



## News

Industry Update.....	14
FDIC warns banks about processors.....	24
IRS backs down on reconciliation requirement .....	26
Facebook becoming a payment business.....	27
Trade Association News.....	31

## Features

### Selling Prepaid:

Prepaid in brief.....	32
Glitch in Google Wallet raises security concerns.....	33
FIs awaken to prepaid's power .....	36

### GS Advisory Board:

Views on IRS reporting and TIN matching .....	42
It's time to build your sales force By Marc Beauchamp Performance Training Systems.....	74
An interview with Harold Montgomery By Ken Musante, Eureka Payments LLC .....	76
Research Rundown .....	86

## Views

Shop small, shop local By Patti Murphy, ProScribes Inc.....	40
--	----

## Education

### Street Smarts<sup>SM</sup>:

The ins and outs of marketing By Bill Pirtle, C3ET Credit Card Consortia for Education & Training Inc.....	60
Legal strategies for an evolving marketplace By Adam Atlas, Attorney at Law .....	66
Modern payment pros fill the knowledge gap By Nicholas P. Cucci Network Merchants Inc.....	70
MLSs are masters of change By Dale S. Laszig Castles Technology Co. Ltd.....	72

February 27, 2012 • Issue 12:02:02



# Payments industry boldly moves forward

**M**any U.S. businesses reinvested in their enterprises in 2011, signaling economic recovery was more tangible than illusory. Mergers and acquisitions (M&A) also increased as companies sought to consolidate resources and increase market share. Despite cautious overtones, it appears the economy is trending upward. And for the payments industry, economic signs are promising.

During the recession, many job positions within the industry were in scarce supply. "Generally speaking, going back to 2008 and 2009, we saw sales and business development was the only real steady job category that we were filling," said J.T. Driscoll, President of Impact Payments Recruiting. Before then, more than half of the company's placements were typically in other categories.

In the second half of 2011, Driscoll noticed a dramatic increase in hiring. "Our third quarter was back to the best levels we had ever seen, back in 2007, before everything started dropping," he said. "What we're seeing from a real high-level view from last year, and certainly trending on this year, is a return to normalcy in the types of jobs we're seeing. What's coming in – and we take this as a good sign for our firm but more so as an indicator for the industry and the economy in general – are the big gallery jobs, the leadership positions."

Driscoll said that in addition to top executive positions, openings for project managers and support positions are making a comeback. "Technology is hot right now," he said. "We're getting a lot of needs for different types of programming. People are working on their infrastructure. They're reinvesting in their companies."

Driscoll also noted that top payment professionals are in demand, so they are not being forced to accept downgrades or make lateral moves. "The more senior,

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## NotableQuote

**What can the modern ISO or MLS do? Study the industry. New technologies emerge every day. When mobile payments were in their infancy, who would have envisioned millions of people paying their bills and shopping from mobile devices?**

See story on page 70



## Inside this issue: CONTINUED

### Company Profile

#### Harbortouch

Full business management, not just payment acceptance ..... 49

### New Products

Mobile wallet commerce platform ..... 84

### Inspiration

Are you trying too hard? ..... 89

### Departments

Forum..... 5

Datebook..... 87

Resource Guide..... 90

Advertiser Index ..... 102

### Miscellaneous

QSGS: Quick Summary Green Sheet ..... 8

Bottom Lines ..... 14

Boost Your Biz ..... 73

ISOMetrics..... 75

Water Cooler Wisdom ..... 89



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# Forum

## What about MLSs and international acquiring?

In response to "ISOs no longer need bank sponsorship in Europe: Are you ready to go?," by Carrie Hometh, *The Green Sheet*, Jan. 23, 2012, issue 12:01:02, several merchant level salespeople (MLSs) asked us whether U.S.-based MLSs can take advantage of international opportunities resulting from Europe doing away with bank sponsorship requirements, or whether this is really something only ISOs can benefit from.

And if MLSs can't benefit from this, is there another way they can break into doing business internationally?

We asked Hometh for her thoughts on this, and she said:

*Payment institution licensing and full principal membership requires capital, the ability to be domiciled in Europe and full multiple currency processing capabilities. Most MLS individuals and companies find these requirements beyond their strategic, operational and financial strengths. They can benefit by reselling for a licensed institution or acquirer who has licensing in Europe.*

So it appears partnerships are a way for MLSs to extend their reach beyond U.S. borders and enjoy the benefits of the new acquiring opportunities in Europe.

Editor

## Passing on debit savings to merchants

Authors Jeffrey Shavitz and Adam Moss asked the following question in "Durbin – the aftermath," *The Green Sheet*, Jan. 23, 2012, issue 12:01:02:

"Given the new and reduced debit pricing as part of the Durbin Amendment, did you:

- Lower the debit pricing on your portfolio?
- Keep the pricing the same in order to increase your profitability?"

We received the following response:

*The Acquirer that I am an MLS for passed 100 percent of the lower debit pricing through to 100 percent of our merchants. And they are 100 percent right to do so.*

*I found it very ironic that the question [about passing on debit interchange savings] was in the same issue as the Inspiration article Paul Green wrote in the same issue, "Belief makes dollars and sense."*

*What was the clear and obvious intent of the Durbin Amendment? There is no question that it was meant for the merchants. The intent was clearly not to increase the profits of MLSs or their ISOs. The fact that Dick Durbin did not think to make that a part of the amendment does not give us, as MLSs or ISOs, free license to increase our profits at the expense of the intended recipient.*

*Your question should be: If you did not pass 100 percent of the Durbin rates through to all of your merchants, please explain why you are not a crook?*

*And we continue to wonder why our industry gets a bad rap? ... Paul finishes his article with "Thus, when you hear horror stories about what goes on at less than ethical or careless ISOs, you can be grateful that you are not associated with them. And if you are unfortunate enough to work with such an ISO, maybe changing that situation is in order for the new year."*

*Exactly right, Paul. Thank you.*

Bill Neville, MLS

Thank you, Bill, for your feedback. The authors asked their question in the spirit of sharing information so that all ISOs and MLSs can improve their business practices and serve merchants better. We hope more payment professionals offer feedback so the discussion can continue.

Editor

## Call us, write us

Would you like us to cover a particular topic? Do you have a question you'd like us to answer? 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](mailto:greensheet@greensheet.com) or call us at 800-757-4441.



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# QSGS

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

Cover Story

1

## Payments industry boldly moves forward

Many U.S. businesses reinvested in their enterprises in 2011, signaling economic recovery was more tangible than illusory. Mergers and acquisitions also increased as companies sought to consolidate resources and increase market share. Despite cautious overtones, it appears the economy is trending upward. And for the payments industry, economic signs are promising.

News

27

## Facebook becoming a payment business

Facebook Inc. made \$557 million from its payment business in 2011, up from \$106 million in 2010, the company disclosed in an initial public offering filing in advance of it becoming a publicly traded company. The document gave potential investors insight into Facebook's payment revenues and its plans for building its payment business.

News

24

## FDIC warns banks about processors

Heads up! The Federal Deposit Insurance Corp. revised guidelines for banks doing business with payment processors. In a Jan. 31, 2012, letter, the FDIC recommended banks assess the risks associated with each processor with which they do business because some processors carry a higher risk of fraud.

Feature

33

## Glitch in Google Wallet raises security concerns

Security researchers uncovered a flaw in Google Inc.'s Google Wallet that could have allowed fraudsters access to the prepaid card accounts that reside on mobile devices. This has led to questions about whether the venture can succeed in a world where consumers remain uneasy about the relative security of their personal and payment data on mobile devices.

News

26

## IRS backs down on reconciliation requirement

Under pressure from retailers and Congress, the Internal Revenue Service confirmed on Feb. 9, 2012, it will not require merchants to reconcile actual gross transaction receipts reported on their 1099-K forms with the aggregate gross receipts they report on their taxes. This is good news for payment businesses dealing with a host of new regulatory requirements.

Feature

36

## FIs awaken to prepaid's power

As financial institutions (FIs) have increasingly recognized the value in prepaid card strategies, so has the need arisen for programs to support such strategies. To meet this new demand, The Members Group launched a client-service department to manage the company's growing prepaid card programs for its core client base of credit unions and community banks.



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- Shawn Dillon, Director of Sales



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View

40

### Shop small, shop local

American Express Co. used the Northeast Acquirers Association's recent winter meeting to promote its new Shop Small marketing campaign. An outgrowth of the company's Small Business Saturday campaign, Shop Small leverages the power of social media and viral marketing to help drive customers to small, local businesses participating in the program.

Education

60

Street Smarts<sup>SM</sup>

### The ins and outs of marketing

Lead generation is the lifeblood of merchant prospecting. Members of the GS Online MLS Forum weighed in on the relative benefits of inbound and outbound marketing. While every merchant service provider markets to potential clients differently, the basics of how to go about it don't change. Success involves planning, trial and error and having the right marketing mindset.

Feature

42

### Views on IRS reporting and TIN matching

Per Internal Revenue Service Code Section 6050W, payment processors must submit taxpayer identification numbers and business names that match IRS records for all merchants serviced when reporting transaction totals beginning with tax year 2011. In this article members of The Green Sheet Advisory Board talk about how their companies are handling the new requirements.

Education

66

### Legal strategies for an evolving marketplace

Online and mobile commerce are reshaping the industry to fit a new, more fluid paradigm. From a legal perspective, ISOs and merchant level salespeople (MLSs) should be incorporating flexibility into vendor agreements and securing rights to merchants' customer information. That way, sellers will be well positioned to profit from the inevitable disruptions ahead.

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Education

70

### Modern payment pros fill the knowledge gap

It isn't often said, but sales agents are the backbone of the industry. Merchants rely on them to navigate the complex landscape of electronic payment acceptance. But all too often agents miss out by providing merchants inferior customer service, whether it is dispensing bad information or outsourcing customer support to a third-party call center.

Feature

74

### It's time to build your sales force

One positive aspect of a difficult economy is that the pool from which to draw sales talent is deep. So now's the time for payment organizations to snatch up that talent before businesses in other job sectors do. And what the industry has to offer – a recession-proof business model and lifetime residuals – should be instrumental in recruiting top-flight talent.

Education

72

### MLs are masters of change

If sellers know anything, it's that change cannot be tamed, it can only be managed. It is that ability that makes sales agents invaluable to merchants. To help merchants manage change, whether it be to a new POS terminal or security service, various strategies can be employed, including empathic listening, big picture thinking and the "puppy dog close."

Inspiration

89

### Are you trying too hard?

The stereotype of the overbearing used car salesman persists. But sellers don't need to rely on loud, over-the-top behavior to win accounts. Merchants, like everyone else, respond to genuineness and integrity. Follow these tips to ensure you're not scaring away prospective merchants, but instead reassuring them about why they should go your way.

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# IndustryUpdate

## NEWS

### MasterCard sets aside funds, just in case

MasterCard Worldwide reported in its fourth quarter 2011 financial statement that it will take an after-tax charge of \$495 million to cover a possible settlement with 10 plaintiffs that opted out of a lawsuit challenging interchange fees.

Kroger, Walgreen Co. and eight other companies reportedly opted out of the class action and are now involved in settlement talks with MasterCard.

The litigation, brought by major retailers and retail associations, including grocery store chains Kroger Inc. and Safeway Inc., Payless ShoeSource, the National Association of Convenience Stores, and the National Restaurant Association, alleges MasterCard and Visa Inc., along with their card issuing banks, violate anti-trust laws regarding interchange fees. Thirteen of the largest U.S. banks were named as defendants in the case.

The suit is set for trial in September 2012 in the U.S. District Court for the Eastern District of New York before Judge John Gleeson – the same venue and judge that presided over the 1996 antitrust case brought by Wal-Mart Stores Inc. against the card brands and their banks over debit card fees.

That settlement cost the card brands and banks \$3 billion

in damages and, according to Deutsche Bank research, a minimum \$25 billion loss due to business changes the settlement required.

Ajay Banga, MasterCard President and Chief Executive Officer, does not believe a settlement will affect interchange fees. "I want to make clear that we would not agree to any significant or long-term reductions in MasterCard's credit interchange rate as part of any settlement," he said.

### Visa says 1 million EMV cards issued in U.S.

Visa estimated that its card issuing banks had distributed 1 million Europay/MasterCard/Visa (EMV) cards in the United States by the end of 2011. The company called this "significant progress" in its effort to get the U.S. retail market to adopt EMV technology and standards.

Stephanie Ericksen, Visa Head of Authentication Product Integration, noted in 2010 that no Visa-branded EMV contactless chip cards had been issued in the United States. She said the 1 million card milestone is a testament to the "strong interest among U.S. issuers large and small to invest in chip technology."

Visa is introducing a suite of solutions to promote EMV chip technology and near field communication (NFC)-based mobile payments, as well as to help issuers adopt such technologies with a "minimal infrastructure

BOTTOM  
LINES

HEADLINES  
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- A *Car and Driver* reader survey revealed 53 percent of respondents were "very to somewhat likely" to purchase or lease a luxury vehicle in 2012; 60 percent of those probable buyers planned to take action by midyear.
- **Research and Markets** posted a **TechNavio** report, *Global Skin Care Market 2010-2014*, which projects growth in consumer affluence could push the global market for skin care products to \$90.1 billion by 2014.
- According to an **Experian Information Solutions Inc.** survey, patience is not a virtue of online shoppers: the average online shopper gives up trying to make a purchase after four minutes if unable to pass through online security checkpoints.



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## Industry Update

investment." The suite includes chip setup solutions, as well as chip authentication, confirmation and verification services.

In other news, Visa said payWave, its NFC application that allows consumers to pay at the POS with mobile devices, is now certified for use with LG, Samsung and Research in Motion smart phones. "The players are now in place for mobile payments to become a reality," said Sandra Alzetta, Visa Europe Head of Mobile Business Unit and Innovation Strategy.

She added the card brand is working with banks, mobile network operators and phone manufacturers to ensure "future payment technologies are as easy, intuitive and secure as card-based transactions are today."

### Heartland scores at Super Bowl XLVI

Heartland Payment Systems Inc., the official concessions processor for Super Bowl XLVI in Indianapolis, said it processed 43,982 credit and debit card transactions, a total of \$924,500, over the Super Bowl weekend of Feb. 4 and 5, 2012.

In expectation of a big transaction weekend, Heartland added 60 wireless terminals to the 600 already in use at Lucas Oil Stadium where the game was played.

Heartland Chairman and CEO Robert O. Carr said the processing of so many transactions in such a short period was a "testament to the reliability and security of our processing platform and customer service support."

In other news, Heartland launched a recruitment and awareness building campaign in Tallahassee, Fla., in February 2012. The effort to recruit, hire and build its local sales force continues with an intensive media effort through March 9, 2012.

The company said the program is intended to bring jobs to an area that has been suffering from a greater than 8 percent unemployment rate the last two years.

### PayPal doubles mobile processing prediction

PayPal Inc., the payment service owned by eBay Inc., doubled its 2012 prediction for mobile payments. The company said it believes it will now process up to \$7 billion in mobile payments this year. One of the reasons for the company's optimism is its new mobile payment pilot launched in Singapore subway stations in February 2012.

Commuters in Singapore can now scan quick response codes in subway stations to shop and pay for goods using smart phones that connect to PayPal accounts. PayPal said the pilot requires no additional infrastructure upgrades by merchants or NFC-equipped mobile devices from consumers.

PayPal teamed with eight Singapore merchants to leverage Valentine's Day shopping by offering discounts on flowers, chocolates, fashion totes, spa massages, shows and city tours.

In other news, PayPal teamed with one of the largest retail banks in Spain, la Caixa, to offer Instant Account Creation to the bank's customers. PayPal said the service allows customers to quickly create PayPal accounts online.

La Caixa then ensures credit and debit cards are automatically added to the PayPal mobile wallet. PayPal purchases made by la Caixa customers will generate card acquiring volume for the bank.

## ANNOUNCEMENTS

### AllTrust Networks releases web-based POS

Herndon, Va.-based check cashing and alternative financial services company AllTrust Networks released a new, web-based POS service called Retail Connect. The company said the service allows consumers to cash checks and conduct other business at the POS in single

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## Industry Update

transactions. The service also reportedly expedites payments for merchants, as transactions are logged and reconciled the same day they are made. AllTrust Networks has slated bill payment, money transfer and prepaid card services to be added to Retail Connect.

### Apriva sets new wireless transaction record

Wireless transaction and information solutions provider **Apriva LLC** said it processed a company record \$7.035 billion in wireless transactions in 2011 – a 27 percent increase over 2010. The company added that the fourth quarter of 2011 was the most successful period in its 13-year history, as it processed \$1.89 billion in transactions.

Additionally, Apriva reported it now offers a discounted rate program on Visa-branded credit, debit and prepaid cards to merchant acquirers and ISOs that use its Apriva Vend cashless vending technology.

### Elavon, CashFlows win at Card & Payments

U.S. Bancorp's payment processing subsidiary **Elavon Inc.** won the Best Merchant Acquiring Initiative award at the 2012 Card & Payments Awards held Feb. 1, 2012,

in London. The award was for Elavon's international payment processing technology that allows acquirers to design and create a "single, cross-border, multilingual/currency IT platform."

Cambridge, England-based payment services company **CashFlows**, a division of Voice Commerce Ltd., won the Best Security or Anti Fraud Initiative award at the Card & Payments Awards. The company won for its biometric voice signature program VoicePay.

### Electronic Payments unveils new websites

**Electronic Payments Inc.** revamped the websites for its corporate platform and bankcard sales program ([www.electronicpayments.com](http://www.electronicpayments.com) and [www.bankcardprogram.net](http://www.bankcardprogram.net)). Company founder and CEO Michael Nardy said the redesigned sites feature new branding and updated features, and website navigation is now simpler and more intuitive for ISOs, agents and merchants.

### First Data releases new products

**First Data Corp.** released the following additions to its product suite: Smart Routing, a solution that automatically directs a transaction to the least costly option for PIN debit transactions; Global Gateway e4, a new payment gateway offering multicurrency and global payment processing; and TransArmor Solution, for the encryption and tokenization of cardholder data.

### Gemalto issues instant issuance service

Dutch digital security firm **Gemalto NV** rolled out the DEXIS EMV instant issuance card solution for U.S. banks. Gemalto said the technology, designed to help streamline and accelerate EMV migration in the United States, allows banks to immediately issue and activate EMV chip cards at branch locations.

### PPI becomes PayPros

Newark, Calif.-based **Payment Processing Inc.** changed its name to **PayPros**. The ISO said the name change reflects the company's dominance in payment technology, products and services. The company reported that over 1,700 partners and nearly 54,000 merchants have relied on its payment services since 1995.

"We've planned, implemented and are now launching a new generation of payment technology that will dramatically change the value of payments for software developers and their resellers," said Eddie Myers, President of PayPros.

### Vantiv's new mobile payment solution

**Vantiv LLC** released a new mobile payment solution developed in conjunction with **Verizon Wireless**. The new solution for mobile devices that run on Google Inc.'s Android operating system features end-to-end

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## IndustryUpdate

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## PARTNERSHIPS

### Bango signs Facebook

U.K. mobile payments provider **Bango.net Ltd.** signed an agreement with **Facebook Inc.** to collect mobile payment data for online content purchases and provide that data to mobile marketers and websites.

### New tandem for online fraud fight

MasterCard and web security firm **Silver Tail Systems Inc.** joined to fight online fraud. The companies are creating technology to help merchants distinguish in real time between legitimate online transactions and fraudulent ones.

### mopay and paymentez team

Online payment provider **mopay Inc.** teamed with Brazil's **paymentez** to add an online direct carrier billing method to paymentez' micro-transaction processing platform.

Users will be able to make online purchases, such as for

virtual goods and online gaming content, by inputting phone numbers into pop-up windows, then confirming the purchases by entering PINs they receive via text messages. Purchases will be billed directly to users' mobile phone accounts.

### USA Technologies re-inks with Elavon

Payment solutions provider **USA Technologies Inc.** renewed its contract with **Elavon** for an additional three years. The company has used Elavon as its payment processor for 10 years.

## ACQUISITIONS

### CO-OP Financial Services achieves eCom assets

CO-OP Financial Services completed its acquisition of **Corporate Network eCom LLC** (eCom) assets. The assets include eCom's online and mobile bill pay services.

### CMS buys stake in Northern Star

Florida-based electronic payment company **Corporate Merchant Services Inc.** said it agreed to acquire a 51 percent stake in **Northern Star Financial Inc.**, the parent company of Northern Star Bank. Terms of the deal were not disclosed.

### Datacard Group invests in DeviceFidelity

Identity security and card personalization solutions firm **Datacard Group Corp.** said it made an equity investment in, and formed a strategic partnership with, **DeviceFidelity Inc.**, a developer of NFC-based plug-and-play technologies, services and payment applications for mobile devices. Dallas Venture Partners is also participating in the investment as an equity partner.

### Sage Pay acquires Integral

U.K. payment provider **Sage Pay Europe Ltd.** acquired Dublin, Ireland-based POS hardware and software developer **Integral Computers Ltd.** for approximately \$26.2 million. Integral's systems are used at more than 25,000 POS locations in the U.K. and Ireland. Sage Pay said 87 million transactions, valued at about \$6.6 million, were processed via Integral's systems in the last 12 months.

## APPOINTMENTS

### Anderson joins CSR

Former Total Systems Services Inc. executive **Darrel Anderson** became the new Executive Vice President of Sales and Client Solutions for Compliance Solutions

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## Industry Update

and Resources. Anderson is responsible for sales and business development activities. He has 24 years' experience in the payment processing industry. Prior to joining CSR, Anderson was President of US Financial Services Group.

### USA Technologies appoints Arnold

**Deborah G. Arnold**, a payment consultant and former Visa Vice President of Global Consumer Products, was appointed to USA Technologies Inc.'s board of directors. Arnold was a founding member of the NFC Forum, a group promoting NFC technology and standards.

### BlueStar taps Baranera

**Manel Baranera** joined Kentucky-based POS hardware distributor BlueStar as Chief Financial Officer for European Operations. Baranera, the former CEO of SSI Datopack ID, will handle BlueStar's European control-ship, manage European investments and capital structure, and advise on the company's European financial planning.

### Broudy goes to TMS

**Jeff Broudy** is the new Vice President of Sales and Marketing for Colorado-based ISO Total Merchant

Services Inc. Broudy comes from Intuit Inc., where he headed up the Payment Sales Division.

### Corken, Weinberg get Braintree appointments

Braintree Inc. named **David Corken** Chief Operating Officer and **Tracey Weinberg** Senior Vice President of Marketing.

Corken formerly served as Chief Operating Officer at Total Attorneys, a software solutions provider for the legal industry; he will oversee customer service at Braintree. Weinberg was Senior Vice President of Marketing with payment software provider iPay Technologies; she will be responsible for growing Braintree's business.

### Ezic makes three new hires

Chicago payment solutions company Ezic Inc. named **David Holman** Vice President of Sales, **Randy Bishop** Software Engineer and **Lisa Puchalski** Marketing Manager.

Holman has more than 10 years' experience in merchant processing and will work on expanding Ezic's business footprint. Bishop has more than a decade's experience in application and systems programming, customer support and network administration. He will work on new product development.

And Lisa Puchalski will be responsible for Ezic's marketing, including brand awareness, planning and developing advertisements, and managing internal and external communications.

### Murphy joins Heartland, Miller to leave

**Melvin E. Miller**, Heartland Executive Vice President and Chief Investment Officer, announced his retirement effective Aug. 1, 2012. Miller joined Heartland in 1984.

Meanwhile, **Moriah Murphy** became Heartland's Director of Marketing. Murphy previously worked with the Florida Restaurant and Lodging Association and founded the Florida Association of Beauty Professionals. Murphy was also a co-founder and operator of a craft brewery. She will lead Heartland's city-specific, immersive marketing and recruitment campaigns in the Tallahassee, Fla., region.

### Perkins goes to Meritus

**Walter Perkins** was named Manager of Relationship Management at Meritus Payment Solutions. He will manage the team that provides support to sales partners. Perkins has more than nine years' experience in the merchant services industry. ■

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## FDIC warns banks about processors

**T**he Federal Deposit Insurance Corp. revised guidelines for banks doing business with payment processors. In a Jan. 31, 2012, letter, the FDIC recommended banks assess the risks associated with each processor with which they do business because some processors carry a higher risk of fraud.

In the letter, Sandra L. Thompson, FDIC Director of the Risk Management Supervision Division, and Mark Pearce, FDIC Director of the Depositor and Consumer Protection Division, wrote, "While payment processors generally effect legitimate payment transactions for reputable merchants, the risk profile of such entities can vary significantly depending on the make-up of their customer base."

The FDIC noted some payment processors, such as companies that process for telemarketers and online businesses, operate at greater risk of fraud. The letter stressed processors "must have effective processes for verifying their merchant clients' identities and reviewing their business practices."

The letter stated that without effective supervision of processors' clients, banks will have an increased risk of exposure to money laundering and fraud. "Financial institutions are reminded that they cannot rely solely on due diligence performed by the payment processor," the FDIC directors said. "The

FDIC expects a financial institution to adequately oversee all transactions and activities that it processes and to appropriately manage and mitigate operational risks.

"Financial institutions that fail to adequately manage these relationships may be viewed as facilitating a payment processor's or merchant client's fraudulent or unlawful activity and, thus, may be liable for such acts or practices."

### Vigilance isn't optional

The FDIC recommended banks pay particular attention to processors that have more than one sponsoring financial institution or have a history of changing banks frequently. The directors said, "Financial institutions should also be on alert for payment processors that solicit business relationships with troubled financial institutions in need of capital." Processors do this because such banks are more willing to engage in higher-risk transactions in exchange for increased fee income, according to the letter.

The directors also said processors will sometimes provide capital to beleaguered banks through stock purchases or large deposit guarantees. They advised banks to keep a close eye on sudden increases in chargebacks and consumer complaints about processors and/or their clients, as these occurrences may be fraud indicators.

The letter also reminded banks to be aware, when possible, of investigations or legal actions against processors. When a bank believes there may be fraud involved in payment processing, the FDIC recommends several options: file a Suspicious Activity Report with the U.S. Department of the Treasury; tell the processor to stop processing for problem merchants; freeze deposit accounts to cover the cost of anticipated chargebacks; and terminate business with the processor.

"Controls and due diligence requirements should be robust for payment processors and their merchant clients," the directors advised. "At a minimum, the policies and procedures should authenticate the processor's business

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operations and assess the entity's risk level." It is important that banks verify information from processors to be certain the processors' merchants are doing legitimate business, they said.

### **Banks ought to audit**

The directors added independent audits of processors are important because such reviews "ensure that the processor's controls are sufficient and that contractual agreements between the financial institution and the third-party payment processor are honored."

But single audits are not enough, according to the directors. Ongoing monitoring is needed to alert banks when red flags are raised, such as when sudden higher rates of returns or chargebacks occur. Additionally, banks should frequently analyze and monitor reserve balances and chargeback accounts. The letter recommends formalizing the audits of third-party payment processing relationships.

"At a minimum, board-approved policies and programs should assess the financial institution's risk tolerance for this type of activity, verify the legitimacy of the payment processor's business operations, determine the character of the payment processor's ownership, and ensure ongoing monitoring of payment processor relationships for suspicious activity among other things," the letter stated. The FDIC guidance letter can be found at [www.fdic.gov/news/news/financial/2012/fil12003.html](http://www.fdic.gov/news/news/financial/2012/fil12003.html). ■

## **IRS backs down on reconciliation requirement**

**U**nder pressure from retailers and Congress, the Internal Revenue Service confirmed on Feb. 9, 2012, it will not require merchants to reconcile actual gross transaction receipts reported on their 1099-K forms with the aggregate gross receipts they report on their taxes.

The Housing and Economic Recovery Act of 2008 requires merchants to report the gross amount of yearly transactions to the IRS on form 1099-K. The reporting requirement went into effect Jan. 1, 2012. In October 2011, the IRS added a line to business tax returns requiring merchants to reconcile actual gross receipts with the aggregate gross receipts on their 1099-K report.

### **NFIB objection**

The National Federation of Independent Business strongly objected to the new reporting requirement

because small businesses often don't have the sophisticated accounting systems needed to reconcile the gross receipts reported on the 1099-K form with the actual gross sales.

For example, the NFIB noted that merchants often give cash back to customers using a credit or debit card. Gross receipts in this case may be overstated by the difference between the actual sale and the cash back. In another example, merchants often give customers cash reimbursements for returned merchandise. The gross receipt would not account for the returned item and refund.

### Congressional objection

Legislation introduced by Rep. Aaron Schock, R-Ill., and Rep. Bobby Schilling, R-Ill., on Feb. 1, 2012, would prohibit the IRS from requiring merchant transaction reconciliation. Mirror legislation was subsequently introduced in the Senate by Sen. John Thune, R-S.D., and Sen. Maria Cantwell, D-Wash.

"This is an unnecessary IRS requirement that will only lead to more accounting headaches for businesses," Schock said. "My concern is that the IRS is asking for flawed information from small businesses by requiring them to reconcile their internal numbers with that of third-party entities. When you take into consideration all of the types of merchant transactions that occur between a customer and a small business, all this adds up to unnecessary administrative costs, a new accounting burden and more time away from growing their business." Sen. Thune added, "The overreaching and unnecessary 1099-K tax reporting requirement will create a paperwork nightmare for small businesses already struggling in a weak economy."

### IRS reconsiders

Steven T. Miller, IRS Deputy for Services and Enforcement, responded to the concerns of the lawmakers and the NFIB in a Feb. 9 letter to Susan Eckerly, NFIB Senior Vice President for Public Policy. "There will be no reconciliation required on the 2012 form, nor do we intend to require reconciliation in future years," Miller wrote. "Our intention is that the reporting of gross receipts and sales on the 2012 income tax forms will be modeled on the 2010 income tax forms. No other changes to these forms related to payment card reporting are contemplated."

After the IRS backed down, Steve Dutton, a spokesman for Rep. Schock, said, "Overall this is a step in the right direction, but we won't know for sure until we see the 2012 draft forms that come out this summer. Businesses still need certainty that this issue won't emerge again sometime in the future. The Schock/Schilling and Thune/Cantwell bills provide a legislative fix to prevent this from ever becoming a reality." NFIB CEO Dan Danner said, "This is a small, but important victory for small business, and we appreciate the IRS working to alleviate the concerns of small-business owners on this issue. While NFIB

was able to achieve this victory by working directly with the IRS, we were also closely working with the offices of senators Thune and Cantwell and congressmen Schock and Schilling to permanently remove this requirement." ■

## Facebook becoming a payment business

Facebook Inc. made \$557 million from its payment business in 2011, up from \$106 million in 2010, the company disclosed Feb. 1, 2012, in a much anticipated initial public offering (IPO) filing in advance of the social networking site becoming a publicly traded company. The Securities and Exchange Commission document gave potential investors insight into Facebook's payment revenues and its plans for building its payment business.

### The numbers

Facebook said most of its revenues are generated from

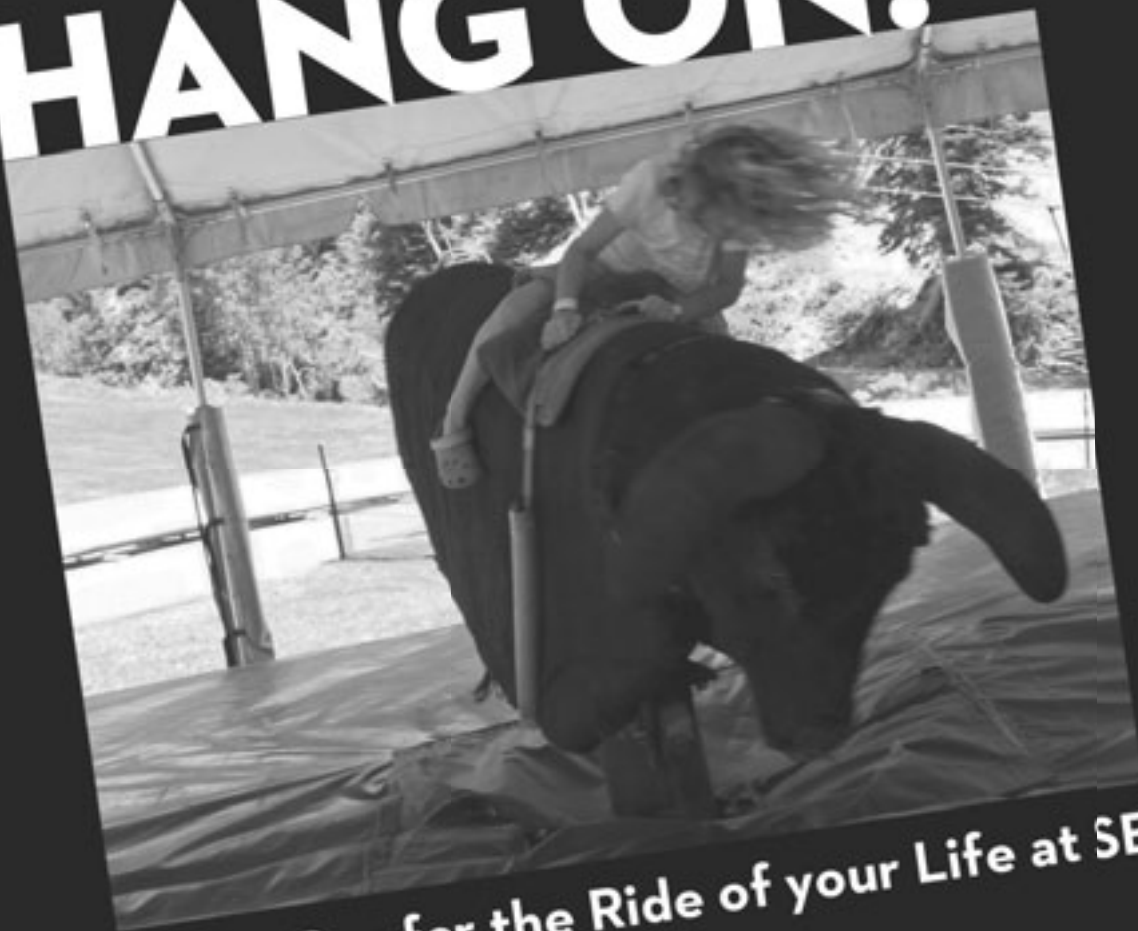


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advertising and social gaming, with total payments reaching \$188 million in the fourth quarter 2011. The company said its payment business accelerated in fourth quarter 2010 when platform developers began to adopt Facebook Payments in significant numbers. "Facebook Payments became mandatory for all games developers accepting payments on the Facebook Platform with limited exceptions on July 1, 2011," the IPO document noted. "In 2010, we generated approximately 62 percent of our revenue from advertisers and platform developers based in the United States, compared to 67 percent in 2009."

### Social gaming

Facebook said social network game developer Zynga Inc. accounted for 12 percent of its total revenue in 2011 (up from less than 10 percent in 2009 and 2010). The revenue came from processing fees connected to sales of Zynga's virtual goods and from direct advertising purchased by Zynga.

Facebook said Zynga is committed to using Facebook Payments as its primary means of payment on Facebook through 2015. "Under this addendum, we retain a fee of up to 30 percent of the face value of user purchases in Zynga's games on the Facebook Platform," the company said. The Menlo Park, Calif.-based social network added that platform developers received more than \$1.4 billion through Facebook transactions in 2011. The company expects to do more payment processing as it increases payment volume and adds new payment methods to its platform.

Facebook's platform accepts debit and credit card, PayPal Inc., mobile phone, gift card and other types of payments. When Facebook users transact on the social networking site, they primarily buy virtual currency to purchase virtual items in social games; Facebook takes a percentage of transactions for processing costs, the company said. Facebook uses the CyberSource Payment Management Platform to accept credit and debit card payments.

### Legal status

In regard to the selling of virtual or digital goods, Facebook does not consider itself to be a principal, as opposed to an agent, in the sales process. "The indicators used to determine whether an entity is a principal or an agent to a transaction are subject to judgment," the company said. "We consider ourselves the agent when we apply the indicators to our facts.

"We do not believe we are a financial institution subject to [U.S. laws and regulations]. However, it is possible that payments on the Facebook Platform could be considered a financial product and that we could be deemed a financial institution subject to applicable U.S., state or foreign regulation under certain interpretations of laws governing businesses such as money transmitters, check cashers, and sellers or issuers of stored-value."

Facebook said it is applying for "certain money transmitter licenses in the United States," which will force the company to comply with U.S. laws concerning money transmission; gift cards and other prepaid access instruments; electronic funds transfers; anti-money laundering regulations; counter-terrorist financing initiatives; gambling; banking and lending; and import and export restrictions.

### The future

Looking to the future, Facebook said it is "focused on enabling the development of apps in categories beyond games." As new social apps, such as customized music, news, movies and television, become available on the Facebook platform, developers will have more opportunities to create transactions, the company stated.

One such opportunity is in rent payments. In January 2012, Campus Apartments LLC said its online student rent payment portal, SmartClick, added Facebook Connect. The partnership allows students and parents to pay rent for student housing via Facebook. "We plan to invest in enhancing our payments offerings and in making the payments experience on Facebook as seamless and convenient as possible for users and platform developers," the company said, adding that most apps have advertisements, and usually developers can add Facebook Payments if desired. ☐



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# Trade Association News


## New location, new blood for SEAA

**T**he Southeast Acquirers Association's 11th Annual Seminar will be held at the Fairmont Dallas from March 19 to 21, 2012. This is the first regional acquirers meeting to be held in Dallas.

SEAA Board Member Dee Karawadra said Dallas has been a neglected market. "Our associations could never figure who Dallas belongs to – the Midwest Acquirers Association or the SEAA," he said. "We contacted the Midwest Acquirers Association, and they said they don't include Dallas, so we did."

Karawadra had been told by many in the industry that Dallas has been a great showcase for industry events in the past, so he began pushing for an SEAA event in Dallas. "The response has been unbelievable," Karawadra said. "A week-and-a-half ago we sold out all of our tables. All of our sponsorships are gone. Our exhibitor tables are full. Last year we had 650 people attend our event. We hope to break that record this year." This year the SEAA seminar opens with Mark Dunn's Field Guide Seminar. The gathering also includes the second annual SEAA golf outing.

The keynote speaker will be Pamela Joseph, Vice President of Payment Services for US Bancorp and Chairman and Chief Executive Officer of Elavon Inc. Presenting on the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act will be payment consultant Paul Martaus. Other topics slated are the ETA's Certified Payments Professional Program, the future of mobile payments and the Europay/MasterCard/Visa (EMV) introduction into the United States.

To register or for more information, please go to [www.kleer-meetingsolutions.com/seaa2012landingpage.aspx](http://www.kleer-meetingsolutions.com/seaa2012landingpage.aspx). 

## Discussion of latest payment initiatives at SCA


**W**hen the Smart Card Alliance held its Fifth Annual Payments Summit Feb. 8 to 10, 2012, the introduction of EMV technology in the United States was a hot topic, as were mobile wallets and near field communication.

In a session hosted by SCA Executive Director Randy Vanderhoof at the event's opening, executives from several leading payment companies discussed the changing payments landscape.

Ed McLaughlin, MasterCard Worldwide's Chief Emerging Payments Officer, said his company is working to provide "a great experience and real security" for consumers and that MasterCard's goal is to introduce EMV technology in a manner that allows consumers to make payments whenever and wherever they like.

Jim Stapleton, Chief Sales Officer for the Isis mobile payment network, said the improved security offered by new technologies such as EMV are to the point where the ability to counterfeit or clone cards is "incredibly thwarted."

Paul Gauthier, Head of Market Intelligence for PayPal, discussed how new payment methods like PayPal's phone number and PIN system at the POS are making inroads into merchant accounts. "This is a new world where buying doesn't just happen at a checkout stand," he said. "We have to design for a connected world."

Amy Linden, Senior Director of New Fare Payment Systems for New York's Metropolitan Transportation Authority, said contactless, open payments can make payments faster and simpler while enabling consumers to pay anywhere, anytime. They also allow the MTA to reduce the cost of fare collection, she added. 



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# SellingPrepaid



## Prepaid in brief

### NEWS

#### FinCEN devotes web page to MSB registration

The **Financial Crimes Enforcement Network (FinCEN)** launched the "MSB Registration Web site" – web pages within FinCEN's website designed to educate about the compliance responsibilities of money services businesses (MSBs) and facilitate registration of MSBs.

FinCEN reported over 1,000 businesses had registered as MSBs since early December 2011. FinCEN said the website contained data on 39,713 registered MSBs as of Jan. 27, 2012. For more information, go to [www.fincen.gov/financial\\_institutions/msb/msbstateselector.html](http://www.fincen.gov/financial_institutions/msb/msbstateselector.html).

#### New CFPB ruling tackles money transfer disclosures

The **Consumer Financial Protection Bureau** issued a final rule designed to increase consumer protections on international money transfers. The rule will require money transfer providers to disclose exchange rates and fees so that senders of money transfers will know precisely how much money is being sent, the CFPB said.

The new federal agency estimated U.S. residents transfer tens of billions of dollars to recipients in foreign countries every year; undisclosed fees and exchange rates can accompany such transactions.

#### FTC settles with calling card companies

Several affiliated calling card companies agreed to pay \$2.32 million as part of a settlement of charges brought by the **Federal Trade Commission**. The regulatory body alleged that the companies engaged in deceptive advertising and marketing practices pertaining to calling cards targeted at immigrant communities.

The FTC said the companies' prepaid phone cards delivered an average of only 45 percent of calling minutes advertised.

### ANNOUNCEMENTS

#### CashStar revenues up over 400 percent in 2011

Digital gifting company **CashStar Inc.** reported revenue growth of over 400 percent in 2011, as well as a doubling of its retail brand partners. CashStar co-founder and Chief Executive Officer David Stone attributed the company's growth to the retail industry's "massive shift to digital gifting."

#### Lopez to endorse Mango

Entertainer and activist **George Lopez** signed a multi-year marketing agreement with **Mango Financial Inc.** to promote its suite of payment and savings products designed for the financially underserved. Mango plans on collaborating with Lopez on ways to foster financial education and new product initiatives.

#### Winners named before ceremony

Prior to the awards ceremony to be held March 2012 at Prepaid Expo USA in Las Vegas, three prepaid card providers celebrated their Paybefore Award wins. Mobile commerce platform provider **Mocapay Inc.** won in the Best Virtual, Digital or Mobile Prepaid Application category. Online banker **Plastyc Inc.** won in the Best Consumer Value in Prepaid category for its Upside Visa prepaid card. And gift card processor **Ceridian Stored Value Solutions** took home the prize in the Breakout Company of the Year category.

#### UniRush plans to simplify RushCard

**UniRush LLC**, provider of the Visa Inc.-branded general purpose reloadable RushCard, said it will eliminate fees for bill pay enrollment, individual bill pay transactions, plan changes and replacement cards. Additionally, the fee for card-to-card funds transfers between RushCards will be reduced from \$2.95 to 99 cents, the company noted.

### PARTNERSHIPS

#### Alliance for prepaid metering system

**Freescale Semiconductor Inc.** paired with near field communication (NFC) technology provider **Inside Secure** to develop a secure, NFC-based prepaid electricity metering system. Freescale executive Bruno Baylac said, "The global



need for prepaid metering solutions and robust security is rapidly increasing, especially in emerging markets."

### New team to roll out GPR card

An agreement between prepaid card program manager (PM) and reseller **Global Payout Inc.** and Ontario, Canada-based online money transfer provider **SolidTrust Pay Ltd.** will result in the SolidTrust Pay General Spend Debit card. The deal requires Global Payout to assign the **Tyburn Group Inc.** as PM for the new GPR card program, which will be marketed to SolidTrust Pay account holders.

### AARP card under construction

**Green Dot Corp.** is working with the **AARP Foundation** and **MasterCard Worldwide** on a prepaid card tailored to older Americans. Beginning March 1, 2013, the AARP Foundation Prepaid MasterCard will be available for the direct deposit of paychecks and federal benefit payments, Green Dot said.

### New 'voice' added to India program

New Delhi, India-based stored value card provider **QwikSilver Solutions** joined **Global Prepaid Exchange's** Voices of Prepaid India program. QwikSilver said the new initiative will help the company offer an employee rewards program to corporations in India. Voices of Prepaid India is designed to promote prepaid card programs in India.

### 7-Eleven to distribute NetSpend's GPR cards

Convenience store (c-store) chain **7-Eleven Inc.** agreed to distribute the GPR cards of **NetSpend Holdings Inc.** in over 5,000 of its c-stores nationwide. The agreement follows the October 2011 deal to expand NetSpend's reload network via 7-Eleven stores.

## ACQUISITIONS

### epay seeks Ezi-Pay

New Zealand's Commerce Commission reported it received an application from **epay New Zealand Ltd.** to acquire **Ezi-Pay Ltd.** Both the New Zealand branch of Euronet Worldwide Inc.'s prepaid card division epay and Auckland, New Zealand-based Ezi-Pay process calling card, game card and gift card payments.

### Green Dot buys assets from eCommLink


**Green Dot** paid \$2.5 million in cash for certain processing and hardware assets of Las Vegas-based **eCommLink Inc.** Green Dot said the purchase helps the Monrovia, Calif.-based GPR card provider further integrate its processing capabilities in-house and reduce its reliance on third-party processors.

## APPOINTMENTS

### Proto joins BillMyParents board

BillMyParents Inc., the teen payment solutions brand of Socialwise Inc., named **Joe Proto** to the company's board of directors. Proto is Chairman and CEO of electronic billing company Transactis Inc. and founder of remittance processor RemitCo.

### CashStar adds to board

TrialPay Inc. co-founder and CEO **Alex Rampell** was appointed to CashStar's board of directors to support CashStar's growth initiatives. Rampell brings more than 15 years of payment experience to CashStar. 



## Features

## Glitch in Google Wallet raises security concerns

**S**ecurity researchers uncovered a flaw in Google Inc.'s contactless mobile payment service, Google Wallet. The flaw, which could have allowed fraudsters access to the prepaid card accounts that reside on mobile devices, has led to questions about whether the venture can succeed in a world where consumers remain uneasy about the relative security of their sensitive personal and payment data on mobile devices.

In December 2011, digital forensics and security firm via-Forensics conveyed to Google evidence that unencrypted cardholder data was stored on Google Wallet-enabled smart phones. Even when a user ostensibly deletes that data from the phone, the data can still be recovered, via-Forensics said.

Then website categorization technology provider zvelo Inc. probed deeper to discover that a "brute force attack" on devices could permit fraudsters to crack the four-digit PIN code that allows users to access Google Wallet and make contactless mobile payments at the POS. On Feb. 9, 2012, the day after zvelo went public with its findings, smart phone comparison website thesmartphonechamp.com published a second security flaw.

The website said the second flaw involved a way to gain access to a prepaid card account on a phone by clearing the phone's data through the application settings menu,

## Selling Prepaid

then reopening Google Wallet. The researchers found that the application installed Google Wallet as if for the first time and asked the user to input a password. Once completed, the user had access to the balance on the phone's prepaid card account.

In a video demonstration of the flaw, the presenter said, "I don't know why Google set it this way, but that's a pretty big security hole there because, basically, anybody can just get a hold of your phone, reset the app and there they go, they have access to your Google prepaid account."

### Pandora's (mobile) box

Theodore Svoronos, data security expert and Vice President of Sales at Atlantic Pacific Processing Systems Inc., said user access to cardholder data should rest on two-factor authentication, such as a user name and PIN, rather than just a PIN.

Svoronos said that among the four elements all payment solutions should have – ease of use, adoptability, design features and security – security should be the top priority. He questions whether Google took the necessary steps to ensure Google Wallet's security.

"I honestly believe that before any product goes out, especially in this day and age, it's got to be secure," he said. "If

it's not secure, and it's not tested, tried and true, it should never walk out the door."

Svoronos also questions why card data has to reside on smart phones at all. The data would be less vulnerable if the phone was limited to being an access device for card data stored in the cloud, rather than being a card data storage device itself, he said; by being a device that stores payment information, it reflects the worst aspect of a physical wallet – if the wallet is stolen, much of a person's private financial information stored in that wallet is compromised.

"All of a sudden that phone becomes a physical wallet?" he said. "You've opened up a whole new Pandora's Box."

### Public perception rules

Osama Bedier, Vice President, Google Wallet and Payments, issued a statement Feb. 10 on Google's corporate blog that asserts the safety of Google Wallet and its "advantages over the plastic cards and folded wallets in use today." He reported that Google temporarily disabled the "provisioning" (roughly meaning activation) of new prepaid cards in Google Wallet as the search engine giant works to correct the access problem.

On Feb. 14, Bedier said in a post that Google had restored

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provisioning and "issued a fix that prevents an existing prepaid card from being re-provisioned to another user."

Time will tell if Google's actions are sufficient to mitigate any damage to the company's reputation caused by the flaw. Todd Ablowitz, President of payment consultancy Double Diamond Group LLC, pointed out that numerous studies prove consumers are "extremely concerned about security as it relates to the mobile phone and payments. ... This is their money we're talking about. So people aren't comfortable just trusting that the security is good enough. They want to know it."

Whether the security flaw negatively impacts Google Wallet will depend on public perception, according to Ablowitz. If the flaw is seen as just one of the things Google had to fix during the rollout of Google Wallet, the concerns may fade away, he said. But the opposite development could have far reaching consequences.

"If this gets a life of its own in the public perception, this could be very damaging to Google Wallet and to mobile payments," he said. 📱

## FIs awaken to prepaid's power

**A**s financial institutions (FIs) have increasingly recognized the value in prepaid card strategies, so has the need arisen for programs to support such strategies. To meet this new demand, The Members Group, a Des Moines, Iowa-based payment solution aggregator and integrator, launched a client-service department to manage the company's growing prepaid card programs for its core client base of credit unions and community banks.

The TMG Retail Payments Team, formed in October 2011, oversees product implementations, client portfolio expansion and cardholder services as part of the company's integrated prepaid card programs.

TMG offers several Visa Inc.-branded products: two general purpose reloadable cards (ATIRAreload and the Hispanic community-focused Coopera Card); the ATIRApay payroll card; and ATIRAgift, an open-loop gift card.

According to Konrad Christensen, TMG Retail Payments Product Manager, most FIs need training and support to successfully manage prepaid programs. "We created this retail payments team, and the primary objective was to get these cards into these FIs' hands and work behind the scenes – the paperwork, the training – to deliver the products," he said.

Until recently, the only prepaid option available to TMG

clients was a highly customized version of ATIRA serving large FIs. When interest from midsize FIs arose in 2011, TMG decided to overhaul its program.

"We redesigned the product to make it more standard, the same fee structure for everybody," Christensen said. "We have a standard plastic that they can have their logo on. We made it less expensive, and it really just took off. From a one-branch bank or credit union to a 30-branched down in San Antonio, large or small, there's definitely a need for it."

### Value-added attractions

Christensen noted that community-based FIs can leverage prepaid cards to reach many consumer segments, including teenagers, frequent travelers and "mainstream customers who are looking for new ways to manage their finances or carry money."

He believes prepaid cards create an opportunity for FIs to extend bank-customer relationships over time, especially as budget-conscious parents, students and other customers continue to seek payment methods that help streamline spending.

In 2010, TMG identified a problem experienced by an FI client that did not offer prepaid cards. Christensen said, "They had 14,000 potential accounts, people coming ... and saying, 'I'd like to open a checking account with you' – 6,000 they had to turn away because they didn't qualify for the checking account. We knew there was a need out there [for prepaid] from a target market perspective."

With TMG's prepaid card program in place to offer low-income customers, credit unions decline fewer customers, Christensen stated.

### Quick service acclaim

Another consumer segment served by TMG are unbanked employees. Workers who do not qualify for checking accounts can have paychecks direct deposited onto the ATIRApay payroll card. Christensen said one vertical market suited to TMG's payroll card are quick service restaurants that employ teenagers, often referred to as the underbanked.

Christensen gave as an example one fast-food franchise in Florida that had its highest volume of business on Fridays, which happened to coincide with payday. As a result, teenaged employees were coming in to the restaurant to cash paychecks during peak business cycles.

"They decided they didn't want to worry about it anymore, so they gave them this card," Christensen said. "Instead of having to give these kids a paycheck and having them come in to get it cashed, they gave them the power of plastic." 📱

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Insider's report on payments**Shop small, shop local****By Patti Murphy***ProScribes Inc.*

**T**he elements have not been kind to the Northeast lately. A wicked hurricane last fall left a swath of devastation from upstate New York to Maine; major roads were washed out and businesses destroyed.

Making matters worse, as of Feb. 1, 2012, less than a foot of snow had fallen in the mountains of New England and New York, placing even greater hardship on local economies built around winter sports, like skiing. This was not lost on the 500 or so folks attending the Northeast Acquirers Association's winter event at Mt. Snow in Vermont, Jan. 31 to Feb. 2.

***Shop Small builds on growing consumer sentiment about the economic and social benefits of supporting Main Street businesses, as well as a string of "buy local" campaigns - more than 130 coast-to-coast at last count.***

An annual event that typically culminates in a winter sports extravaganza, this year's event was punctuated by rain. "These folks are hurting," Jacques Breton, NEAA Treasurer, told a packed exhibit hall. "On your way out, stop by one of the local businesses and buy something, even if it's just a cup of coffee."

Many of the ISOs and merchant level salespeople (MLSs) in the room were acutely aware of how dire the situation is, having built their portfolios on small to midsize businesses – like Dot's Restaurant, an eatery in nearby Wilmington, Vt., that had been serving locals and tourists since the 1930s. The building was destroyed beyond repair last fall in the floods brought on by Hurricane Irene, and Dot's has closed.

**Creating a national movement**

The situation hasn't been lost on American Express Co. either. A card brand with the cachet of social status that is often shunned by smaller businesses because of its high discount rates, AmEx used the NEAA event to promote its new Shop Small marketing campaign.

An outgrowth of the company's Small Business Saturday campaign, Shop Small leverages the power of social media and viral marketing to help drive customers to small, local businesses participating in the program. "We wanted to create a national movement," said Bill DeSimone, AmEx

Vice President for Business Development. He added that the campaign is really about making shopping at small businesses "an everyday occurrence."

If the success of Small Business Saturday is an indication, Shop Small has the potential to have a real impact on small business sales and local economic conditions. AmEx reported that on Nov. 26, 2011, the Saturday after Thanksgiving and most recent Small Business Saturday, 103 million U.S. consumers shopped at independently owned small businesses.

That tally surpassed an AmEx pre-Thanksgiving forecast of 89 million shoppers. Plus, AmEx reported a 23 percent lift in cardholder transactions at small businesses that day (aided, no doubt, by the offer of a \$25 statement credit for cardholders spending at least \$25 at independent businesses).

Additionally, small businesses featured on the Small Business Saturday Facebook page, set up by AmEx, received 2.8 million incremental likes on their own pages throughout November 2011, according to AmEx.

Small Business Saturday was a masterful idea. And AmEx is to be commended, especially for keeping a low profile – a fact that no doubt helped in garnering support from scores of retail chains, civic groups, local governments and even President Obama. Obama was photographed on Small Business Saturday shopping with his daughters at an independent bookstore in downtown Washington. I can't think of any other time when a sitting U.S. president was photographed shopping in response to a card company's marketing campaign.

**Boosting local economies**

Shop Small builds on growing consumer sentiment about the economic and social benefits of supporting Main Street businesses, as well as a string of "buy local" campaigns – more than 130 coast-to-coast at last count.

At the NEAA meeting, Florida-based Global eTelecom Inc. (GETI) showcased a Shop Local service it developed for ISOs and MLSs to offer merchants. The new service dovetails with GETI's gift and loyalty card offerings; it even supports Shop Local participants' in-house loyalty/gift card programs. "Shop Local merchants benefit from the combined marketing power of multiple businesses cross promoting each other," GETI said in a handout describing the program.



Research shows programs that promote shopping at local merchants can make a real economic difference. A 2004 study of small businesses on Chicago's North Side found that every \$100 spent at a local, independent business leaves \$68 in the Chicago economy.

The Institute for Local Self Reliance, a Minnesota think tank, reported that independent businesses in communities with active buy-local initiatives saw average revenue gains of 7.2 percent in 2011, compared with 2.6 percent for businesses in areas that lacked these programs.

Looking specifically at retail establishments, the institute reported holiday sales were up 8.5 percent in communities with strong buy-local programs, compared with 5.2 percent where no buy-local programs existed.

"Shoppers understand how important a strong foundation of healthy local businesses is to their communities – and they are voting in favor of independent retailers with their spending," said Oren Teicher, Chief Executive Officer of the American Booksellers Association.


An AmEx survey of owners of small businesses with storefronts, taken in early 2011, found 51 percent believe there is growing buy-local sentiment in the United States. A slightly greater majority (55 percent) believe buy-local campaigns can help small businesses compete in challenging economic times. And 58 percent said they buy from local, independent businesses.

Here's another insight from the January 2011 AmEx Open Retail Economic Pulse: about one in five retailers had plans in the works to use social media for local promotions (22 percent) and to support other local businesses (20 percent).

### Involving social media

Look for those numbers to grow substantially this year. AmEx said it plans to leverage social media connectivity to drive customers to Shop Small businesses. The company is also running a "show and tell series" for members of a LinkedIn group it set up for small businesses.

Other card companies are bound to follow – acquirers and ISOs, too. Social media is a significant force because it's a cheap and effective marketing venue. Facebook alone claims more than 800 million active users.

Here are a couple of other pertinent data points from the business analytics firm comScore Inc.: 90 percent of U.S. consumers who use the Internet visit a social networking site at least once a month, and 69 percent of small business owners were using social media as a marketing tool in 2010. 

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

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# ADVISORY BOARD

## Views on IRS reporting and TIN matching

**T**he Internal Revenue Service implemented section 6050W of the Internal Revenue Code, stipulating that as of Jan. 1, 2012, and starting with tax year 2011, payment processors must submit valid taxpayer identification numbers (TINs) and business names for all merchants serviced when reporting merchant transaction totals on IRS Form 1099-K.

The IRS subsequently delayed full enforcement, withholding penalties for incorrect names and TINs until next year.

We asked our advisory board members how their companies are handling the new requirements, specifically:

1. How are you handling the extra costs associated with implementation and compliance?
2. Have these new requirements impacted your business? How?
3. Is there anything that impedes implementation of these rules?

Thank you to the industry leaders who provided insights to share with our readers.

### Steve Christianson

*All Card Processing Inc.*

1. Our acquirer is handling this matter, as they are the owner of our merchant accounts. We, as the ISO, have no real responsibility regarding this matter.

That, of course, does not mean the First Datas, Paymentechs, etc., will not try to dump it in the hands of the ISO later. Also, the IRS has delayed these reporting requirements for another year, which was great news to most of us.

2. No actual impact at this time for ISOs.

3. Not for ISOs at this time; most of the responsibility is in the hands of the banks/acquirers at this time.

### Scott Wagner

*Go Direct Merchant Services Inc.*

Being an ISO/agent, going on six years now, we rely on our partners for various back-office support. We have two crackerjack partners, and the "latest" IRS requirements are handled by them. For the most part, it is fairly noninvasive on the merchant end.

From a day-to-day perspective, these new regulations have not impeded our business model. While we have to dot a few extra I's and perhaps cross a few more T's, so does everyone else.

However from a little more global view, this just doesn't feel good. If I was a merchant, I'd feel like credit card processing is already expensive, and now the government wants more from me. As a businessman, it's more government bureaucracy, more red tape ... it's enough!

### Andy Meadows

*SignaPay*

1. There is an inherent, internal cost associated with managing the new IRS rule. Furthermore, there will be additional internal costs associated with the need to hold merchant funds, as prescribed by the non-matching mandates that are set to be effective in January 2013.

With that said, we have worked hard to pass on the minimal amounts possible to our merchants in order to recoup our costs. We have done so in the form of a small government compliance fee, as well as an additional fee assessed only to merchants whose information in our records does not match that of the IRS.

2. Yes. First and foremost, we strive to minimize all fees to our merchants. There is a fine line in respect to billing merchants accordingly, yet not excessively, and at the same time providing those merchants with the necessary education to understand the root cause and/or reason for the additional fees.

In an effort to minimize the financial impact on our merchants, we have added additional staff to proactively outreach the segment of our merchant portfolio whose information does not currently match the IRS.

We're doing this now to educate them on the new mandates, and to help them avoid having a portion of their funds held in 2013.

The reciprocal impact of these new requirements is an increase in merchant attrition. Anytime you add another line item fee to your merchants' statements, it creates a target for competitors to key in on.

And while all processors are faced with the financial burden of managing government compliance, there are different methods for recouping those costs that aren't always transparent to the merchant. This, again, is where increased, ongoing merchant education is critical in



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## Feature



our overall strategy of managing the new IRS rules.

3. The most apparent impediment at this point has been the arduous task of accurately matching data against the IRS. Even small differences such as an apostrophe or spacing can cause a mismatch, making the

process of correcting information more tedious and time consuming than originally anticipated.

### Allen Kopelman

*Nationwide Payment Systems Inc.*

It seems that every couple of years there are new rules to comply with. First, it was changing PIN pads to triple DES encryption; now we have to deal with PCI compliance, TIN matching and next on the horizon is EMV. ... Right now merchants are getting sick of all the add-on fees, and most of this is caused by the push to who can price the lowest, cost-plus pricing, free equipment, etc.

With all of those factors, the new costs have to flow downhill to the merchants.

The only thing we can do is educate the merchants on what is going on in the business and the new rules from the card associations and government regulations that are causing them to pay more for processing.

Anytime there are new requirements, it takes away from time to sell, and you are spending more time working with your existing merchants and less time selling.

TIN matching is a big pain. The government does not have a good way to match the business and federal tax ID numbers up. The system is not very good, and there is no way to know if a business has a dot, dash, comma, etc., in the name, and if a business is not new, they do not have the federal tax ID letter they were sent 10 years ago.

They delayed this and who knows what will happen with it, but a better way to look up the numbers has to be in a place, or they need to mail businesses a federal tax ID certificate each year the way you get a business license from your local government.

EMV is going to be the next thing. With no standard in place, limited hardware solutions (right now) and with all things ... will cardholders want it? If they do not, it will just be a piece of equipment collecting dust, and merchants will not buy into it.

Also, what will happen with end-to-end encryption in PCI part two, which goes into effect soon? Merchants with computer systems will have to look at how expensive this is going to be to them. And how is that going to go over if the economy does not improve?

### Justin Milmeister

*Elite Merchant Solutions*

1. What we do at Elite Merchant Solutions is take a tiered approach. What I mean by this is we take all of our merchants and grade them based on revenue contributed to the company.

Based on what grade the merchant falls into is how we determine whether to waive any and all fees associated or pass the fees through. What we don't do is use these types of items as a revenue source.

2. Absolutely, these new requirements require quite a bit of managing – from notifications to merchants down to fielding customer service calls about these new requirements. Anything that relates to the IRS is going to spark lots of questions by merchants that, of course, need to be addressed.

We try to streamline as much as we can and be very informative in our notifications and have a Q&A in the notification to address the most common questions or concerns. I believe this has reduced calls significantly, however, certainly not entirely.

3. The only thing that impedes the implementation process is lack of communication. If we cannot get hold of merchants either via mail, email or phone, then we can't implement the appropriate changes. Often merchants will move and will forget to notify us with their new, updated information.

Luckily, with technology today we are able to generally easily find the merchants' updated information and get any changes implemented quickly.

### Andie Kolb

*National Processing Co.*

1. As we weighed our options, we leveraged the feedback of our ISO Advisory Board on what they felt the market could withstand as it relates to more fees. The result? We will be delivering, via an online portal, a regulatory program that will help merchants with their 6050W regulation requirements.

Our program will cover numerous items including TIN matching, reconciliation, access to previous years' 1099-K forms, etc. This program is competitively priced, and participation is optional.

2. Absolutely. Under Vantiv, we have numerous distribution channels that we had to consider as we planned out this specific project.

We have worked through our project managers to resolve a number of items including, but certainly not limited to, specific trainings around this initiative, both internal and external, assigning additional IT resources



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to ensure our reporting requirements are accurate, as well as ensuring our support teams are ready for an anticipated increase in call volume.

3. Today we are confident we will meet the needs of our sales groups, referral partners and merchants as it relates to this regulation.

### Jeffrey Shavitz

*Charge Card Systems Inc.*

Another fee being imposed on our merchants? When will it stop? Another miscellaneous charge. The amount of time being invested by our company, our personnel and our sales partners to respond to incoming calls, frustrated merchants and endless questions is never ending and, yes, it is starting to compromise our merchant relationships.

Accepting credit cards used to be so easy – get a terminal, plug it into the phone line and start accepting Visa, MasterCard and the other card types. Now, business owners must review their bookkeeping and accounting practices and reconcile the information reports submitted by the banks to their own books.

Any discrepancy in reporting will need to be addressed so that accurate tax returns can be filed with the IRS. [The tax return reconciliation requirement was just dropped by the IRS.]

Without republishing the entire plan, merchants who fail to provide the taxpayer ID number and other relevant information could become subject to backup withholding at a rate of 28 percent on their payments.

Based on industry reports that I have read, it is estimated that this new law could generate \$10 billion in additional government revenue over a 10-year period from under-reported or unreported earnings.

Under the proposed regulation, the IRS made it clear that backup withholding would occur on gross card payments. In my opinion, this can and will severely affect small to midsize businesses that are already having financial difficulties.

Just like consumers in the U.S.A. who have been greatly compromised by credit card debt, entrepreneurs of businesses should be proactive and meet with their professional advisers to develop payment strategies to help in this regard.

Communication is the key – at Charge Card Systems, we are "trying," and I say trying versus 100 percent succeeding in this effort, because it's a never-ending process to educate the merchant that this new law is not the processor, the ISO or the agent creating this new regulation and charging this new fee.

Merchants are so busy running their own business that they don't understand why a simple inconsistency of using an "&" symbol instead of spelling out the word "and" will cause this serious financial problem.

We are educating merchants through phone calls, emails and physical letters, and some are listening – the others will be in for a shock when the withholding starts (and I am already planning my vacation week to avoid those merchant phone calls).

Should I ever retire from CCS, maybe I'll apply for a job with the government, which seems to be more profitable than selling merchant accounts. ■

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# CompanyProfile



HARBORTOUCH

## Harbortouch

### ISO/MLS contact:

Brian Jones  
Executive Vice President, Sales & Marketing  
Phone: 800-201-0461, ext. 136  
Email: [bjones@harbortouch.com](mailto:bjones@harbortouch.com)

### Company address:

2202 North Irving St.  
Allentown, PA 18109  
Phone: 800-201-0461  
Fax: 973-630-9136  
Website: [www.harbortouch.com](http://www.harbortouch.com)

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## Full business management, not just payment acceptance

**K**nown throughout the payments industry for making transformative moves, such as being the first company to offer free credit card terminals in 2004, United Bank Card Inc. has taken another striking step. In January 2012, the company adopted a new moniker, Harbortouch, named after its signature Harbortouch POS system. It also moved headquarters from New Jersey to Pennsylvania, where its Harbortouch division was already situated.

Founded in 1999, the company, which is an industry powerhouse processing about \$10 billion in transactions annually, is now coalescing around the Harbortouch POS system, said Harbortouch Chief Executive Officer Jared Isaacman. "The future of this organization is completely around [touch screen] point-of-sale," he said. "We don't think that five, 10 years from now merchants will have traditional credit card terminals. Those just run credit cards, while a touch point-of-sale runs an entire business and enables the POS provider to become the proven adviser due to the customization of the business procedures."

### A new kind of POS

In addition to credit and debit card, check, and gift card acceptance, Harbortouch POS is designed to manage gift and loyalty programs, make and record reservations (customers can log onto the program and reserve tables online), tabulate revenues, calculate tip amounts, verify customer age, manage inventory, manage payroll, help keep tax records, and more.

Brian Jones, Harbortouch Executive Vice President, Sales & Marketing, agreed the impetus for the company's name change was the tremendous success of the free Harbortouch POS program. The company introduced the Harbortouch POS system in 2007, began offering free electronic cash registers in 2009 and began offering the Harbortouch POS system for free in January 2011.

"Our merchant accounts are more profitable because the type of accounts we're able to get in touch with tend to be higher-volume merchants, and the attrition goes to practically zero, creating a lucrative, stable residual stream," Jones said. "And you're no longer spending half your time trying to save accounts because someone else is offering a lower rate; you're getting out of the rate game." He added that Harbortouch placed over 7,000 touch-screen POS systems in 2011.

Isaacman said the fact that Harbortouch offers its system free of charge is the company's biggest differentiator, but the system's features also help it stand apart from other POS systems. "We build the systems, develop the software and then offer it free of charge," he said. "We're giving away systems worth several thousand dollars, and right now there is no competitor doing that."

### Immediate and long-term benefits

Isaacman noted that it often takes time for new business initiatives to bear

## Company Profile

***"With Harbortouch, busy restaurants and other businesses seeking maximum efficiency can serve customers more quickly, and often more accurately, using a system that automates all aspects of ordering, pricing and paying"***

Jared Isaacman, CEO, Harbortouch

fruit, but merchants who switch to the Harbortouch POS system begin realizing benefits right away. "With this POS system, when you put it in a restaurant or retail store, the savings happen that day," he said. "A restaurant will seat more people in a night, and serve faster and more accurately than without it. ... Even where you're able to seat one or two more tables in a night, you're talking a huge revenue increase."

Isaacman said the POS system's long-run profitability for ISOs exceeds that of ordinary terminals because it appeals to big businesses and other high-level merchants that generate high sales volumes; it optimizes sales volumes by accelerating a company's operations and improving the customer turnover rate; and it improves merchant retention because businesses using it appreciate its value, and all of their operations are managed through the system.

"You get higher quality merchants because of what the system is designed to do, which is run an entire operation," Isaacman said. "You don't need it if you're a small company with one employee, but if you've got a large restaurant or retail store with 25 employees, you can't live without it. It's twice as profitable as a regular terminal, its longevity is considerably better, and the average volume is so much higher." Isaacman said revenues from Harbortouch POS systems represent about 35 percent of the company's total business, but he expects that to increase substantially because of the product's popularity and the company's prioritization of Harbortouch as its flagship offering.

"Do I think it will be 100 percent of our total sales next year? No, I don't," Isaacman said. "Some old dogs you can't teach new tricks, and we want to be able to handle 99 out of 100 deals that ISOs give us. ... But I do think it will be about 70 percent next year, and a year after that maybe 80 percent. The flea market merchants and other smaller, mom-and-pop merchants might never need it. But with mid-sized to big merchants, I think we're best positioned to get that side of the market."

With Harbortouch, busy restaurants and other businesses seeking maximum efficiency can serve customers more quickly, and often more accurately, using a system that automates all aspects of ordering, pricing and paying, Isaacman said.

### **Maximum proficiency**

Jones noted that the Harbortouch POS system also

streamlines the ordering process. "The system can handle various restaurant tasks such as splitting a bill, changing tables, combining orders, managing gratuity and taxes, or changing the price of an item," he said. He added that efficiency and accuracy are also enhanced by the Harbortouch Tableside, Lighthouse and Reservations features, which are offered free of charge with each POS system.

Harbortouch Tableside is an application for Apple Inc. iPads that allows restaurant servers to place orders right at the table via iPads. "The application mirrors the actual POS software, and servers can place the order on the iPad's screen instead of writing it by hand on a notepad," Isaacman said. "These orders are automatically entered into the system and sent to the kitchen."

Harbortouch Lighthouse enables managers to remotely operate the POS system. They can change prices and add items, as well as view sophisticated reports that detail total revenues over different periods, sales of specific items or timetables of employee work hours. "Our software allows access from the Internet, so any store owner can control their system remotely," Isaacman said. "You can log on anywhere, change the cost of buffalo wings, or make other changes or additions – whatever you want to do."

With Harbortouch Reservations, customers can make reservations online, and restaurants can manage all incoming reservations directly through the POS system. "Similar online reservation systems cost hundreds of dollars a month," Jones noted.

In addition, the system's loyalty app "allows customers to pay with their phone and unlock rewards," Isaacman said. He added that merchants can send alerts to customers about rewards and other advantages, and "they can set all sorts of different values and thresholds. It does everything."

### **Tailored, customized, supported**

Harbortouch offers five versions of its POS system geared to hospitality businesses, retailers, convenience stores, quick service restaurants and delivery services. "Every industry has something unique about it," Isaacman said. "T-shirt stores don't have the same needs as a liquor store or bar. Each system is tailored to industry specifications."

For example, restaurants that use Harbortouch typically

employ features for taking and recording reservations, tracking table availability, calculating ticket prices and tips, entering orders and sending orders from the dining room to the kitchen. For liquor stores, the system allows vendors to calculate the price of a single container – or two or three containers, for that matter – out of a six pack if a customer wishes to buy cans or bottles individually.

However, the five basic variations of Harbortouch aren't sold as-is; rather, the company individually tailors every order to meet the specific needs of each merchant. "Before we ever ship it, we go over all the features [with the merchant] in advance," Isaacman said. "The merchant approves it or asks for changes, and once we get the approval, we install it on site."

The system comes with a lifetime warranty, so if components break down or malfunction, they're replaced free of charge, Isaacman added. "If something breaks, it is replaced overnight, no questions asked," he said. "We want our merchants up and running at all times. Every day our merchant isn't processing, we're losing money on a pretty large investment: the free POS system."

In addition to innovative products, the company is distinguished by first-rate, in-house customer service available 24 hours a day, Isaacman said. "Most competitors will man the phones 9 to 5 and then [outsource their call help at night]," he said. "Many of our POS merchants work until 11, 12, 1 a.m., so we have 24/7 customer service in-house, and that's a huge difference-maker with our POS service."

### Built on strength

Isaacman and his team believe the Harbortouch transition is a boon to the company's 3,500 contracted ISOs, who serve 110,000 merchants from all 50 U.S. states.

"We feel that this is in the best interest of all of our sales partners" because when they engage merchants as POS consultants offering a free POS solution, their pitch "is going to be far more effective than approaching a merchant with the traditional 'lower rates and fees' bank card sales pitch," he said. "ISOs are able to give everything away – which is a program no one else has – with an upfront chunk of money and a good residual program. Most important, merchants using this product aren't going to go anywhere else."

Isaacman also noted that the company's relationships with its sales partners will remain unchanged, that it will continue giving back to the community through charity poker games at regional acquirers meetings, as well as through other means. And he expects the company will remain poised to recognize and implement further groundbreaking opportunities down the road. 📧



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## Payments industry from page 1

director level and above, where we tend to work, people are not taking jobs for the interim like you're hearing on the news," he said. "They're not taking a job beneath their skill level just to get by. They're very gainfully employed."

Another indication things are improving is the demand for qualified job candidates. "Our clients, the ones that are hiring, are doing as you would expect employers to be doing in a very strong economy, and that's making offers that are 15 to 25 percent above what the candidates are earning currently in order to attract them to their company," Driscoll said.

### Strong payment numbers

The Strawhecker Group's *U.S. Economic Indicators Q4 2011 Report* illustrates just how far the payments industry has rallied. In the latest report, the TSG Payments Index (TSGPX), which tracks quarterly performance of \$100 invested in 29 leading payment-related businesses against the performance of companies in Standard & Poor's 500 Index (S&P 500), showed the TSGPX index closing the year at \$161, while the S&P 500 dropped to \$89.

"The compound annual growth rate for the TSGPX from Q1 2007 through Q4 2011 was 10 percent, compared to 8.5 percent at Q3 2011," said Bob Loewens, TSG Junior Associate. "The S&P 500 was relatively unchanged for the fourth quarter. Overall, the trend is that payment companies continue to outperform the market as a whole."

If historical correlations are any indicator, the payments industry is headed for a strong first quarter 2012. In January, the S&P 500 posted a gain of 4.36 percent, its best opening month since 1997, when the index rose 6.13 percent and finished the year up 31 percent.

Howard Silverblatt, Senior Index Analyst for S&P Indices, projected a modest gain of just above 7 percent for the S&P 500 this year, 10 percent with dividends included.

Preliminary fourth quarter 2011 data for TSG's *Merchant Portfolio Performance Study* suggest strength for both signature debit and PIN debit transactions in the initial quarter following implementation of debit interchange regulation under the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

"Some of the stronger performing companies in the index within this quarter have been MasterCard, Heartland Payments, Cardtronics and Alliance Data Systems," Loewens said, adding that sector growth is being fueled by attractive margins and the continued shift to electronic payments.

Mike Strawhecker, Vice President and Director of TSG Metrics, said many investors waited to see how payment portfolios would weather the recession. "At this point it looks like it's going to be an active year in M&A in the industry," he said. "We're getting calls from large private

investment firms who haven't really played in the space much before but are now definitely sniffing around."

### Promising mainstream indicators

Other leading economic indicators suggest the positive thread may continue. Advance figures from The U.S. Department of Labor showed the four-week moving average for initial weekly jobless claims in the first month of 2012 stood at 375,750, down from a weekly average of 429,750 the previous January.

Leon LaBrecque, Managing Partner and founder of LJPR LLC, a wealth management firm that manages over \$420 million in assets, estimates that during the past 23 months, about 2.7 million jobs were created in the private sector. "There are additions in the private sector compared to what we see in the public sector, which is shrinking," he said. "The private sector is definitely the impetus."

The Conference Board, a nonprofit business membership and research organization, reported three consecutive months of growth in all three of its year-end indices for tracking leading, coincident and lagging economic indicators. (Leading indicators pertain to future events; coincident indicators occur at about the same time as conditions they signify; and lagging indicators apply to events that have already occurred.)

Following December's gain in its Leading Economic Index, TCB Economist Ataman Ozyildirim said, "The gain was widespread among the leading indicators, suggesting economic conditions should improve in early 2012."

However, TCB Economist Ken Goldstein cautioned, "This somewhat positive outlook for a strengthening domestic economy would seem to be at odds with a global economy that is losing steam. Looking ahead, the big question remains whether cooling conditions elsewhere will limit domestic growth or, conversely, growth in the U.S. will lend some economic support to the rest of the globe."

LaBrecque pointed out that the euro area is a consistent problem. "Europe is kind of doomed to put itself in a recession for awhile," he said. "I would say the European recession is probably not contagious unless something really dramatic happens. But the European recession is problematic to us. It probably takes a half point off of our GDP [gross domestic product]."

### Further positive indicators

Retail sales are also a measure of economic vitality. The National Retail Federation projects retail industry sales – excluding autos, gas and restaurants – will grow 3.4 percent to \$2.53 trillion in 2012, compared with 4.7 percent growth in 2011. The NRF estimates 3.6 million U.S. retail establishments employ 42 million Americans, about one in four U.S. jobs.

## CoverStory

Research firm Autodata Ltd. reported U.S. new vehicle sales last year soared to 14.18 million, the highest annual sales in over two years. The firm's year-over-year data showed total vehicle sales for January were up 11.4 percent, rising to 913,287 from 819,795.

The National Restaurant Association's *2012 Restaurant Industry Forecast* projects U.S. restaurant industry sales could hit a record \$632 billion this year, up 3.5 percent from 2011. The association also forecasts the number of restaurant employees could reach 12.9 million in 2012, which represents about 10 percent of the U.S. workforce.

A recent First Research *Gas Stations Industry Profile* estimates the 22,000 gas station companies that operate in the United States generated nearly \$115 billion in revenue during 2011. According to First Research, fuel accounted for approximately 90 percent of industry sales, which means gas station owners will continue to closely monitor fluctuating fuel costs.

The GDP, defined as the output of goods and services produced by labor and property, is another key economic indicator. The U.S. Department of Commerce Bureau of Economic Analysis reported real GDP rose 1.7 percent in 2011, compared with 3 percent in 2010. The BEA attributed the 2011 deceleration in real GDP to downturns in private inventory investment, federal spending, imports and exports.

The Federal Reserve Bank of Philadelphia's *State Coincident Indexes* report, which combines state-level nonfarm payroll employment, average hours worked in manufacturing, unemployment rate and personal income

deflated by the consumer index, showed December 2011 index increases in 39 states. Nationally, the coincident index rose 0.3 percent in December and finished the fourth quarter up 0.7 percent.

### Impinging political factors

Some analysts project the national elections could have a dampening effect on further economic recovery in the United States. Based on an extensive university study titled *Precarious Politics and Return Volatility*, researchers determined that countries with national elections tended to have more volatile economies largely because businesses do not like political uncertainty.

For the study, researchers observed stock market volatility in 18-month periods extending from six months before to one year after elections in 50 developed and developing nations, including the United States, from 1990 to 2006. The study measured volatility as the returns on stocks for either companies based in each country or companies based elsewhere that do significant business in a country.

The study found that mature democracies generally experienced greater market volatility in the six months prior to an election than did autocracies, and volatile markets didn't necessarily settle down in the post-election year. For the U.S. economy, this means we could see heightened market volatility from May 2012 to November 2013.

"What we found are industries that are exposed to international trade, for instance, are impacted more by political uncertainty," said Hitesh Doshi, Assistant Professor, Finance, C.T. Bauer College of Business, University of Houston, and study co-author. Although it is too early to determine the impact national elections will have on the U.S. economy, Doshi said that if the presidential outcome should become evident beforehand, as determined by polls, the election might not have much of an impact on the private sector.

Artem Durnev, study co-author and Assistant Professor, Finance, at The University of Iowa's Tippie College of



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Business, said that if political uncertainty remains high, businesses are likely to respond by putting off expansions, investments and new hires, thus slowing further economic recovery. Political polarization is another variable to consider, and should it persist, economic uncertainty will continue, he noted.

LaBrecque noted that on Jan. 1, 2013, weeks before the presidential inauguration, Bush-era tax cuts are set to expire, and shortly thereafter across-the-board spending cuts might be triggered in accordance with the Budget Control Act of 2011. He said once the government faces these budgetary issues, 2013 could prove to be even more favorable than the current year.

### All-important consumer confidence

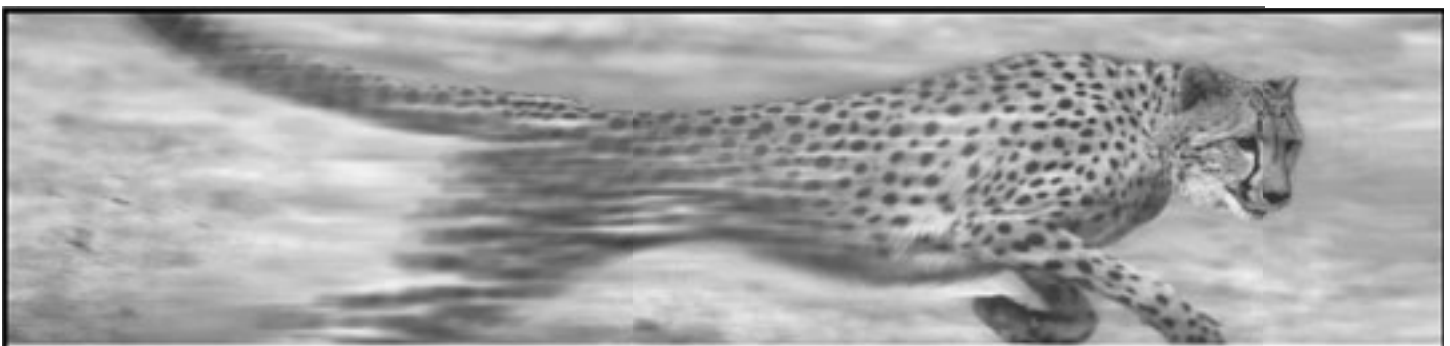
As any successful merchant level salesperson can attest, confidence matters. The same precept holds true relative to the direction of economic cycles, which places weight on consumer confidence as a leading indicator.

One source for measuring U.S. consumer attitudes and expectations since 1949 is the Thomson Reuters/University of Michigan Surveys of Consumers. Its Sentiment Index rose in January 2012 to 75 on a scale of 100, up from 69.9 in December 2011, marking the fifth consecutive month of upward movement.

"Although the current level of confidence has nearly regained its highest level since the recession, this is the third consecutive year that the confidence has mounted a comparable rally," stated Richard Curtin, University of Michigan Economist and consumer survey director. "All prior rallies failed when consumers concluded that the improvement they had anticipated had failed to materialize." He noted that recent gains have been critically dependent on job gains.

MerchantCircle's quarterly *Merchant Confidence Index* – which captures merchant sentiment among the 1.6 million merchants served by the organization, most of whom are in the one- to nine-employee category – reported that merchant confidence in the fourth quarter 2011 was down slightly from prior quarters, based on a November 2011 merchant survey.

"What we found is that merchants are really hesitant to say that they're going to start investing more in marketing and hiring," said Darren Waddell, Vice President of Marketing and Product Management at MerchantCircle. "They tend to lag ... in terms of putting dollars out there just because they want to be really sure, before they start investing, that the investment is going to pay off." If the hiring boom in payments is any indication, merchants just may decide 2012 is the year to begin investing anew. ■



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# Education

# StreetSmarts<sup>SM</sup>

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## The ins and outs of marketing

By Bill Pirtle

*C3ET Credit Card Consortia for Education & Training Inc.*

**R**ecently, marketing was a hot topic on the GS Online MLS Forum. **ICYJAY** started the conversation by asking, "What's your experience with inbound marketing to generate leads?"

**KLINCKPHILIP** answered, "It is expensive but effective to a degree. You really are competing with the big boys when you are mass marketing. They have the advantage of economies of scale.

"I suggest telemarketing for appointments. [It is] cheaper and more effective for a small shop. If you have loads of cash you could just hit 20k businesses in your market every month with a postcard mailer and see what happens."

**RBELCHER** believes the best method to generate quality leads is inbound. "I am referring to inbound as a list of people who hear a message and they respond by pressing a number on their phone," he wrote. "That is the only inbound that we do. Yes, outbound has better numbers, but the inbound catches them when they are interested."

**KLINCKPHILIP** added, "Inbound comprises mailers, billboards, radio, fliers, etc. Outbound is telemarketing, voice broadcasts, and cold calling. And I'm sure there are more examples of each. But the point is that they contact you from something they see or hear in their own time."

Much discussion ensued over whether using "voice broadcast," an automated dialer where a prospect hits a button to talk to a live agent, was considered inbound or outbound marketing. I feel that since the prospect has taken action to speak to an agent, it could reasonably be

### Education index

<b>Adam Atlas</b> .....	<b>66</b>
<b>Nicholas P. Cucci</b> .....	<b>70</b>
<b>Dale S. Laszig</b> .....	<b>72</b>

deduced that it was inbound. Either way, it is a form of marketing you might want to consider.

"For me, outbound wins hands down," **DIEGO** stated. "I have done both and, although inbound is easier to scale, the fraud and losses are far worse. Inbound results in a lot of tire kickers and merchants looking for backup accounts too."

**CLEARENT** advised caution. "[O]nce the deal is ready and all but closed, make sure you do your homework on the merchant. Statistically, inbound calls have a much higher rate of fraud than outbound and face-to-face meetings. Just do the proper due diligence."

### Seeking expert advice

The topic of marketing jumped out at me, not only because of this thread on the forum, but because I recently received marketing chapters for my upcoming book, *Credit Card Processing for Sales Agents*, from Sandy Barris and Marc Beauchamp, among others.

Barris is the author of *97 Marketing Secrets* and President of White Lake, Mich.-based Business Marketing Services. Beauchamp is a consultant and trainer for the financial services industry. He is also author of *How to Survive and Thrive in the Merchant Services Industry* and founder of the Bankcard Boot Camp.

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## StreetSmarts

Here's an excerpt on marketing from Barris' chapter:

"There is no denying the fact that marketing is without a doubt the key element for the success of almost any sales professional.

"Now, because each sale professional has a different definition of what marketing is to him or her, we'll defer to Jay Conrad Levinson, the father of "Guerrilla Marketing" who says, 'marketing is everything you do to promote your business from the first point of conception to the point at which customers patronize your business on a regular term.'

"To develop a marketing mindset you need to have a very open mind that looks far beyond the first transaction to see all the hidden possibilities of re-selling, cross selling, and follow-up. In addition, it helps to be open to experimenting and looking at your sales-related behaviors and activities in unorthodox ways.

"If you are interested in knowing whether or not your marketing and sales idea has worked or how much profit an idea might add or subtract, you must quickly, efficiently, and inexpensively test

your ideas in your marketplace and face-to-face on sales calls.

"Once you come up with a profitable, working process, don't stop there. As a matter of fact, always try to improve on what is working and stop doing what's not working.

"According to experts, innovation is the name of the game, especially for sales professionals. But that does not mean you abandon what is working for you by jumping to a new concept (chasing after the next shiny object).

"Rather than abandoning what's working, which is reaping you profits, it is advisable that you add more marketing and sales ideas so that it does not become old and boring.

"When you test a new marketing campaign, advertisement, sales pitch, or an up-selling concept, it gives you a way to try new ideas and see things in a different light from your competitor's point of view.

"An important part of developing a marketing mindset is to always look out for new ideas and new applications for what is working. Most importantly, it is very essential to measure the success of what you are doing. A well-laid plan can be a disaster if not tested, implemented and measured for success or failure.

"Sales professionals who have a marketing mindset will quickly come to a conclusion that it's a waste of time and energy to re-invent the wheel in order to market their product or service."

Following is an excerpt on prospecting from Beauchamp's chapter:

"Direct mail is still a fairly good source for leads. Want to see who is actively sending direct mail in your area? Just go down to your local county clerk's office and file a new DBA or assumed name.

"It will only cost a few dollars and the mail will start to trickle in over the next couple weeks. This also may be used as a great way to gauge the local competition.

"The key to direct mail success is to ensure you're receiving a good return on your investment. For example, to mail 4,000 pieces per month the postage alone is \$1,280.00 plus printing, labels, list cost and time.

"The average return is 1%–2% response depending on the area and quality of the sales copy. If you



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are lucky enough to have phone numbers for your prospects, follow-up all direct mail with a call. It will triple your response rate.

"A 4,000 piece mailing with a 1% response will generate 40 calls. The presentation ratio should be much higher with call-ins, usually around 30%–40%. That means a good representative will get in front of 16 people and close 30%+ of those appointments.

"Another tactic is a pre-approach letter. Send out an introduction letter prior to calling the prospect. This works well when targeting niche markets, but the cost can be high.

"Keep a direct mail tracking log to analyze response rates and closing ratios. This is a must in order to determine your return on investment.

"Take Action: We all know that imperfect action trumps perfect inaction every time. You now have a road map for prospecting success, now it's time to take massive action. What would you think the key difference is between a mediocre and highly successful merchant services salesperson?

"The one obvious distinction is that highly successful

salespeople are taking massive action, while mediocre salespeople are doing just enough to get by. Remember, massive actions yield massive results."

### Finding a winning combination

There are many ideas on marketing within this industry and the advice of multiple experts is needed to present the best options, as no one method works for everyone. And, in the end, it is likely a combination of methods that will work best.

If you follow the rules on how you present yourself to merchants and use multiple methods while tracking the return on investment, including both your time and expense, you should find long-term success in this industry.

What you do today determines your tomorrow. 

*Bill Pirtle is the President of C3ET Credit Card Consortia for Education & Training Inc., a joint venture with Theodore Svoronos of Merchant University. Created to establish a comprehensive training program for ISOs and merchant level salespeople, C3ET is working with industry experts to produce a training guide to be published in early 2012. Bill's email address is bill@c3et.net. He welcomes all connections on Facebook and LinkedIn.*

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## Legal strategies for an evolving marketplace

By Adam Atlas

Attorney at Law

**S**o the technology world has discovered payments. Specifically, the new world of electronic entrepreneurship, commerce and mobile services is knocking at the door of traditional and alternative merchant acquiring solutions. From the perspective of a lawyer advising ISOs and merchant level salespeople (MLS), here are a few ideas to assist your business strategy now as the marketplace evolves.

### Don't get boxed in

Any provider may have what appears to be a near-perfect solution for a given payment channel, such as gift cards or mobile payments. Yet one must question the cost of being exclusive to a provider for a given product. With the right terms, of course, exclusivity is a good bargain for both parties.

However, granting exclusivity to a vendor – without adequate consideration – may ultimately frustrate your business as new sales opportunities come along. For better or for worse, merchants are as fickle as consumers, if not more so. They are apt to switch to the latest gimmick in payments. ISOs should have the flexibility in their supplier agreements to indulge merchants' desire to try new options.

### Take title in information

Customer information is the currency of our time. Naturally, under most acquiring sales relationships, the merchant information belongs to the acquiring processor or bank. That said, it is possible to negotiate terms by which an ISO takes some title in merchant information as it relates to products or services. Consider the value of that information and whether you can negotiate some rights in it.

Once you obtain those rights, consider how you may use that information to improve revenue from your portfolio. Obviously, dealing in merchant information requires express consent of the merchants in question. With that consent, an ISO may leverage value in its portfolio that might otherwise go unused.

### Verify security standards of suppliers

Together with the increased value of information, ISOs and their suppliers have a corresponding obligation to protect that information. In negotiating contractual terms with all suppliers – from agents, to employees, to information technology service providers – ISOs should consider what obligations suppliers are taking on for securing the information they hold.

Naturally, the Payment Card Industry Data Security Standard applies, as it must. But ISOs and MLSs care about more than just cardholder data. They also care about merchant information, merchant applications, pricing, sales figures and residual reports, which – like a physical inventory in the old world – is the inventory of the new ISO world.

Supplier terms should contain protection for information security. Of course, payment businesses should also secure their own data, whether it resides on laptops and servers or in filing cabinets.

### Prepare for paperless

Regarding agreements and applications, ISOs should foresee the transition from paper to paperless documents. When instructing legal counsel on the development of new business agreements, have counsel draft the electronic version of all documents. The cost should be marginal. As electronic documents become the norm rather than the exception, ISOs can hit the ground running when boarding agents, referral sources and merchants without

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## Education

the troublesome paperwork. We must plan for paperless documentation to come to banking, as hard as that is for the old world bankers to fathom.

### Make agreements flexible

When ISOs sign new agents, they should recognize that MLSs can solicit for a variety of products beyond merchant services. The drafting of an agent agreement should take this flexibility into consideration. Without running up against the rigorous rules that apply to merchant acquiring, an agent agreement should be flexible enough to allow the ISO to give agents tools to sell products and services other than bankcard acquiring.

### Stay informed

The last thing you want is to be educated on a new payment system by your merchant clients. Having a direct connection to millions of merchants, ISOs and MLSs should follow all the twists and turns of new payment products. This enables them to advise merchants on the products' pluses and minuses while competing to be the trusted payments adviser that so many payment professionals are to their merchants.

### Be a product tester


When new products emerge, try them out. This doesn't

mean you need to buy all the latest terminals. But having test accounts on various payment systems online is a good way to stay in touch with trends in the payments space.

### Consider innovating

ISOs and MLSs are very well placed to create their own disruptive payment technologies. Indeed, few start-ups in payments have payments industry veterans' years of experience in understanding merchant needs.

Such experience is a potentially fertile source of payments business innovation. That said, remember that most great payments ideas go nowhere. So don't waste your time on one unless you are confident it's a winner.

People will always need ways to pay. New ways come along every day. As payment professionals, ISOs and MLSs have front-row seats on the evolution of payments and are well positioned to profit from it. 

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

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## Modern payment pros fill the knowledge gap

By Nicholas P. Cucci

*Network Merchants Inc.*

**T**he payments industry can be hard to navigate. Today, even the most experienced payment professionals can feel besieged by new rules and regulations, unintended consequences from legislation, security requirements, technological advancements and increased competition.

For some traditional ISOs and merchant level salespeople (MLSs), these changes to our industry have not only caused anxiety; they have also led to loss of business. But change is not always bad.

Those who embrace it can thrive. With the right attitude and sound business decisions, modern payment professionals will increase business and establish stronger bonds with their existing merchants.

In particular, merchants lacking industry experience are overwhelmed and unfamiliar with our practices. For example, without proper guidance, merchants mistakenly set fraud thresholds too high or low, inadvertently removing good transactions or permitting fraudulent transactions and chargebacks.

### Pros to the rescue

ISOs and MLSs can fill the gap. They are the backbone of the industry and well suited to solve most merchant challenges. What can the modern ISO or MLS do? Study the industry. New technologies emerge every day. When mobile payments were in their infancy, who would have envisioned millions of people paying their bills and shopping from mobile devices?

Keep offerings simple, and offer your merchants educated control by adding a personal touch. Don't simply sign the merchant for a Payment Card Industry Data Security Standard compliance program.

Explain why they must be compliant and what this will help them safeguard. New data breaches pop up regularly; keep your merchants at the forefront of compliance.

Research a system that will work for you and your merchants. Is it a multitiered reporting system? Does the merchant reconcile only through QuickBooks? Could he or she benefit from mobile processing? With all the smart phones on the market, merchants of all types can find solutions. They may even be able to use mobile devices instead of terminals for payment acceptance.

### Retool your marketing plan

ISOs can get back to basics by sprucing up their marketing campaigns. The ultimate goal of marketing is to know and understand the customer so well that your product or service sells itself. An underlying concept of marketing is trying to satisfy customers' needs, wants and demands. When creating your marketing campaign this year, keep the four P's of marketing in mind: product, price, placement and promotion.

When pricing your product or service, make sure it's competitive. Be selective in choosing the channels (placement) that will best reach your potential customers. Then promote your services to those channels to raise awareness among your target market. For example, ask whether you should start with advertisements in an industry magazine, press releases or blog posts.

### Beware your Achilles heel

Quality customer support is key. Companies work hard to build quality products and services, but many do not realize customer support is the Achilles heel of the company.

Customers will abandon your business if your support misguides them; you will also see a decline in customers if you outsource your support. If your support isn't top notch, you will wind up with frustrated customers, reduced sales and an increase in cancellations.

The fastest way to grow your business is by the spoken word. Generally, a company's performance is based on its customer support team. How many times have you heard from a friend that XYZ Company was great? XYZ may have accepted your product return without question or fixed potential problems before they occurred. You are more likely to remember that positive buzz than negative word of mouth.

However, one bad experience can ruin any future business with a customer. When a company's support team fails, the company's foundation begins to crumble. If you lose the credibility you worked so hard to build, your business will come to a screeching halt. So never forget that great service is the key to a successful business. ■

*Nicholas P. 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](mailto:ncucci@nmi.com).*

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



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

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# MLSs are masters of change

By Dale S. Laszig

Castles Technology Co. Ltd.

**M**anaging change comes easily to most payment professionals. Our industry was built on change, from the fluidity of our technology to the dynamics of the international business community in which we compete.

Change has been a core value and engine of our growth, dating back to the early days of converting merchants from paper to electronic transactions, and onward through dial to Internet protocol, countertop to mobile, offline to online, and brick and mortar to cloud.

The Association for Change Management Professionals offers a certification program in human resources, project management and organizational development for change practitioners who help individuals and companies deal with the complexities of the shifting business landscape. But when it comes to helping merchants navigate the choppy waters of security, technology, social media and interchange, nobody does it better than merchant level salespeople (MLSs).

## Brother, can you spare some change?

MLSs understand merchants' love-hate relationship with change. Most merchants view changes as unwelcome disruptions of their businesses, even when they need to upgrade in response to compliance issues, hardware obsolescence and changing consumer behavior. How can we help them cross the chasm from analog devices to more secure and profitable digital processing technology? Following are some strategies to help merchants embrace such changes.

- **Practice empathic listening:** Seeking to understand merchants from their point of view is a good place to start. That means putting our own wants aside so that when we listen to prospective customers, we are not just waiting for them to finish. We're really hearing them out.

Many salespeople feel called to the profession and are passionate about what they do. They know they can make a positive difference in people's lives and businesses. Sometimes this can blind them to what customers really want.

"Each of us carries around a crippling disadvantage – we know and probably cherish our product," Tom Peters wrote in *Thriving on Chaos*. "After all, we live with it day in and day out. But that blinds us to why the customer may hate it – or

love it. Our customers see the product through an entirely different set of lenses."

We've all been trained on various listening techniques. Yet Stephen R. Covey's technique of empathic listening, described in *The 7 Habits of Highly Effective People*, takes customer engagement to a whole new level.

"When I say empathic listening, I am not referring to the techniques of 'active' listening or 'reflective' listening, which basically involve mimicking what another person says," Covey wrote.

"When I say empathic listening, I mean listening with intent to *understand*. I mean *seeking first to understand, to really understand*."

Covey noted that empathetic listening is related to empathy and "gets inside another person's frame of reference. You look out through it, you see the world the way they see the world, you understand their paradigm, you understand how they feel."

- **Think big picture:** Seeing an alternative point of view gives salespeople accurate data to work with, according to Covey. This data helps MLSs understand how a processing system fits into the existing infrastructure of a business.

When exploring opportunities with merchants, MLSs who focus only on existing processing systems are limiting their view; payment processing is just a small part of an overall operation. It's better to take a holistic approach by learning everything you can about a business.

This holistic, big-picture view is the path to innovation. Knowledge is power, especially today when merchants don't have to settle for plain vanilla processing.

Understanding the business requirements helps acquirers and processors deliver the right kind of solutions that reflect the business models and values of individual merchants. And understanding these requirements helps acquirers strengthen their identities and brands.

- **Build a case:** Insiders know that most sales don't end with a customer handshake. We must sometimes use our greatest powers of persuasion behind the scenes at internal meetings when we advocate on behalf of our customers.

"Engineers and research scientists have long assumed that salespeople offering up customers' ideas are simply providing dream lists that would



make their (the salespeople's) life easier," Peters wrote. "Senior management must intervene directly to ensure that ideas from the field are given a thorough hearing."

Whether you are trying to convince your manager that a startup, e-commerce merchant will go viral or trying to convince your merchant to upgrade to a better processing system, it's best to put your emotions aside and arm yourself with data. Prepare for your meetings with recent examples of similar successes and calculations that demonstrate return on investment.

- **Try a puppy dog close:** We sometimes pull out all the stops to make a sale. We bring in senior management to help us build a case and show the customer how much we value them and want their business.

We call our technical people for backup and try to wow our prospects with live demonstrations of leading-edge technology. But bosses may not always say the right thing, and technology is only as good as its underlying purpose and ability to solve problems.

When faced with the most intransigent merchants, it sometimes pays to offer them a free trial. This strategy is sometimes referred to as the puppy dog close, because when you take a puppy home for the night, there's a good chance you'll keep it. Credit card terminals may not be as cute as warm puppies. But if they live up to your hype and offer the right kind of programs for a merchant, there's a good chance you won't be getting them back.

### Face the unfamiliar

Change is good. If it is the one thing we can count on, then change is also the ultimate commodity, and something that payment professionals have been successfully packaging and selling for more than 20 years.

When you see someone accepting a payment on a smart phone or tapping a contactless turnstile in a crowded subway station, take a moment to reflect on how you helped make that happen – just by taking the time to show merchants something new. 📱

*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.*

## Boost Your Biz

### Minimal (but effective) marketing makeovers

**B**usinesses must keep up with the times. That's what marketing is all about – keeping businesses current, vital and evolving. But updating a company's image can backfire much like bad plastic surgery: if you do too little, you waste resources without enjoying the desired "lift" in awareness and sales; if you do too much, you risk becoming unrecognizable to your customers.

So refrain from jumping right into an overhaul. If your website looks stale, don't start from scratch. Simply changing the font style of your messaging, freshening up graphics or simplifying page designs can have a surprisingly positive impact.

If the last entry on your corporate blog is over six months old (you do have a blog, don't you?), commit to adding one short post a month that involves tips, helpful advice or product insights that would be of interest to your audience.

Even if the blog goes largely unread, keeping it updated will signal to clients and potential customers that your business is keeping up with the times.

### Get social, too

If you want to take that blog to the next level, it's not hard. Employ social networking tools like Facebook, Twitter and LinkedIn to push posts out to potential customers far and wide. It may take time for you to capitalize on your efforts, but social networking is free to use. All that's needed is perseverance and something interesting to say.

But there's another cost effective "tuck" a business can perform on itself. With the corporate world increasingly a business-casual environment – with jeans and dress shirts often replacing suits and ties – businesses can capitalize on this to promote corporate decision makers as customer-friendly business advisers.

Give end-users access (or perceived access) to top executives via YouTube videos posted on website home pages. Maybe it's video from the chief executive officer's presentation at a tradeshow or a direct, into-the-camera "chat" that details the company's corporate vision. Getting corporate leaders out front instantly modernizes and personalizes businesses.

Nothing drastic needs to be done. A little thoughtfulness and creativity can give your company a stylish, modern look. 📱

# It's time to build your sales force

By Marc Beauchamp

*Performance Training Systems*

*Editor's note: This article first appeared in Merchant Service Times, Jan. 31, 2012. Reprinted with permission. © 2011 by Marc Beauchamp.*

**A**ccording to the Bureau of Labor Statistics, the U.S. unemployment rate is still high at 8.5 percent. In total, there are over 13.1 million unemployed people in the United States.

If you want to dig into the employment report, go to the Bureau of Labor Statistics website at [www.bls.gov](http://www.bls.gov).

Enough doom and gloom. If you want more, just turn on the evening news, which I refuse to contaminate my brain with. Instead of continuing to focus on the problem, why not look for the potential opportunities the problem may present?

If you look at the majority of ISOs and agent offices in the business, most have chosen a distribution strategy of employing independent agents or contractors. One of the biggest challenges ISOs and agent offices face is hiring good, qualified independent salespeople. You know as well as I do that "you have to kiss a lot of frogs until you will find a prince" in the recruiting game.

## Recruit now

I'm no rocket scientist, but in the middle of a declining employment trend affecting many highly skilled, highly educated workers, doesn't it seem self-evident that it's now time to start recruiting this pool of talent before someone else does?

Is it just a coincidence that franchise and business opportunity advertising experiences an uptick when unemployment is on the rise? I don't think so, these entrepreneurs realize that many people still yearn for the American dream of owning their own business and that many of these unemployed people have retirement savings and funds to invest in a new venture.

Our industry has the best recruiting story in the world:

- We offer products and services that every business needs.
- We are a relatively recession-proof industry.
- Agents can get started with little or no investment.
- We offer unlimited earnings potential.
- Agents can create a residual stream that pays them over and over for a one-time effort.

- New hires are independent and free to build their business the way they want; they will not be at the mercy of an employer ever again.
- While others are reducing staff, we are hiring.

OK, we know we have a good labor pool and a great opportunity. Now what? You can choose the market areas to recruit from that are geographically beneficial to your company and location, or if you are recruiting nationally, I recommend conducting extensive research.

## Target wisely

When I work with a client developing a recruiting strategy, I usually conduct research from a variety of sources, including:

- The U.S. Census Bureau, [www.census.gov](http://www.census.gov). This will provide information on population, income and education for any given area.
- The U.S. Bureau of Labor Statistics, local area reports, [www.bls.gov/lau](http://www.bls.gov/lau).
- City Mayors Statistics, containing data from mayors that are in the trenches, [www.citymayors.com/gratis/uscities\\_growth.html](http://www.citymayors.com/gratis/uscities_growth.html).
- Inc. magazine's list of best cities to do business in, [www.inc.com/magazine/20040301/top25.html](http://www.inc.com/magazine/20040301/top25.html).
- Top 100 newspapers, containing circulation data for all the major papers, [www.infoplease.com/ipea/A0004420.html](http://www.infoplease.com/ipea/A0004420.html).

Use this raw data to intelligently target your ideal market via print or online advertising that best fits your business model. We have a window of opportunity over the next six to 18 months to hire hard-working, well-educated, experienced people who are a great fit for our business.

This is a win-win for everyone involved: they receive a fabulous career opportunity, you receive a great sales partner, and the country benefits by having them back on the employment rolls.

Many great fortunes have been made during the most challenging times in history. This is your opportunity to make a move while your competitors are still stuck in the problem.

Put the pedal to the metal, take massive action, and start building and expanding your sales organization. When you look back a couple of years down the road, you'll be glad you did. ■

*Marc Beauchamp is a consultant and trainer for the financial services industry. He is author of How to Survive and Thrive in the Merchant Services Industry, founder of the Bankcard Boot Camp and offers a free monthly newsletter at his site [www.surviveandthrive.biz](http://www.surviveandthrive.biz). He can be reached by email at [marcb@surviveandthrive.biz](mailto:marcb@surviveandthrive.biz).*

# ISOMetrics



## Commanding retail categories

The U.S. Census Bureau conducts a business census every five years. The next census will occur in late 2012. Following is a list of retail categories with the greatest number of locations, based on 2007 census data. The total number of establishments in all categories was 1,128,112.

Will more be counted in the new census?

<b>Top 20 retail categories*</b>	<b>Number of establishments</b>
Groceries, other consumer foods consumed off premise .....	361,463
Drugs, health aids, beauty aids (including cosmetics) .....	282,952
Cigars, smokers' accessories, etc., excluding vending .....	235,707
Soaps, detergents, household cleaners .....	195,305
Paper and related products (including toilet tissue, wraps) .....	187,332
Packaged liquor, wine, beer .....	182,955
Women's, juniors', misses' clothing (including accessories) .....	176,237
Kitchenware, home furnishings .....	170,774
Automotive tires, tubes, batteries, parts, accessories .....	160,531
Jewelry (including watches, novelty jewelry, etc.) .....	143,632
Lawn and garden supplies, farm equipment and supplies .....	142,767
Footwear (including accessories) .....	139,676
Hardware, tools, plumbing, electrical supplies .....	138,178
Men's clothing (including accessories) .....	136,090
Toys, hobby goods, games .....	134,245
Pets, pet foods, pet supplies .....	130,929
Automotive fuels .....	130,011
Automotive lubricants (including oil, greases, etc.) .....	124,920
Meals, snacks, nonalcoholic beverages for immediate consumption .....	117,782
Furniture, sleep equipment, outdoor/patio furniture .....	108,568

\*Excluding "all other merchandise" and "non-merchandise" categories.

Source: U.S. Census Bureau

[http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ECN\\_2007US\\_44SLLS1&prodType=table](http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ECN_2007US_44SLLS1&prodType=table)



Pillars of payments

# An interview with Harold Montgomery

By Ken Musante

*Eureka Payments LLC*

**H**arold Montgomery is the founder and Chief Executive Officer of Calpian Inc., a public company that gives ISOs cash in exchange for their residual portfolios. Calpian is traded via the OTC Bulletin Board under the symbol CLPI.OB.

I have had a chance to listen in on several of Montgomery's ISO presentations, and I remain impressed by his understanding of how to value certain aspects of a processor's contract.

One of the most important aspects with any business is having some sort of exit strategy. By considering that exit strategy upfront, you best position yourself for whatever the future holds.

I believe Montgomery is one of the few individuals who can advise payment professionals, at the outset, how to structure their businesses and to know what aspects of a processing contract are most important and which ones shouldn't be pressed as vigorously.

**Q. How did you get your start in the payments industry?**

**A.** I started out working with a company that was a credit bureau and collection business for video rental stores back in 1987. We kept track of renters who did not return videotapes, and we collected them. The service was based on the VeriFone Zon Jr Plus.

Soon, the video stores were calling us asking if we could put credit and debit processing on the terminal, which of course is what the terminal was designed to do in the first place. So we became an ISO for Michigan National Bank. Linda Perry was our contact there and, of course, she went on to a great career at Visa.

**Q. How are you able to offer competitive pricing, terms and timing?**

**A.** Calpian is a public company, and as such, we believe that we are able to pay a higher valuation than a private company because we can structure our compensation in creative ways and offer consideration and opportunities that a privately held entity cannot.

We work with ISOs to determine their needs and work to structure a compensation package that meets those needs.

For example, as we have disclosed in our public filings with the SEC, we have recently structured a number of deals where we have issued a mixture of cash and our public company stock to the ISOs in exchange for their residual portfolios, which enabled us to provide the ISOs a longer-term asset-building vehicle as well as immediate cash.

We believe that the stock market values the payments business because of its strong and steady revenue. The underlying service provided is easily understood and all retailers need this service to conduct business, so the value of our stock is easy to explain to our investors.

Also, there are not many public investment opportunities within the payments industry. For those wanting to invest in our business, Calpian is one of only two pure choices.



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**Q. You're a public company – why?**

**A.** We became a public company for two reasons:

- 1. Access to capital:** A private business will generally need to go to a bank or friends and family to raise money. Banks are under enormous regulatory pressure and have not traditionally offered timely and affordable loans to ISOs.

Friends and family typically have limited access to capital, there are social issues involved with borrowing from friends and family, and many were already tapped out when the ISO started the business.

Public companies like Calpian generally have greater access to sources of capital and at lower rates than private companies. Bank lenders like the audited financials presented by a public company, and can provide them better lending rates and greater access to capital when it is needed.

- 2. Competitive portfolio pricing:** Calpian's management team has been active in the ISO

business for 25 years, and historically, like most of the ISOs in our industry, has had difficulty accessing capital. Since going public in 2010, Calpian has found greater access to affordable capital.

We've learned the business by being in the trenches and taking some hard knocks, and as a result, we believe that we know the ISO business like no one else.

Again, as a public entity, Calpian can structure creative acquisition options which allow the ISO to invest in both their own future and our future, while they continue to sell and run their businesses the way they always have.

They get the opportunity to be a part of something bigger than themselves without having to give up control, ownership or really changing anything about their business plans.

**Q. Was there a 'light bulb' moment for you in the payments space?**

- A.** Yes – twice actually. The first time was when we realized that our video store merchants needed

20/20

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## Feature

processing services, and that made the revenue equation so much better for us. It was an additional service we could provide at very little cost.

The second was when we started out acquiring residuals from other ISOs about 10 years ago. That was the start of what Calpian is today. I never dreamed we would be a successful public company.

- Q. You have been doing this a long time; how has the market changed?**
- A.** The economy is worse for sure, and so it's harder and more expensive to access capital now than ever. Because Calpian is public, we have

found that getting capital to invest is less of an issue for us. In the past, some ISOs were forced to sell their portfolios for a low value to get cash, but now we're able to pay them the true value of their portfolio and it's worked out great. And we are able to close deals much more quickly than we typically see in the marketplace; our last deal closed in 10 days from start to finish.

Today, ISOs who partner with Calpian can structure creative acquisition options that not only can provide them with much-needed cash today, but upside potential and value in the future, which is like a safety net for them for the long term – think of it as a retirement plan – and no one else offers that.

From an ISO's perspective, margins are much slimmer and going down. There is a substitution going on of fee revenue for processing revenue. The overall industry revenue pie is shrinking and, as a result, somebody is giving up margin, whether it is the processor or the ISO or both.

This makes now a particularly good time to consider selling because over time the portfolio's value may go down. Although this may not be true, ISOs should consider diversifying to lock in existing value.

- Q. What are your future business goals?**

- A.** We are reaching out to ISOs across the country to work to increase the value of their portfolios and realize the wealth they deserve.

We believe that Calpian has a great future and we're really excited about the attention we're getting and the new ISO relationships it's leading to. Our goal is to help as many ISOs as we can, as the more that join us,

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the greater the revenue opportunity for us all. Calpian expects to be an owner of merchant residuals, not a selling entity to merchants. We believe the ISO is a great manager of merchant accounts and we do not wish to interfere with the relationship the ISO has with his merchant base. While we do contract directly with various processors, these entities perform the servicing on behalf of the merchants our ISOs work with.

**Q. What changes do you see coming that are particularly good or bad for the industry?**

**A.** There are trends both ways, I think. On the good side, there's lots of opportunity if you're well positioned in technology and specialized services. ... On the other hand, the trend toward lower and lower pricing on processing is worrisome.

The industry's response has been to adjust by increasing fees for IRS reporting and PCI compliance. So far that's worked, but fee revenue is not the same character as processing revenue and may well have a shorter life span to it.

Take PCI fees for example – what happens when EMV comes about? Could that reduce the merchant's acceptance of PCI fees?

The same goes for the IRS fees – some companies are imposing those fees even though the IRS has been clear that such fees are not acceptable. We're losing control of our pricing formula in the business with outside forces acting on the industry. It bothers me.

To provide full disclosure, I am a shareholder in Calpian. I believe individuals like Harold Montgomery and companies like Calpian are necessary in our industry. We are a maturing industry and, as entrepreneurs within our industry want to either retire or diversify, it is important that there continue to be an exit strategy.

Certainly Darrin Ginsberg of Super G Funding and David Daly of Cutter LLC also offer buyout alternatives. Harold's model offers the alternative of a publicly traded stock. This allows us to see on at least a quarterly basis through required disclosures the results of Calpian's efforts. ■

*Ken Musante is President of Eureka Payments LLC. Contact him by phone at 707-476-0573 or by email at kenm@eurekaypayments.com. For more information, visit [www.eurekaypayments.com](http://www.eurekaypayments.com).*



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# NewProducts

## Mobile wallet commerce platform

**Product: Apriva Wallet**

*Company: Apriva LLC*

**W**ireless transaction and information messaging services provider, Apriva LLC, recently launched the Apriva Wallet, a mobile wallet devised to combine payments, loyalty, couponing, location-based services, social media and identification into a single, secure platform.

"The majority of mobile wallets that are in the market today offer only a limited set of services," said Apriva President Paul Coppinger.

"The Apriva Wallet is a flexible platform that can support a wide array of devices and networks and interoperate with a number of payments processors and financial institutions. We designed the Apriva Wallet from the ground

up as a standalone solution that encompasses all of the features required for a rich mobile commerce experience."

According to Apriva, because the wallet is infrastructure-agnostic, it can operate within most any processor, financial institution or wireless carrier environment.

The mobile wallet accepts mag stripe, near field communication and Europay/MasterCard/Visa payments, and offers compatibility with Apple Inc. iOS and Google Inc. Android operating systems. A Microsoft Windows Mobile version is planned for release later in 2012.

The Apriva Wallet program supports enrollment and redemption at the POS, as well as initiates a loyalty wallet for future transactions. Customers opting in at participating merchants are able to instantly download the wallet onto their mobile devices.

Built on the AprivaTalk security protocol, the wallet's built-in transaction technology meets regulatory mandates. Since data is stored on Apriva's gateway rather than the device, risk of data exposure is diminished, Apriva noted.

The loyalty program embedded in the system can be branded, giving small merchants the unique advantages many large retailers have. Location-based technologies support geographically targeted offers.

Coupon and advertising features enable merchants to reach specific sets of customers. The product also integrates with Facebook and Twitter, so customers can share the retail experience.

For those involved in event venues, the wallet permits customers to purchase and download event tickets onto their mobile devices. Apriva Wallet can send an electronic receipt to a customer's mobile phone or email account, based on customer preference.

According to Coppinger, the goal of Apriva is to create a competitive advantage for merchant acquirers, ISOs and channel partners who resell its products.

"We've continued this philosophy by designing our wallet to operate within today's infrastructure, as well as support emerging technologies that are entering the marketplace in the future," he said. "We seek not to disrupt the payment ecosystem, but rather to enhance it and, over time, evolve it." ■

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# Research Rundown

## Retailers use e-commerce as 'digital face'

A new report from Retail Systems Research shows more retailers are using e-commerce as a "digital face" for customer interaction. According to the study, an increasing number of retailers with brick-and-mortar stores are investing in content management and social media integration, while choosing to delay in-store POS investments to allow time to evaluate in-store applications for their e-commerce platforms.

"Even though retailers expect more revenue to ultimately come from the online channel than ever before, they are challenged every day to keep up with evolving consumer behavior," said Steve Rowen, Managing Partner at RSR and co-author of the report. "You really can't overemphasize the importance of having an exciting online shopping experience that understands the customer's lifestyle – and how the brand and products can engage and suit that lifestyle.

"This report shows how the best performers understand that, how they are thinking and acting differently, and as a result, offers up some valuable lessons for all retailers to consider." Retailers in the study said they encountered two primary challenges when making the transition to an e-commerce platform: understanding how different customer segments engage online and coordinating all retail channels to create a seamless customer experience.

Best-in-class retailers in the study demonstrated an understanding of the key role inventory plays in creating a superior online experience. They also viewed the e-commerce platform as a central and pivotal point for all digital activity across channels. RSR's *eCommerce 2012: Back to the Future* report analyzes key business drivers, opportunities and organizational constraints pertaining to e-commerce initiatives in retail. It also provides recommendations for successful execution of e-commerce strategies.



To view a copy visit:  
[www.retailsystemsresearch.com/\\_document/summary/1390](http://www.retailsystemsresearch.com/_document/summary/1390)

## Mobile-savvy shoppers' in-store behavior

A Jan. 30, 2012, Pew Research Center survey of adult cell phone use during the 2011 holiday season found over half of respondents reported using their phones to access information for making purchase decisions. For more information, visit [www.pewinternet.org](http://www.pewinternet.org).

Shoppers' use of phones inside stores	Percentage
Called a friend for advice about a purchase	38%
Gathered price comparisons	25%
Looked up online product reviews	24%
After comparing prices, decided against purchase	37%
After comparing prices, bought product at store	35%
After comparing prices, bought product online	19%
After comparing prices, bought product elsewhere	8%

Source: Pew Internet & American Life Project, *The rise of in-store mobile commerce*

"Analytics, profiling and segmentation are going to be looking at broader data, and will be your keys to customer relevancy and profitability. It shows you are listening and that your brand is smart."

– James Ray

Chief Technical Officer, Mocapay Inc.

Source: : Loyalty 360, Executive Brief, *Where is Loyalty Marketing Headed in 2012? An Inside Look at Trends Impacting the World of Customer Loyalty*

## Opportunity in mobile payments

An Aberdeen Group report, *The Mobile Payment Opportunity: Get Paid Anytime Anywhere*, offers a thorough analysis of mobile payments, from current market adoption to the value proposition, in terms of loyalty and cross-channel customer connectivity. The paper discusses current and planned capabilities for mobile payments and offers several key business strategies.

## The future is now for EMV

A white paper by Gemalto N.V. titled *The Migration to EMV Chip Technology* explores a U.S. payments landscape no longer dominated by mag-stripe technology. With Visa's accelerated initiative to drive Europay/MasterCard/Visa (EMV) technology adoption in the United States, Gemalto believes the time is right to implement contactless and mobile payments and offers cost considerations for merchants and card issuers.

## Transformations at the POS

According to Mercator Advisory Group, the POS terminal industry is undergoing revolutionary changes, marked by steady migration to a digital format, with electronic signature capture and email receipts effectively replacing paper transactions. *POS Terminals: On the Cusp of Change* examines the economic, geographic and technological developments reshaping the POS industry.

# DateBook

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CARTES in North America

**Highlights:** Based on the success of CARTES events globally, the inaugural CARTES in North America conference is coming to Las Vegas.

Technology and application demonstrations from a sold-out roster of 100 international exhibitors will offer an inside glimpse at innovations in card manufacturing, payment solutions, identification and authentication schemes, mobile payment innovations, and digital security.

To promote smart technology adoption in North America, leading experts in mobile commerce, smart technologies and digital security will present 70 sessions on such topics as near field communication, mobile payments, Europay/MasterCard/Visa deployment, trust, privacy and information technology security.

**When:** March 5 – 7, 2012

**Where:** The Mirage Hotel & Casino, Las Vegas

**Registration:** [www.cartes.com/divers2/cartes-in-north-america-5-7-march-2012-las-vegas-nv-usa](http://www.cartes.com/divers2/cartes-in-north-america-5-7-march-2012-las-vegas-nv-usa)



## IIR Holdings

Prepaid Expo USA 2012

**Highlights:** This independent expo is designed to generate business for the entire prepaid and stored-value community. Aims of this year's show are to promote prepaid businesses with next-generation solutions, discuss regulatory challenges and analyze technology disruptions to the industry. The seventh annual expo will boast more than 1,700 attendees and over 100 exhibitors.

Independent market research and an unbiased conference structure will create an atmosphere that gives industry professionals the chance to be inspired by provocative keynote speakers; connect with leading prepaid card providers; and discover the regulatory issues, emerging and mobile payment technologies, distribution challenges and consumer insights that are changing business practices today.

**When:** March 12 – 14, 2012

**Where:** Mandalay Bay Resort and Casino, Las Vegas

**Registration:** [www.iirusa.com/prepaid/welcome-page.xml?registration=XU2548GRST](http://www.iirusa.com/prepaid/welcome-page.xml?registration=XU2548GRST)



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## **Southeast Acquirers Association**

*2012 SEAA Annual Conference*

**Highlights:** The Southeast Acquirers Association's annual conference focuses on current issues of concern to merchant level salespeople and ISOs. Each year, the meeting brings industry leaders to the Southeast region of the United States for the purpose of advancing the success of the industry's feet on the street.

The 11th annual SEAA conference will begin with an opening reception, the popular Field Guide Seminar and W.Net's networking session for women attending the event.

The conference will feature keynote speaker Pam Joseph, Vice Chairman of U.S. Bancorp Payment Services and Chairman of Elavon Inc., as well as presentations by vetted payment experts. Ample time will be designated for networking in the exhibit hall, where more than 80 vendors and sponsors will be on hand.

A closing breakfast will be hosted in the hotel restaurant.

**When:** March 19 – 21, 2012

**Where:** Dallas Fairmont Hotel, Dallas

**Registration:** [www.southeastacquirers.com](http://www.southeastacquirers.com)



## **Electronic Transactions Association**

*ETA 2012 Annual Meeting & Expo*

**Highlights:** This premier payments industry event is returning to Las Vegas, where attendees will enjoy a host of educational and networking events geared for all segments of the industry. Approximately 2,500 payment professionals are expected to participate, along with more than 150 leading vendors.

Keynote speaker Guy Kawasaki, known as the original Mac evangelist, will offer ideas on how to create innovations that will increase revenue. Charles E. Cook Jr., an authority on federal policy-making and politics, will provide political analysis.

Strategic sessions will cover such topics as new technology, regulatory issues and social commerce. Slated pre-conference offerings include ETA University, Compliance Day, Selling Beyond Payments and Investment Community Forum.

**When:** April 17 – 19, 2012

**Where:** Mandalay Bay Hotel and Casino, Las Vegas

**Registration:** [www.electran.org/am12/?page\\_id=47](http://www.electran.org/am12/?page_id=47)



# Inspiration

WaterCoolerWisdom:

**If you're sincere, praise is effective. If you're insincere, it's manipulative.**

- Zig Ziglar

## Are you trying too hard?

**I**t sometimes seems that everything in the United States has to be over the top: television commercials with soundtracks so loud viewers hit mute on their remote controls to escape from the din; action movies with so many special effects the story gets buried by the gunfire, explosions and imploding buildings; and pop music performances so flashy the human emotions great songs can convey are overpowered by synthesizers, strobe lights and gyrations.

There is, of course, a place for stunning special effects and wild performances. But to be effective, all elements in a performance or presentation need to be appropriate to the audience and coordinated to create experiences that will be memorable and positive.

If something is too loud, too invasive, too pervasive, people will withdraw as quickly as possible. Conversely, if something is too soft or syrupy sweet, that will drive most people away, too.

### Too strong, too weak

Unfortunately, some salespeople tend to come on too strong in the mold of the dreaded used car salesman stereotype. Merchant level salespeople (MLSs) who approach merchants with overeager smiles and handshakes that are too firm are not signaling confidence and sincerity, just the opposite.

Merchants instinctively wonder what's behind the overheated act. Is it insecurity about selling ability? Is it lack of confidence about what's being sold? Whatever it is, merchants can usually tell it's not genuine.

Then there are those who are so sweet and lacking in backbone, they'll say yes to anything to make the sale – even if they won't be able to make money on the deal.

Both types of behavior may be well meaning; they may even represent a particular seller's customary attitude and way of interacting with people. But most of the time this is not the case, and merchants can perceive such behaviors as demeaning and manipulative, even predatory.

### Just right

You can do several things to make sure that rather than

repelling prospects, you come across in a way that puts them at ease:

- Appraise your performance by noticing the urges you get when on sales calls, either to overpower or overwhelm, and rather than act on them, observe your feelings and focus on what your prospect is saying instead.
- Go on a few sales calls with an MLS you admire. Take note of what that pro does, and compare and contrast the successful MLS's behavior with yours. Then adapt some of what your mentor does to make it your own.
- Practice your greetings in front of a mirror.
- Record a few of your presentations, determine your strengths and weaknesses, and build on the strengths.
- Research your prospects before you approach them so you will have real facts and insights to convey when you meet them.
- Become a complete expert on each and every one of your company's products and services, including how they compare to your primary competitors' offerings. And keep abreast of changes as your company's offerings evolve.
- No matter how much you improve, continue to study your profession by attending seminars and webinars offered by the industry's best salespeople. Trade association conferences are a good source of inspiration, insight and knowledge in this regard.

All of these actions will help build your confidence. And when you have confidence in yourself, your ideals and your company, you don't need to be blustery, put on false airs or cut your prices to win sales. Who you really are – as a person and a payment professional – is quite enough.

Reality may not be as flashy as illusion, but it has the benefit of being authentic. Merchants will trust you because you will be acting in a manner that is true to yourself.

Good Selling!<sup>SM</sup>



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# Advertiser Index

Advance Restaurant Finance (ARF).....	18	PCI Compliance/Bid Master .....	54
Alpha Card Services.....	38, 39	Planet Payment.....	45
CardPayment Solutions .....	48	POS Portal Inc.....	77
CARTES in North America .....	12	Process Pink Payments .....	47
CenPOS.....	25	Reliable Solutions.....	21
Central Payment.....	10	Reliant Processing Services.....	101
CoCard.....	15	Secure Payment Systems .....	93
CrossCheck Inc.....	91	SignaPay .....	28, 71
Cutter Financial LLC .....	57	Southeast Acquirers Association (SEAA) .....	61
Cynergy Data.....	35, 79	Spark Base .....	34
Electronic Merchant Systems.....	30	Spectra Payments.....	23
Electronic Payment Systems (EPS).....	16	Sterling Payment Technologies.....	80
Electronic Payments .....	103	Stream Cash LLC .....	84
Electronic Transactions Association (ETA).....	43	Super G Funding LLC .....	24
eProcessing Network LLC.....	22	TASQ.....	45
Equinox Payments .....	104	The Phoenix Group.....	27, 29, 31
EVO Merchant Services .....	37	TransFirst .....	19
First American Payment Systems.....	9	Transparentpay .....	69
First Legacy Asset Management .....	66	TriSource Solutions LLC .....	26, 88
Forwardline Financial.....	68	United Merchant Services .....	17
Harbor Touch.....	81, 82, 83	US Merchant Systems.....	41
Humboldt Merchant Services .....	2	USA ePay .....	51
ICG Software HIOPOS.....	85	Velocity Funding LLC.....	56
iPayment Inc. ....	67		
Jet Pay LLC.....	87		
JR's POS Depot .....	46		
Ladco Global Leasing Solutions .....	20		
Merchant Cash & Capital .....	99		
Merchant Services Inc. ....	95		
Merchant Warehouse .....	13		
Merchants Bancard Network Inc. ....	58, 59		
Merit Payment Solutions .....	63		
MLS Direct Network Inc.....	64, 65		
Nationwide Payment Solutions .....	11		
Network Merchants Inc. (NMI).....	52, 53		
North American Bancard .....	6, 7		
PayLeap .....	78		

## Inserts

Alpha Card Services  
North American Bancard  
Total Merchant Services

## Cover Wrap

Electronic Payments

## Business Reply Card

North American Bancard



... THERE WAS AN AD THAT HAD A GUY HOLDING A TERMINAL AND HE WAS WEARING A SPORT COAT AND THE PRICE WAS LIKE \$199 OR SOMETHING AND IT WAS BACK IN THE SUMMER. WHAT WAS THE COMPANY'S PHONE NUMBER ON THAT AD?

FREE PDF ARCHIVES OF ISSUES BACK TO OCTOBER 2001 (ISSUE 01:10:01). LOCATE PREVIOUS ADS, OR RESEARCH YOUR COMPANY'S AD HISTORY.

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A man with brown hair and a light blue shirt, looking upwards and to the right with a questioning or skeptical expression.

# Pinhead?

[pin-hed] *n. Slang*  
An unintelligent person.

*Avoid being one with Total Merchant Services.*

Who wants to get slapped with an  
undisclosed \$79 - \$99 Compliance Fee?

***Not your merchants!***

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

***Not You!***

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

***Not You!***

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

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



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

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

### Total Transparency

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

### Easy To Sell

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

### Honesty is our Everyday Policy

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

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

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

Who's going to have happier customers?

**You!**

Who's going to earn more money?

**You!**

Who's going to get more referrals?

**You!**

Who's going to break through in '11?

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