of consumers subjected to identity theft lost money due to the fraud. The average out-of-pocket loss was $1,870, but half suffered losses of $200 or less.

The emotional impact of identity theft is often far more painful than the actual financial loss. Now, with instances of cyber fraud, it is becoming more important for merchants, banks and processors to be proactive about guarding card information and the personal details included with it.

The Sony breach

Despite card issuers' efforts to protect customer card information, we have still seen two large breaches in 2011, the ones at Sony Corp. and Michaels Stores Inc. In the Sony breach, over 100 million card numbers were exposed. Because of the breach, the Sony network went down for 23 days and only recently was restored. Sony expects to be fully back up by the end of June.

Sony's Playstation Network breach is likely to cost the company well over $100 million. However, this breach could cost Sony even more as the estimate does not include lawsuits filed against Sony from users of the hacked network.

Sony's servers were hacked between April 17 and 19, which impacted three networks, the Playstation Network, Qriocity and Sony Online Entertainment services. Sony discovered the breach on April 19, but did not disclose any information publicly until April 26.

On May 28, Sony offered its Playstation Network and Qriocity customers the services of Debix, an identity protection firm, with the first 12 months of protection free of charge. But is that enough to make consumers happy? Will this be the new aftermath trend for breaches? Only time may tell, but it's definitely a start in the right direction.

The Michaels breach

The Michaels breach was a little different. Ninety POS terminals were tampered with in Michaels stores in 20 states. Michaels used terminals and PIN pads that were Payment Application Data Security Standard certified. However, the attackers got around the security by swapping out the compliant PIN pads with compromised ones.

Due to the Michaels breach, the U.S. Secret Service is now investigating fraud incidents linked to POS device tampering. But the breach would have been relatively easy to avoid if store managers had been paying attention to what was happening in their stores.

Due to the Michaels breach, the U.S. Secret Service is now investigating fraud incidents linked to POS device tampering. But the breach would have been relatively easy to avoid if store managers had been paying attention to what was happening in their stores.

How to avoid breaches

An axiom in the fraud prevention world is that fraudsters will *always* travel the path of least resistance. The more safeguards merchants have in place, the less likely it is fraudsters will spend the time required to gain access to their systems. Here are eight basic fraud prevention tips for ISOs and merchant level salespeople (MLSs) to pass on to merchants:

1. Watch out for multiple orders with different "bill to" and "ship to" addresses. Check the IP geo-location, and compare it with the billing address to help verify the validity of the charge.

2. Start keeping a database of prior fraud attempts once you have found a fraudulent charge. You will want to keep information such as the customer name, shipping/billing address, phone number, IP address and e-mail address. Make sure to designate a section in your database where you can input comments.

3. Detect patterns. Multiple orders being shipped to the same address but using different credit card numbers should throw up a red flag. Also, when fraudsters try to use stolen credit card numbers on online checkouts, they often submit the same credit card number multiple times with different expiration dates because the expiration date is what they are missing.

4. Suspect free e-mail accounts. A majority of fraud originates from free email services. Many business-

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es today refuse to accept orders from free email accounts or non-ISP email domains. Depending on the value of the purchase, merchants can call or request more information before the order is further processed.

5. Enroll in payer authentication programs. Programs such as Verified by Visa and MasterCard's SecureCode use personal passwords to confirm identities of card users. When merchants use this program, card issuers may incur some of the losses for online fraud that would otherwise be the responsibility of merchants.

6. Have BINs checked. You can use the first six digits of the credit card that contain the bank identification number to determine if the issuing bank and the credit cardholder are in the same country. However, merchants need to keep in mind that some legitimate transactions occur even if cardholders and issuing banks are in different countries.

7. Employ the AVS. The address verification system (AVS) is only available in the United States and in four European countries. It checks whether the cardholder's address and ZIP code match the information at the issuing bank. Merchants should

be aware that the AVS can fail because of certain issues, such as cardholder address changes.

8. Call customers. With the high volume of transactions today, it may not be the best way to spend your time, but an occasional phone call will benefit merchants in many ways. Phone calls give retailers an opportunity to welcome customers and develop relationships with them for future ordering.

   If a merchant calls a person who claims to have never authorized a certain charge, the merchant simply cancels the order and advises the person to call his or her credit card company to get a new card issued. Doing this will solidify your merchants' relationships with customers (and potential customers) and help prevent further fraudulent charges.

Get the conversation started

Merchants can also help themselves by staying alert and proactive when it comes to POS terminal security. Here are a few tips to follow to guard against POS attacks:

- **Remain compliant:** Merchants should be Payment Card Industry (PCI) Data Security Standard (DSS) compliant at all times, not just on their certification dates. Retailers must also maintain Payment Application DSS compliance standards for PIN entry devices. Compliance mandates that only tamper resistant PIN pads be used.

- **Know your employees:** As negative as this may sound, background checks should be performed on potential employees to help eliminate candidates who could be working with fraudsters. Know your customers, but know your employees better.

- **Assess your risks:** Retail chains are always easy targets for fraudsters. Multilocation operations are especially vulnerable to attacks. If one retail location is hit with a POS attack, take a risk assessment of all other locations in the chain. Hiring a third-party organization to perform a security review is a good idea.

With the expansion of e-commerce, fraudsters are becoming increasingly sophisticated, and identity theft and credit card fraud are taking on new aspects every day. Therefore, it is more important than ever that ISOs and MLSs inform merchants on what steps to take to ensure they do not become the next breach victims. 🖼

Nicholas Cucci is the Director of Marketing for Network Merchants Inc., a graduate of Benedictine University and a licensed Certified Fraud Examiner. Cucci is also a member of the Advisory Board and Anti-Fraud Technology Committee for the Association of Certified Fraud Examiners. NMI builds e-commerce payment gateways for companies that want to process transactions online in real time anywhere in the world. Contact him at ncucci@nmi.com.

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Counterintuitive selling

By Dale S. Laszig

Castles Technology Co. Ltd.

POS device manufacturers have been telling us for years that their products are more than just terminals. Now with the apps race in full swing, we're seeing a variety of nonterminal solutions designed for a new generation of merchants. The rush to embrace clouds, mobility, integrated systems and virtual machines has some payment professionals wondering if there's a future for traditional credit card devices.

A weakened global economy, combined with a mature and consolidated payments industry, has slowed unit sales of EFT-POS terminals in general, but traditional countertop terminals still represent a viable and affordable option for small merchants. In fact, there has never been a better time to market countertop devices to qualified buyers.

While your competitors are pushing such higher ticket items as portable wireless and integrated POS systems, which typically take longer to sell and have their fair share of implementation and support issues, you could be selling terminals out of your auto's trunk that are ready to install.

Terminals have evolved

The market for countertop terminals remains strong, and the units themselves have evolved in parallel with changing consumer behavior. Many new offerings in the countertop terminal family require little to no training and come with factory-loaded applications and overnight replacement guarantees.

You'll be well-received by mom-and-pop merchants who don't want to upgrade their cash registers or use computers or mobile phones to process credit cards. Many of today's hardworking business owners want simple, secure, standalone solutions with small footprints and toll free 24/7 live help desk support.

Just as the phone evolved from a rotary dial apparatus into a small, portable, personal digital assistant with its own set of accessories, today's credit card terminal is compact and configurable, with multiple communications options and the ability to support an array of ancillary, nonpayment applications.

The innovation occurring at the terminal hardware level is just as eye-popping as changes taking place in other industries. In fact, the impact of these transformative technologies is affecting every aspect of life, from enter-

tainment to health care, agriculture to education. What began as a digital revolution has become a platform for the human experience.

Expectations have changed

TranSEND Integrated Technologies has been providing transaction processing solutions to the payments industry since 2003.

The company's Chief Executive Officer and President Amit Chhabra and his team of engineers have worked with processors, technology companies and major terminal manufacturers on a range of terminal-based technologies and front- and back-end network solutions. TranSEND employs its own systems integration expertise to configure, customize and deliver comprehensive integrated solutions.

"As technology evolves, so does the increasing expectation of what it should be doing for us," Chhabra said. "We see this in every industry where electronics play a central role in the operations of that industry. The payments industry is no different, and the expectation on payment terminals is no different. It is no longer sufficient for a payment terminal to just receive a swipe of a card, prompt for amount and print a receipt.

"Payment terminals today are expected to have built-in support mechanisms, offer merchants choices for operating their business, and provide information services to the merchant.

Enabling these features requires payment device platforms that provide for feature scalability, which starts from platform features of either an open operating system (like Linux) or a feature rich proprietary operating system, multi-application/multithreaded environment, a fast micro processor (200 megahertz or more), and extensive user control libraries to provide an easy to use user experience."

It's not only software architecture that has undergone a transformation: the changing face of POS is reflected in the sleek low profile of new POS devices. This new generation of terminals is not only an extension of the surrounding retail environment, but a hybrid of traditional countertop and customer-facing, multilane devices.

Components have improved

Other leading trends in countertop design by POS manufacturers can be found in the individual components that make up a device. These include:

- **Keypads:** Softer materials such as rubber are replacing the plastic keypads seen in many older terminals, giving the devices a friendlier feel, improved performance and a matte finish that makes letters and numbers easier to read.

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- **Printers:** Merchants may not think about printer speed, but they certainly don't want to turn off their customers or slow down sales.

  Most new terminals exceed the line-per-second print speeds of older terminals. This simple fact can be used as a tangible comparison when selling new against old and value over price.

- **Displays:** The best differentiator when comparing older terminals with new ones is the display screens. Many older models have two line displays, and the plastic that was used had a tendency to cloud up over time.

  The new terminals have wider, deeper display screens, and we're seeing more varieties of touchscreen technology or "hot keys" that are placed alongside the display that make it easier than ever for end-users to navigate through menus.

- **Card readers:** Today there are more choices in credit card reader technology and form factors. Most new terminals have both smart card and magnetic stripe readers. As an additional security measure, some card readers have built-in encryption capability.

MagTek Inc., a global leader in security and card encryption technology, is one of the leading developers of technologies that authenticate credit cards and encrypt transactions at the card swipe.

Its secure card reader authenticators, check scanners, PIN pads and credential-issuing systems provide safe and efficient electronic payments and identification technology.

- **Modems:** Today's multiple communications options for countertop terminals include dial, wireless, Wi-Fi, and Ethernet. Most dual-communication models are designed to "fail-over" when a primary protocol shuts down. This is a reliable feature for high-volume merchants.

- **Central processing units:** Multi-application environments are an established requirement in the U.S. market, which means terminal manufacturers have had to beef up their core processors to keep up with complex, feature-rich data and security requirements.

  As anyone who has ever tried to add a gift card or bill pay app to an older, single application device can tell you, it's easier and less expensive to upgrade than to try to fit 21st century technology into an analog device. Additionally, the risks of working with noncompliant Payment Card Industry PIN entry devices will always outweigh the rewards.

- **Cable options:** USB and serial port connections are included in most new terminals, smart phones and laptops to accommodate an expanding array of peripherals, and sometimes they allow the devices themselves to be used as peripherals.

- **Counter intelligence:** In the quarter century since the release of VeriFone Inc.'s Tranz330 and Hypercom Corp.'s T7P, credit card terminals have been adapting to the changing POS environment – from their components to their communications options to their functionality and uses.

  We're fortunate to be selling in such a rich and varied environment where we can fine tune a processing system to meet the needs of any merchant.

We all have our high-end, defining products, but there's still a market for traditional credit card terminals. Sometimes it pays to sell the counterintuitive, simple solution, especially when the counter is yours to win.

Dale S. Laszig is Senior Vice President of Sales in the United States for Castles Technology Co. Ltd., a manufacturer and global provider of smart card, contactless and POS solutions. She can be reached at 973-930-0331 or dale_laszig@castech.com.tw.

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Deciphering breach notification regulations

By Tim Cranny

Panoptic Security Inc.

When most people think about security, Payment Card Industry Data Security Standard compliance and breach prevention typically come to mind. But just as important, knowing what to do after a breach occurs can make or break a company. In this article, I will focus on breach notification and address the critical questions of how, when and why, as well as what to tell your customers, partners and others who might be impacted by a breach.

An unavoidably messy issue, breaches involve the law, politics, psychology and customer perception issues, which can be difficult to measure or pin down, but the topic is especially timely. Recently, we've seen a series of major breaches (some of which were badly mishandled) and the White House just released a breach notification proposal to create a consistent national framework for how businesses must notify customers and others affected by a breach.

Four key points about breaches

When considering a breach notification plan, it's important to understand:

1. **It can happen to you.** Investing time and money on security is a business necessity. But while preventive action can make you safer, it won't make you invulnerable. You also need to have a plan in place should anything go wrong and a breach occurs.

2. **You must follow the law.** You don't have complete freedom in determining your response to a breach. A multitude of state and national laws specify what you must do and when. In particular, the laws prevent you from sweeping the problem under the rug by making an obscure announcement that nobody will read. Most breach notification laws specify that you must contact affected individuals directly via mail or phone, with exact wording, and within a specified time.

   Many such laws also state when you must take public action, like placing notices in newspapers and on your website. State laws typically apply to customers affected in that state, so it's likely you would have to concern yourself with individual state laws in addition to laws from your own state. The federal government is moving toward a single national notification rule, but that will take time to be constructed and implemented.

3. **Monetary costs can be enormous.** The financial costs of a security breach extend far beyond formal fines imposed by law. Breach notification laws often include explicit per diem dollar amounts (for example, the proposed federal law includes the option of penalties of $1,000 per day per record stolen, with a ceiling of $1 million if the incident was not willful or intentional).

   However, breaches inevitably bring a range of additional expenses, like the costs of offering victims free credit monitoring; recovery of electronic records; and dealing with the support, communication and legal issues that enter into play. Analysis of previous real-world breaches shows these additional costs are unavoidable and often end up being far greater than the explicit fines or penalties defined by legislation.

4. **Nonmonetary costs can be significant.** Breaches regularly cause massive disruption to a company, both in terms of the time and distraction to man-

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agement and staff, and the damage done to the company's brand and reputation. It can take years (if ever) to recover from a breach, and while the statistics are blurry, a significant percentage of companies that suffer a security breach don't survive the experience.

Quick analysis of the federal proposal

Now let's review the White House legislative proposal in a little more detail. First, in its current form (which will likely change after this publication goes to press), the proposal is light on details; many such critical details will emerge either during the drafting of the bill or even later as the Federal Trade Commission creates implementation rules.

Second, there is extensive discussion occurring among experts about whether the definition of "breach" is accurate. The proposal says that a breach is any theft, compromise or misuse of "sensitive personally identifiable information," which means any of the following:

- An individual's first and last name or first initial and last name in combination with any two of the following data elements: home address or telephone number; mother's maiden name; month, day, and year of birth; or

- A nontruncated Social Security number, driver's license number, passport number, alien registration number or other government-issued unique identification number; or

- Unique biometric data such as a fingerprint, voice print, a retinal or iris image, or any other unique physical representation; or

- A unique account identifier, including a financial account number or credit or debit card number, electronic identification number, user name, or routing code; or

- Any combination of the following data elements:

  - An individual's first and last name or first initial and last name; or

  - A unique account identifier, including a financial account number or credit or debit card number, electronic identification number, user name, or routing code; or

  - Any security code, access code, password, or source code that could be used to generate such codes or passwords

A number of experts feel that the above definition is too narrow (and it isn't hard to think of information that you

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Education

as a customer wouldn't want stolen, but which wouldn't trigger a breach notification according to the above definition).

Third, the proposal is fairly narrow in scope and would only apply to businesses with the designated types of information on 10,000 or more individuals in any 12-month period.

Fourth, the proposed law would supersede the multitude of state laws out there, giving organizations a single target to worry about.

Safe harbor directives

In addition, the federal proposal describes several "safe harbor" provisions, which essentially say you escape the worst obligations of breach notification if you meet certain circumstances. The main safe harbor situation is one where the records have been encrypted and therefore cannot readily be accessed by a thief, and the company has comprehensive logging in place to track what happened and when.

In this situation the company must still base its decision on a formal risk assessment and notify the FTC, but they're not required to send notification directly to affected customers.

Furthermore, financial institutions that have only had credit card numbers (that is, no names, etc.) exposed also have a special safe harbor. They are exempt from the consumer notification requirements as long as they have a security program that does two things:

1. Stops an attacker from using the stolen information to initiate unauthorized financial transactions before they are charged to the account of the individual

2. Provides for notice to affected individuals after a security breach that has resulted in fraud or unauthorized transactions

While the details are still being worked out, every company needs to recognize that breaches are a genuine risk. How they are handled can mean the difference between life and death for businesses affected. The rules are tightening, and failure to handle the situation carefully is becoming increasingly dangerous for businesses, both legally and financially.

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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New**Products**

A button so smart, it connects the world

Product: Alternative Payment Smart Button

Company: 2000Charge Inc.

Creating a global presence for online merchants, though challenging, has been the focal point for 2000Charge Inc. since 1999. In that time, the alternative payments provider has amassed an array of alternative payment options. 2000Charge reported that with its new Alternative Payment Smart Button, the company's global customers have access to 45 alternative payment options with one simple button. Using a single line of code, the Payment Card Industry Data Security Standard-compliant solution uploads to merchant websites.

When the company started out, it took a systematic approach by delving into Europe, one country at a time, adding local payments for each nation until coverage in Europe was complete. Then it tackled automated clearing house payments in the United States and Canada before venturing into debit card networks in Asia. Now, 2000Charge is exploring alternative payment options in the Latin American market.

"I'm from Europe," said Wolf Kring, Chief Executive Officer at 2000Charge. "I recognized when I started in the payments industry that everybody was doing credit cards in America, but in Europe only 30 percent of payments are credit card-based. If you are selling to Europe or anywhere outside the U.S., people use other forms of payment. They use their local debit card, which does not have a Visa/MasterCard logo – they pay with their bank account."

Kring added that since an estimated 100 million Europeans use the European Bank Debit system to purchase products and services over the Internet, merchants can substantially increase sales internationally by adding the 70 percent of European customers who use debit and other payment options.

Connecting with customers

Kring said e-commerce merchants who want to be successful globally must compete with local businesses in the regions they target, which requires a seamless presentation using local currencies and languages to establish customer relationships.

To use 2000Charge's smart button, merchants simply add it to their websites, "preferably next to the Visa/

MasterCard button," Kring said. He pointed out that if a customer is Italian, for example, he or she can click on the smart button, and it shows the Italian flag and displays information in Italian, including local payment options.

"The smart button says, 'Hey, I know you're Italian. I'll give you your Italian language, your Italian payment options and a local phone number you can call if you have questions,'" Kring said. "That's really what the smart button is doing. It cuts down the clutter. We don't want to disconnect the shopping order, the checkout process."

Beyond common language and payment barriers encountered on e-commerce sites, foreign customers are put off when they can't call the "800" phone numbers listed. Another service 2000Charge offers is local customer support assistance to facilitate order processing.

Protection for merchants

"Here we are in Southern California," Kring said. "We understand the needs of the American market. A lot of times [merchants] are afraid of international markets." He added that they fear losing money or not knowing what they're doing. "So we can help them with all that," he said. "We know the tax laws. We have local legal representatives. We can be their international payment consultants."

Kring said his company even offers a chargeback-free option because some merchants are fearful of shipping items internationally, especially when a credit card is used. With this feature, merchants are guaranteed the funds.

ISOs have a choice of commission structures when selling alternative payments through 2000Charge, which charges a percentage with each sale. The company also said it provides online reporting tools, education and selling tips, translation, and other consulting services to assist merchants with selling online.

2000Charge Inc.

626-585-1814
www.agent2k.net

Network security for small merchants

Product: SecurityMetrics Vision

Company: SecurityMetrics Inc.

Statistics reveal that 85 percent of data compromises occur at Level 4 merchant locations. To provide relief to this sphere, the SecurityMetrics Vision plug-in network threat sensor links merchant networks directly to a secure online portal where it performs internal vulnerability scanning, log analysis and wireless detection to fulfill key Payment Card Industry Data Security Standard requirements.

The product targets merchants who are using Self-Assessment Questionnaire C or D, and who perform scans. "They're generally the more sophisticated merchants," said Brad Caldwell, Chief Executive Officer at SecurityMetrics Inc. "It's really people who have their own systems, their own networks, their own machines that they're already scanning."

Caldwell said merchants lack the time and expertise neces-

> **Features of Security Metrics Vision:**
> - Provides immediate online threat notification
> - Updates scan engine daily to safeguard against new threats
> - Locates and reports potential rogue wireless devices
> - Blocks network threats with leading firewall protection
> - Offers ongoing ISO revenue share opportunities

sary to manage network security. "This new product provides a simple, low-cost, one-box solution to help smaller merchants keep their businesses safe against hackers and simplify one of the most difficult security challenges: network monitoring," he said. "They just schedule a scan and it runs. They can select all the machines on their internal network and scan them all."

Real-time security benefits

Caldwell said when merchants install the system it "actually creates an encrypted, secure tunnel between Vision in their network and our data center – the SecurityMetrics

Data Center. Our scanners can see their internal networks like it's ours. So now we have the ability to scan their data thoroughly, like we do a normal external scan, the exact same scan, but on machines that are inside their network that you normally couldn't access through their firewall."

Jon Clark, Product Marketing Manager for SecurityMetrics, added that when a security issue is detected, the alerting system notifies merchants both by email and through the product's interface. Merchants receive preconfigured email alerts based on predetermined security threats. The opening screen on the system's control panel provides a list of alerts.

Built-in security features function as follows:

- Internal vulnerability scanning searches merchant networks for internal security weaknesses. The scan engine is updated daily and provides detailed results after scans are completed.

- Log alerts transmit account data and email/text notification when suspicious system activity has been detected.

- Log storage collects system logs, ensuring merchants have the required log records in the event of a data breach.

- Wireless detection identifies all wireless access points within the network and reports potential rogue devices that could pose a security risk to the network.

In describing Vision's wireless detection, SecurityMetrics Product Manager Bill Davis said, "It detects wireless access points in the area. The customer defines which are theirs and which are not, and then they get alerted as to new wireless access points that are visible.

"They're able to detect new modes on the network, so if somebody brought in a laptop from home that wasn't one that they had seen before, it would detect that or a rogue box."

SecurityMetrics offers several pricing models to ISOs. "This product needs to be part of their entire PCI solution," Caldwell said. "We know that ISOs and acquirers have real PCI costs and they need to cover those costs, so we give them the same type of revenue share that we do with our other programs just to make sure the ISO is incented and wants to offer this."

SecurityMetrics Inc.

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Advisory board benefits

Sharing knowledge with colleagues in-house is what keeps businesses strong. Communicating expertise via open forums, such as LinkedIn groups or blog sites, is also important for the industry as a whole.

But being available to publications and associations as the go-to expert can give your business additional industry cache and set you apart from the competition.

Professionals who sit on advisory boards are the trusted, respected experts in their chosen fields. They are the people colleagues turn to for advice and guidance. It is natural for them to assume a similar position in the industry as a whole and help shape opinions that lead the industry forward.

Vetted professionals

In return, these individuals, and their respective organizations, raise their industry prominence and standing. An advisory board membership isn't merely an advertisement proclaiming your value, but a kind of seal of approval that you exhibit a high degree of experience and trust.

By association, your company is afforded a similar status since your professionalism, as a company leader, reflects favorably on your entire company.

By serving on an advisory board or two, you will also be called more frequently to render opinions on important industry topics.

For example, when issues arise in

payments *The Green Sheet* turns to its advisory board for subject matter expertise. In turn, board members' commentary not only helps educate the industry but also provides free publicity for their organizations as well.

People of influence

Beyond just being good for business, advisory boards are ideal vehicles for getting things done. Instead of sitting on the sidelines and complaining about problems in the industry, joining advisory boards enables you to have an impact on current events in payments.

In exchange for giving up a little of your valuable time, advisory board memberships accrue like residuals – recurring and exponential.

10 years ago in The Green Sheet

Hypercom hits milestone

Hypercom Corp. shipped its four millionth POS terminal in 2001. At the time, about 2.5 billion transactions were being processed on Hypercom terminals annually in more than 100 countries. Driving growth was Hypercom's ePic ICE (Interactive Consumer Environment) touch screen-based, Internet-enabled, multi-application system.

VeriFone rolls out messaging module

VeriFone Inc. introduced the VeriCentre Message Management Module, enabling banks, processors and acquirers to interact directly with merchants at the POS. The module allowed users to send customized text and graphics messages to merchants with Verix-based terminals. Merchants responded with text messages or by using preformatted templates.

MasterCard launches SmartLink

MasterCard Worldwide and SPS International Ltd. introduced MasterCard SmartLink software, which integrated information from MasterCard corporate purchasing cards with several leading enterprise resource planning systems. SmartLink routed data on cardholder purchasing activities to corporate accounting systems in an effort to eliminate the risks of fraud, abuse and error.

The Green Sheet was 56 pages.

Read archived issues back to 1995 at *www.greensheet.com*; click on Publications.

ResearchRundown

May SpendTrend shows rise in credit card spending

First Data Corp.'s May 2011 *SpendTrend* report demonstrates a softer economy in May this year compared with May 2010. The report shows year-over-year volume growth in credit card spending was down 6.6 percent in May 2011, the lowest monthly growth so far this year; the year-over-year transaction growth of 5.5 percent is the slowest growth reported in the past year.

However, those who did use credit cards spent more. The study indicates credit card dollar volume growth rose by 8.8 percent. Credit card spending growth was larger than both PIN debit and signature debit spending in May.

"Higher-end consumers are utilizing credit and paying off the balances, while lower-end consumers are turning to credit to cover everyday expenses," the study reported.

Buying increased 1.4 percent over the previous May. It was slightly higher than April 2011, and it was the largest increase in the rate of consumer spending so far this year. When gasoline costs are excluded, however, the average consumer purchase increased only 0.5 percent over the previous year, though every industry sector with the exception of restaurants and grocery stores saw a rise in spending.

First Data Information and Analytics Solutions Division Manager and Senior Vice President Silvio Tavares said, "Card spending growth slowed in May. High gas prices and stubbornly high unemployment constrained growth in most merchant categories."

First Data's *SpendTrend* follows credit card, signature debit, PIN debit and electronic benefit card same-store consumer spending trends in the United States.

For more on *SpendTrend* please visit
www.firstdata.com/infoanalytics

April continues cycle of e-commerce gains

Total revenue year-over-year
+3.4%

Total revenue from products sold at list price
+19.27%

Average order value for personalized transactions
+12%

Total revenue from products sold with a discount
-8.03%

Depth of discounts
-2%
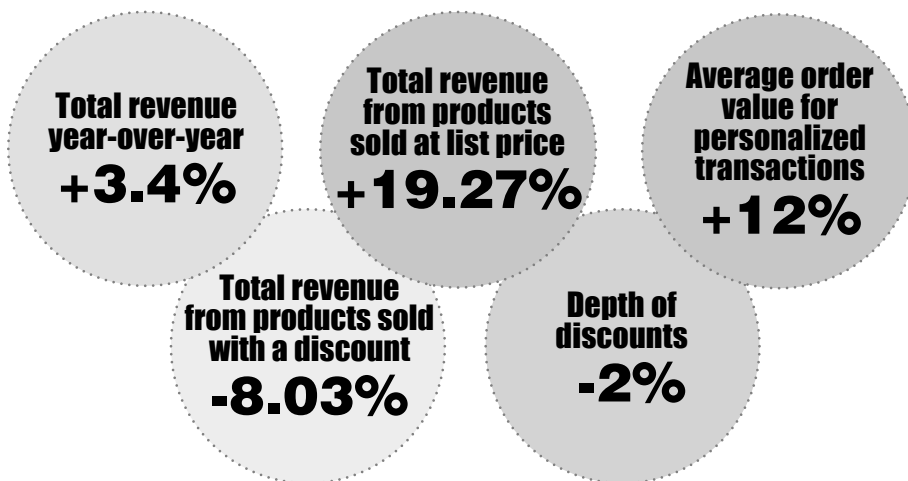
Source: April 2011 MyBuys E-Commerce Wellness Index

"Securing information continues to challenge organizations at all levels, but the vast majority of these breaches are preventable. Organizations must not only protect the data itself wherever it is stored or used, but also create a culture of security including training, policies and actions."

– Francis deSouza,
Senior Vice President, Enterprise Security Group, Symantec Corp.
Source: *2010 Annual Study: U.S. Cost of a Data Breach* by Ponemon Institute for Symantec

Payments industry lookin' good

Merchant Acquiring, an Update: EMV, Interchange and Mobile Payments, a May 2011 report from Aite Group LLC, indicates top acquiring stakeholders believe the industry is on the rebound. Also, according to Aite Senior Analyst Adil Moussa, 80 percent of survey participants agree mobile POS solutions will "dramatically increase the number of businesses accepting cards over the next three to five years."

Mobile shopping continues to grow

More people are using smart phones to do business, stay connected and shop, a new *JiWire Mobile Audience Insights Report* stated. The study found 71 percent of consumers who own smart phones are using their devices to research purchases. Almost 20 percent of consumers with smart phones used them to research and then make purchases. Nearly 20 percent of consumers said they are comfortable using their smart phones to make purchases in excess of $500.

Teens, young adults like mobile payments

A survey by Kelton Research for MasterCard Worldwide found that 62 percent of U.S. mobile phone users surveyed would be willing to use smart phones to make purchases. Sixty-three percent of respondents ages 18 to 34 are ready to use mobile payments now; only 37 percent of those 35 and older said they are comfortable with mobile payments.

DateBook

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

Midwest Acquirers Association
MWAA 9th Annual Conference

Highlights: This year's conference's theme is Rethink, Reinvent, Renew. The event will focus on timely industry topics and will feature the ever-popular educational sessions from Field Guide Seminars, a vendor's exhibit hall, and opportunities to meet payments industry leaders and innovators.

If you want to spend three days developing your merchant services business, learning how to make more money, playing a round of golf on an award-winning golf course, enjoying the company of friends and networking with people from across the bankcard industry, the MWAA's annual conference is the place for you.

When: July 26 – 29, 2011
Where: The Oak Brook Hills Marriott Resort, Oak Brook, Ill.
Registration: *www.midwestacquirers.com/next_event.php*

Women's Network in Electronic Transactions (W.net)
LINC Texas Networking Meeting; Career Development & Leadership Summit

Highlights: W.net's LINC Texas will host an evening of networking and special guest speakers at the Farrago World Cuisine restaurant in Houston. Attendees will be able to gain valuable payments industry insights while enjoying a taste of international foods.

W.net's LINC meetings occur periodically throughout the United States and provide a forum for women in the payments industry to empower and inspire each other through networking opportunities.

In September, W.net will hold its 2011 Career & Leadership Summit in Atlanta. The event will kick off with a Diva awards ceremony, followed by an opening session focused on the state of the industry. Breakout sessions will cover such topics as industry economics, building your professional brand, organizational savvy and future trends.

LINC Texas

When: July 28, 2011
Where: Farrago World Cuisine, Houston
Registration: *www.w-net.biz*

Career & Leadership Summit

When: Sept. 12 – 13, 2011
Where: Hyatt Regency Hotel, Atlanta
Registration: *www.w-net.biz*

Western States Acquirers Association
WSAA 8th Annual Conference

Highlights: WSAA's 2011 Annual Conference for payment professionals will be held in the San Francisco Bay Area region. The event will feature networking opportunities and a chance to participate in breakout sessions and panel discussions on issues pertinent to the payments industry.

WSAA is a self-governing, nonprofit volunteer organization dedicated to creating an independent forum for educating and linking professionals engaged in the payments industry.

Rather than offering memberships, the organization is funded through revenue generated by events it hosts. Online registration for this conference will begin in July 2011.

When: Sept. 21 – 22, 2011
Where: San Francisco Airport Hyatt Regency, Burlingame, Calif.
Registration: *www.westernstatesacquirers.com*

Calendar

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, UNC Atlanta	June 29	Atlanta	http://w-net.biz/PageDisplay.asp?p1=7962
ACH Direct and UMACHA, e-Check Conversion Products	July 19	Online	www.achdirect.com/
MWAA 9th Annual Conference	July 26 – 29	Oak Brook	www.midwestacquirers.com/next_event.php
World Congress, Healthcare Payments Solutions	July 26 – 28	Chicago	www.corkeg.com/webreg/RegGateway?HW11077
W.Net, UNC Texas	July 28	Houston	http://w-net.biz/PageDisplay.asp?p1=8634
ACH Direct and UMACHA, WEB and TEL Entries	August 16	Online	www.achdirect.com
W.Net, Career & Leadership Summit	September 12 – 13	Atlanta	http://w-net.biz/PageDisplay.asp?p1=8607
ACH Direct and UMACHA, Check Basics/Check 21	September 13	Online	www.achdirect.com
WesPay Symposium 2011	September 19 – 20	San Diego	www.wespay.org/symposium/registration.htm
WSAA 2011 Annual Conference	September 21 – 22	Burlingame	www.westernstatesacquirers.com
GACHA Solutions 2011	September 21 – 23	Atlanta	www.gachasolutions.org
Bank Administration Institute, BAI Retail Delivery	October 11 – 13	Chicago	www.bai.org
Payments Authority, Concepts 2011	October 12 – 14	Mt. Pleasant, MI	www.thepaymentsauthority.org
ACH Direct and UMACHA, Corporate Capture	October 18	Online	www.achdirect.com
ETA, 2011 Strategic Leadership Forum	October 25 – 27	Chicago	www.electron.org
Epcor Payments Conference - Fall 2011	October 25 – 27	Kansas City	www.epcor.org/iMIS15/EPCOR
19th Annual ATM, Debit & Prepaid Forum 2011	November 2 – 4	Las Vegas	www.paymentssource.com/conferences/atmdebit
2011 AFP Annual Conference	November 6 – 9	Boston	www.tradeshowregistrar.com/regsystem18
Cartes & IDentification 2011	November 15 – 17	Paris	www.cartes.com

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Inspiration

Understanding is a two-way street.
– Eleanor Roosevelt

What a difference a birth date makes

For a system of people to succeed, the new must surely work with the old, but the reverse is also true. Be it a business or a society, all participants must be able to work together, regardless of age.

In merchant services, relatively young merchant level salespeople (MLSs) starting their careers must know how to relate to relatively mature merchants. And seasoned MLSs must consider the unique factors influencing younger merchants' decisions in order to close deals. It is therefore helpful to understand how members of generations other than your own think and act.

Meet your elders

The baby boomer generation – roughly those born between 1946 and 1964 – are often called idealists. They generally see themselves as out-of-the box thinkers.

They prefer face-to-face contact, do not appreciate being bombarded with too much information and are quick to tune out conversations they deem irrelevant. Additionally, they tend to exhibit more brand loyalty than younger generations do.

Effective ways to market to them are through white papers, research reports and other sources of detailed information from trusted organizations. Indeed, baby boomers view organizations as inherently trustworthy, despite the rebellious, anti-establishment natures they displayed in their youth.

Now that baby boomers are getting older, however, they want to be able to retire in comfort, but they realize now is the time for them to secure a legacy – to change the world for the better and be remembered for it. Young MLSs who can fulfill that need in some way may find loyal and long-term customers.

Heed the up-and-comers

Gen Xers were born from the mid 1960s through about 1980. They came of age when mothers with employment outside of the home were becoming the norm. Members of this generation therefore tend to be resourceful and independent. They willingly take on responsibility at work, but they also value freedom and value a hands-off management style. MLSs who can tap into these qualities are likely to gain their respect and business.

Generation Y, dubbed the millennial generation, comprises folks born approximately between 1981 and 2000. They are used to moving in such a fast-paced world that email seems slow to them.

They inhabit the online realm as a second home, expect services to be available 24/7 and are impatient with communication channels that take them out of their virtual comfort zones.

Email marketing or direct mailers may not get the attention of millennials. Text messaging, blogging and other types of social media are a better bet.
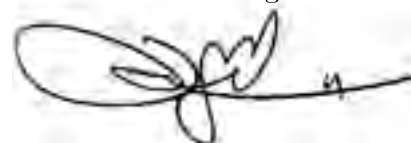
And since they are largely immune to marketing hype, because they've been bombarded by advertising in multiple forms since they were born, they are not likely to respond favorably to exclamation points in marketing copy and promises that are simply too good to be true.

Work-life balance is also important to millennials; so is community. Because millennials are keen on being a part of online movements, tailor marketing to develop that sense of community.

And since they love to personalize services for themselves, such as through ringtones and online role playing games, think of creative ways to tailor POS services to scratch that itch.

Beauty and efficiency are attained in any human system when all parts work well together. Keeping in mind that age influences attitudes and behaviors can help you interact more intelligently with your customers and prospects, which can lead to more sales, as well as rewarding, stimulating friendships.

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Paul H. Green, President and CEO

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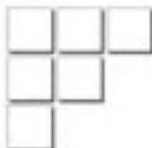
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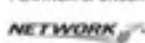
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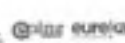
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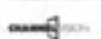
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